

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**INTERIM CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND 2008**

(In thousands of U.S. dollars - ThUS\$)

<b>ASSETS</b>	<b>Notes</b>	<b>2007</b>	<b>2008</b>
		ThUS\$	ThUS\$
<b>CURRENT:</b>			
Cash and banks		31,877	60,467
Time deposits	31	1,146,745	173,552
Marketable securities		2,560	8,397
Trade receivables, net	4	1,266,306	1,433,545
Notes receivable	4	142	358
Other receivables, net	4	255,602	242,294
Due from related companies	5	17,419	56,140
Inventories, net	6	1,672,755	2,010,978
Income taxes recoverable		88,209	150,528
Prepaid expenses		16,784	23,041
Deferred taxes	7	192,978	149,215
Other current assets		13,860	85,244
Total current assets		<u>4,705,237</u>	<u>4,393,759</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	8	58,826	67,237
Buildings and infrastructure	8	7,654,866	8,970,465
Machinery and equipment	8	7,063,336	7,400,411
Other plant and equipment	8	115,968	177,126
Technical appraisal revaluation	8	368,457	368,148
Accumulated depreciation	8	<u>(8,490,944)</u>	<u>(9,256,040)</u>
Net property, plant and equipment		<u>6,770,509</u>	<u>7,727,347</u>
<b>OTHER ASSETS:</b>			
Investments in related companies	9	874,603	1,081,459
Investments in other companies		1,193	1,713
Goodwill	10	21,082	19,906
Negative goodwill	10	(371)	(331)
Long-term receivables	4	188,468	204,297
Due from related companies	5	53,743	60,752
Intangibles		15,957	23,877
Accumulated amortization		(6,680)	(6,550)
Other assets	11	<u>552,258</u>	<u>525,836</u>
Total other assets		<u>1,700,253</u>	<u>1,910,959</u>
<b>TOTAL ASSETS</b>		<u><u>13,175,999</u></u>	<u><u>14,032,065</u></u>

The accompanying notes are an integral part of these consolidated interim financial statements

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**INTERIM CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2007 AND 2008**

(In thousands of U.S. dollars - ThUS\$)

<b>LIABILITIES AND EQUITY</b>	<u>Notes</u>	<u>2007</u>	<u>2008</u>
		ThUS\$	ThUS\$
<b>CURRENT LIABILITIES:</b>			
Banks and financial institutions:			
Current	12	133,855	81,649
Current portion of long-term debt	12	8,006	300,253
Current portion of bonds payable	14	36,114	336,819
Accounts payable		650,852	814,507
Notes payable		10	1,195
Miscellaneous payables		70,582	299,928
Due to related companies	5	110,702	151,218
Accruals	15	490,685	482,248
Withholdings		86,503	131,691
Income taxes payable		518,066	174,465
Deferred income		85,844	73,109
Other current liabilities		5,717	9,085
Total current liabilities		2,196,936	2,857,167
<b>LONG-TERM LIABILITIES:</b>			
Due to banks and financial institutions	13	600,000	400,322
Bonds payable	14	3,226,356	2,970,144
Notes payable		80,290	77,075
Miscellaneous payables		106,837	152,563
Due to related companies	5	484,323	449,883
Accruals	15	1,290,659	1,658,140
Deferred taxes	7	700,539	735,440
Other long-term liabilities		84,626	145,637
Total long-term liabilities		6,573,630	6,589,204
<b>MINORITY INTEREST</b>	17	3,925	3,282
<b>EQUITY:</b>			
Paid-in capital	18	1,524,423	1,524,423
Other reserves	18	1,654,361	1,760,276
Retained earnings:			
Retained earnings	18	400,000	500,000
Net income for the period	18	1,640,487	1,389,146
Profit distributions to the Chilean Treasury	18	(817,763)	(591,433)
Total net equity		4,401,508	4,582,412
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>13,175,999</u>	<u>14,032,065</u>

The accompanying notes are an integral part of these consolidated interim financial statements

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX  
MONTH PERIODS ENDED JUNE 30, 2007 AND 2008**

(In thousands of U.S. dollars - ThUS\$)

	<b>Notes</b>	<b>2007</b>	<b>2008</b>
		ThUS\$	ThUS\$
SALES		8,429,834	8,727,147
COST OF SALES		(3,653,778)	(4,481,613)
GROSS PROFIT		4,776,056	4,245,534
ADMINISTRATIVE AND SELLING EXPENSES		(143,497)	(170,652)
OPERATING INCOME		4,632,559	4,074,882
NON-OPERATING INCOME (EXPENSES):			
Interest income		40,092	32,525
Equity in income of related companies	9	250,576	224,891
Other income	19	93,811	171,704
Equity in losses of related companies	9	(1,967)	(4,116)
Amortization of goodwill	10	(588)	(588)
Interest expenses		(118,282)	(115,356)
Other expenses	19	(895,687)	(1,061,266)
Price level restatement	20	(334)	(562)
Foreign exchange differences	21	(10,312)	59,302
NON-OPERATING EXPENSES, NET		(642,691)	(693,466)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST		3,989,868	3,381,416
INCOME TAXES	7	(2,350,221)	(1,994,012)
INCOME BEFORE MINORITY INTEREST		1,639,647	1,387,404
MINORITY INTEREST	17	820	1,722
NET PROFIT		1,640,467	1,389,126
Amortization of negative goodwill		20	20
NET INCOME FOR THE PERIOD		1,640,487	1,389,146

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**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2007 AND 2008**  
(In thousands of U.S. dollars - ThUS\$)

	<u>Notes</u>	<u>2007</u> ThUS\$	<u>2008</u> ThUS\$
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income for the period	18	1,640,487	1,389,146
Gain on sale of property, plant and equipment		(1,038)	(8,967)
Charges (credits) to income which do not represent cash flows:			
Depreciation		269,532	286,652
Amortization		118,106	158,752
Write-offs and accruals		265,694	455,644
Equity in income of related companies	9	(250,576)	(224,891)
Equity in losses of related companies	9	1,967	4,116
Amortization of goodwill	10	588	588
Amortization of negative goodwill	10	(20)	(20)
Price level restatement	20	334	562
Foreign exchange differences	21	10,312	(59,302)
Other debits (credits) to income which do not represent cash flows		(11,933)	17,920
(Increase) decrease in assets which affect operating cash flows:			
Trade receivables		201,905	(546,103)
Inventories		(150,228)	(306,428)
Other assets		538,351	530,886
Increase (decrease) in liabilities which affect operating cash flows:			
Accounts payable related to operations		(23,838)	199,202
Interest payable		(17,420)	(5,626)
Income tax payable		407,744	154,101
Value added tax and other similar taxes payable		(16,070)	(209,029)
Minority interest		(1,270)	(1,722)
Net cash provided by operating activities		<u>2,982,627</u>	<u>1,835,481</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Loans obtained		2,026,500	2,475,700
Profit distributions to the Chilean Treasury		(2,067,800)	(2,349,797)
Loan repayments	17	<u>(1,976,000)</u>	<u>(2,723,274)</u>
Net cash used in financing activities		<u>(2,017,300)</u>	<u>(2,597,371)</u>
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Other investment income		32,936	48,509
Purchases of property, plant and equipment		(619,711)	(1,109,774)
Investments in related companies		(40)	
Investments in financial instruments			14,070
Loans granted to related companies		(8,010)	
Other investment disbursements		<u>(22,463)</u>	<u>(22,984)</u>
Net cash used in investing activities		<u>(617,288)</u>	<u>(1,070,179)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>348,039</u>	<u>(1,832,069)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>833,143</u>	<u>2,074,485</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>1,181,182</u>	<u>242,416</u>

The accompanying notes are an integral part of these consolidated interim financial statements

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

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#### 1. DESCRIPTION OF THE BUSINESS

Corporación Nacional del Cobre de Chile, Codelco - Chile (“Codelco”, or the “Company”) is registered under the Securities Registry N°785 of the Superintendency of Securities and Insurance (“Superintendency”). The Company is subject to the regulation of the Superintendency.

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a separate legal entity with its own equity. Codelco currently carries out its mining business through its Codelco Norte (made up of the following ex divisions: Chuquicamata and Radomiro Tomic), Salvador, Andina, El Teniente, and Ventanas Divisions. The Company also carries out similar activities in other mining deposits in association with third parties.

As is established in D.L. N°1350, Codelco’s financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company’s tax regime is established in D.L. N°1350, 2398 and 824.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED

**a. Accounting periods** - These interim consolidated financial statements reflect the financial position of the Company and its subsidiaries as of June 30, 2007 and 2008 and the results of their operations and cash flows for the six-month periods then ended.

**b. Basis of preparation** - The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants, and regulations of the Superintendency. Should there be any discrepancy between the above mentioned principles and regulations, the regulations of the Superintendency will prevail over accounting principles generally accepted in Chile.

**c. Reporting currency** - In accordance with Article 26 of D.L. N°1350, the Company’s records are kept in United States dollars.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

**d. Basis of consolidation** - In accordance with the regulations of the Superintendency and Technical Bulletins issued by the Chilean Institute of Accountants, the consolidated financial statements of the Company and its subsidiaries include the assets, liabilities, results of operations, and cash flows of the Company and the following subsidiaries:

Entity	As of June 30, Equity Investment			
	2007	2008		Total %
	Total %	Direct %	Indirect %	
Chile Copper Limited - England	100.0000	99.9900	0.0100	100.0000
Codelco Services Limited - England	100.0000	-	100.0000	100.0000
Codelco Group USA Inc. - United States	100.0000	99.9900	0.0100	100.0000
Codelco Metals Inc. - United States	100.0000	-	100.0000	100.0000
Copper Technology Investment Inc. - United States	100.0000	-	100.0000	100.0000
Semi Solid Metal Investors Llc. - United States	100.0000	-	100.0000	100.0000
Corporación del Cobre (USA) Inc. - United States	100.0000	-	100.0000	100.0000
Codelco International Limited - Bermudas	100.0000	99.9900	0.0100	100.0000
Codelco Technologies Ltd. - Bermudas	100.0000	-	100.0000	100.0000
Codelco do Brasil Mineracao S.A. - Brazil	100.0000	-	100.0000	100.0000
Mineracao Vale do Curaca - Brazil	51.0000	-	-	-
Codelco K�upferhandel GMHB - Germany	100.0000	99.9900	0.0100	100.0000
Metall Agentur GMBH - Germany	100.0000	-	100.0000	100.0000
Ecometales Ltda.	100.0000	-	100.0000	100.0000
Mining Information Communications and Monitoring S.A.	66.0000	66.0000	-	66.0000
Compa�a Minera Picacho SCM	100.0000	99.9900	0.0100	100.0000
Compa�a Contractual Minera Los Andes	100.0000	99.9700	0.0300	100.0000
Isapre Chuquicamata Limitada	98.3000	98.3000	-	98.3000
Elaboradora de Cobre Chilena Limitada	100.0000	99.0000	1.0000	100.0000
Asociaci�n Garantizadora de Pensiones	96.6900	96.6900	-	96.6900
Prestadora de Servicios San Lorenzo Limitada	99.9500	99.9500	-	99.9500
Isapre R�o Blanco Limitada	99.9901	99.9900	0.0001	99.9901
CMS - Chile Sistema y Equipos Mineros S.A.	100.0000	99.9900	0.0100	100.0000
Ejecutora Proyecto Hospital del Cobre Calama	100.0000	99.9900	0.0100	100.0000
Complejo Portuario Mejillones S.A.	100.0000	99.9900	0.0100	100.0000
Instituto de Innovaci�n en Miner�a y Metalurgia S.A.	99.9300	99.9300	-	99.9300
Santiago de R�o Grande S.A.	100.0000	99.9800	0.0200	100.0000
Biosigma S.A.	66.6700	66.6700	0.0000	66.6700
Exploraciones Mineras Andinas S.A.	100.0000	99.9000	0.1000	100.0000
Cl�nica R�o Blanco S.A.	100.0000	99.0000	1.0000	100.0000
Minera Gaby S.A.	100.0000	99.9000	0.1000	100.0000
Inversiones Copperfield Limitada	100.0000	99.9000	0.1000	100.0000
Energ�a Minera S.A.	-	99.0000	1.0000	100.0000
Termoel�ctrica Farellones S.A.	-	99.0000	1.0000	100.0000
Ecosea Farming S.A.	-	90.0000	0.0000	90.0000

The consolidated financial statements take into account the elimination of intercompany balances, significant intercompany transactions and unrealized gains and losses between the consolidated companies, including foreign and local subsidiaries. The participation of minority investors in consolidated subsidiaries has been presented as minority interest in the consolidated financial statements.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

Although Codelco directly and indirectly owns 66.75% of Electroandina S.A. and Inversiones Mejillones S.A., the Company does not have control nor the management of these entities, and therefore, in accordance with generally accepted accounting principles in Chile, the conditions required to consolidate these subsidiaries are not met and they have, therefore, been accounted for using the equity method of accounting.

The participations are:

- Electroandina S.A.

Codelco directly owns 34.8% of Electroandina S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has an ownership interest of 49% and its strategic partner Suez Energy Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Electroandina S.A.

- Inversiones Mejillones S.A.

Codelco directly owns 34.8% of Inversiones Mejillones S.A. and an indirect ownership interest through Inversiones Tocopilla Ltda., in which Codelco has a 49% interest and its strategic partner Suez Energy Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Inversiones Mejillones S.A.

**e. Constant currency restatement** - The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each period. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the six-month periods ended June 30, 2007 and 2008 were 1.9% and 3.2%, respectively.

**f. Basis of conversion** - The Company's assets and liabilities in Chilean pesos, mainly composed of cash, other receivables, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each period-end of Ch\$526.86 per US dollar as of June 30, 2007 and Ch\$526.05 per US dollar as of June 30, 2008.

#### UF-Denominated Assets and Liabilities

At June 30, 2007 and 2008, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of the period (2007: Ch\$526.86 and 2008: Ch\$526.05) and the UF value on the closing dates of the financial statements (2007: Ch\$18,624.17; 2008: Ch\$20,252.71).

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

The Company's income and expenses in Chilean pesos have been translated into US dollars at the observed exchange rate on the date on which each transaction was recorded in the accounting records.

Foreign exchange differences are debited or credited to income, in accordance with generally accepted accounting principles issued by the Chilean Institute of Accountants and regulations of the Superintendency.

The average exchange rates for the period from January 1 to June 30, 2007 and 2008 were Ch\$533.70 per US dollar and Ch\$467.21 per US dollar, respectively.

#### Chilean Subsidiaries

Assets and liabilities and income statement accounts in Chilean pesos as of June 30, 2007 and 2008 have been translated into US dollars at the exchange rates on those dates (Ch\$526.86 per US dollar in 2007 and Ch\$526.05 per US dollar in 2008).

#### Foreign subsidiaries

As of June 30, 2007 and 2008, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the exchange rates as of the respective period-end, as follows:

	2007	2008
	US\$	US\$
Pound sterling - UK	2.00763	1.99124
Euro	1.35336	1.57431
Mexican peso	0.09249	0.09701

**g. Time deposits** - Time deposits are recorded at cost plus accrued interest at each period-end.

**h. Marketable securities** - Marketable securities include mutual fund units stated at market value and other investments defined as marketable securities stated at the lower of cost or market value.

**i. Inventories** - Inventories are valued at cost, which does not exceed their net realizable value. Cost has been determined using the following criteria:

- Finished products and products in process:

Following the full-cost absorption method, finished products and products in process are valued at average production cost. Production costs include depreciation and amortization of property, plant and equipment and indirect expenses.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

- Materials in warehouse:

Materials in warehouse are valued at acquisition cost.

The Company calculates an obsolescence provision depending on the length of time in stock of materials experiencing slow turnover.

- Materials in transit:

Materials in transit are valued at the cost incurred.

**j. Allowance for doubtful accounts** - The Company records an allowance for doubtful accounts based on Management's experience and analysis, as well as the aging of the balances.

**k. Property, plant and equipment** - Property, plant and equipment are valued at historical cost as increased in corresponding assets and equity by technical appraisals performed by The American Appraisal Co. during 1982 to 1984, net of accumulated depreciation.

Construction in progress includes the amounts invested in property, plant and equipment under construction and in mining development projects.

Codelco does not capitalize interest.

The ore bodies owned by the Company are recorded in the accounts at US\$1 each. In accordance with the above, the economic value of these ore bodies differs from the accounting value.

**l. Depreciation** - Depreciation of property, plant and equipment is calculated on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(k) above, using the straight-line method over the estimated useful lives of the assets.

#### **m. Exploration, mine development and mine operating costs and expenses**

- Deposit exploration and drilling expenses:

Deposit exploration and drilling expenses are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

- Mine pre-operation and development costs (property, plant and equipment):

Costs incurred during the development phase of projects up to the production stage are capitalized and amortized under production unit method over the estimated period of future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the production phase.

- Expenses of developing existing mines:

These expenses are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.

- Costs of delineating new deposit areas of exploitation and of mining operations (property, plant and equipment):

These costs are recorded in property, plant and equipment and are amortized under production unit method to income over the period in which the benefits are obtained.

**n. Leased assets** - Property, plant and equipment under finance leasing contracts are recorded as other, plant and equipment. These leased assets have been valued at their net present value applying the implicit interest rate in the contracts and are depreciated using the straight-line method over the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase options.

**o. Investments in related companies** - Investments in domestic and foreign related companies, identified as permanent, are valued using the equity method in accordance with Technical Bulletins issued by the Chilean Institute of Accountants. Equity method investments in domestic companies, which are accounted for in Chilean pesos are expressed in US dollars at the year-end exchange rate. The differences which arise and are unrelated to the recognition of income are recognized in the item Other reserves in Equity. In applying the equity method, investments in foreign subsidiaries are expressed in US dollars.

Unrealized gains related to investments in related companies are credited to income at the same rate as the amortization of the transferred assets or mine production, as applicable.

**p. Investments in other companies** - The item investments in other companies represents the value of the shares that the Company has acquired for its operations but has no significant influence in their operations. These investments are recorded at cost, which do not exceed market value.

**q. Intangibles** - Intangibles are recorded at the amount of the disbursements made and are amortized in accordance with Technical Bulletin N°55 issued by the Chilean Institute of Accountants.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

**r. Income tax and deferred income taxes** - Include taxes on first category taxable income and the specific mining activity tax according to D.L. N°824, and D.L. N°2398.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for financial and tax purposes, in accordance with the Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

**s. Severance indemnities and other long-term benefits** - The Company has an agreement with its employees for the payment of severance indemnities. It is the Company's policy to provide for the total currently accrued obligation at nominal value.

Additionally, the Company has recorded the necessary provisions for the payment of health benefits agreed with the employees and ex-employees. The provisions are calculated at net present value using a discount rate which is equivalent to the interest rate applied in all its financing operations and with a term of 10 years.

Following its cost-reduction programs through the use of modern technologies, the Company has established personnel severance programs, with benefits that encourage retirement, for which the necessary provisions are made when the employee commits to his/her retirement.

**t. Revenue recognition** - Revenue for sales overseas are recognized at the time of shipment or delivery of the products in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared and is presented deducting trade receivables. Sales in Chile are recorded in accordance with Chilean regulations.

According to the note related to metal future market hedging policies, the Company carries out operations in future markets recording the final effects of these hedging transactions at the settlement date of the contracts.

These results are added or deducted from sales.

**u. Derivative contracts** - The Company's derivative contracts are entered into based on the following hedging policies:

- Hedging policies for exchange and interest rates

The Company contracts exchange rate hedge transactions to cover exchange rate variations between the US dollar and the other currencies its transactions are made in.

The Company has also contracted interest rate hedge transactions to cover fluctuations of interest rates for future obligations denominated in US dollars.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

The results of the exchange rate hedging contracts are recorded as of the date of maturity or settlement of the respective contracts, in conformity with Technical Bulletin N°57 issued by the Chilean Institute of Accountants.

The results of the hedging contracts for interest rates for future liabilities are amortized over the term of those liabilities.

- Hedging policies for future metal prices

In accordance with the policies approved by the Board of Directors the Company entered into contracts in order to hedge future metal prices, backed by physical production, in order to minimize the inherent risks in price fluctuations.

The hedging policies seek on the one hand to protect the expected cash flows from sale of products by fixing the prices for a portion of future production, and on the other hand to adjust physical contracts to its commercial policy, when necessary.

With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, which does not imply a risk for the Company.

When the sale agreements are fulfilled and the future contracts are settled, income from the sales and future operations are offset.

Hedging operations carried out by the Company in the futures markets are not of a speculative nature.

In accordance with the provisions of Technical Bulletin N°57 of the Chilean Institute of Accountants, the results of these hedging transactions are recorded at the settlement date of the hedging operations, as part of the sales revenue of the products.

**v. Computer software** - The costs associated with computer systems developed using the Company's own human resources and materials are charged to income in the period in which they are incurred.

In accordance with Circular N°981 dated December 28, 1990 of the Superintendency, computer systems acquired by the Company are capitalized at acquisition cost plus all related costs and are amortized over a period not exceeding four years.

**w. Research and development expenses** - Research and development expenses are charged to income as incurred.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

**x. Statement of cash flows** - Cash and cash equivalents includes unrestricted cash and bank balances, time deposits maturing within 90 days and financial instruments classified as short-term marketable securities, in accordance with Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

The Company has recognized cash flows from operating, investing or financing activities as required by Technical Bulletins issued by the Chilean Institute of Accountants and the regulations of the Superintendency.

**y. Bonds** - Bonds are presented at outstanding principal plus accrued interest at each period-end. The discount on bond issuance is capitalized as deferred expenses and the premium is capitalized as deferred income, and both are amortized using the straight-line method over the term of the bonds and is classified in the item Other Assets under Other Assets or in the item Other Long-Term Liabilities under Long-Term Liabilities, respectively.

**z. Environmental exit costs** - The Company has established a policy of accruing for future environmental exit costs, which mainly relate to tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the recording of a mine's environmental exit costs during its exploitation stage.

**aa. Law N° 13,196** - Law N°13,196 requires the payment of a 10% contribution to the Chilean Government on the export value of copper production and related by-products. The amount is included in the item Other Expenses in the statements of income.

**ab. Cost of sales** - The cost of sales includes direct and indirect costs and depreciation and amortization related to the production process.

**ac. Bond issuance cost** - Bond issuance cost is charged to the period's results, as is established in Circular N°1370 dated January 30, 1998 issued by the Superintendency.

**ad. Goodwill** - Goodwill is determined using the purchase method in accordance with the standards established by the Technical Bulletin N°72 of the Chilean Institute of Accountants. Goodwill is amortized over the period in which the benefits are expected to be obtained.

**ae. Negative goodwill** - The negative goodwill corresponds to the investment made by our subsidiary Codelco Technologies Limited in July 2006, and results from the creditor difference generated between the cost of the investment and the equity method of accounting at the purchase date, in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants.

**af. Operations with resale and repurchase agreement** - Purchases of financial instruments with resale and repurchase agreements are recorded at cost plus accrued interest and restatements at the period-end in accordance with the clauses of the respective contracts.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

**ag. Reclassification** - Certain 2007 figures have been reclassified to be comparative with 2008 figures.

### 3. CHANGES IN ACCOUNTING PRINCIPLES

At June 30, 2008, there are no changes in accounting policies and accounting criteria described in Note 2, with respect to the prior period.

### 4. CURRENT AND LONG-TERM RECEIVABLES

Current and long - term trade receivables, notes and other receivables and related allowances for doubtful accounts as of June 30, 2007 and 2008 are as follows:

	Current						Long-term	
	Less than 90 days		90 days to 1 year		Total		2007	2008
	2007	2008	2007	2008	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade receivables	1,268,306	1,435,099	-	-	1,268,306	1,435,099	-	-
Allowance for doubtful accounts	-	-	-	-	(2,000)	(1,554)	-	-
Total					<u>1,266,306</u>	<u>1,433,545</u>	<u>-</u>	<u>-</u>
Notes receivable	142	358	-	-	142	358	-	-
Other receivables	57,033	49,362	202,210	194,450	259,243	246,812	188,468	204,297
Allowance for doubtful accounts	-	-	-	-	(3,641)	(4,518)	-	-
Total					<u>255,602</u>	<u>242,294</u>	<u>188,468</u>	<u>204,297</u>

Current and long-term accounts receivables, notes and other receivables by geographical segment as of June 30, 2007 and 2008 are as follows:

Country / Region	As of June 30,			
	2007		2008	
	ThUS\$	%	ThUS\$	%
Chile	604,576	35.34	569,899	30.31
Europe and Africa	505,061	29.53	562,505	29.91
Asia	494,765	28.92	618,542	32.89
North America	81,565	4.77	117,922	6.27
Rest of South America	24,551	1.44	11,626	0.62
Total	<u>1,710,518</u>	<u>100.00</u>	<u>1,880,494</u>	<u>100.00</u>

#### Additional information

No provisions for unfinalized invoices were accrued according to the criteria described in Note 2t, at June 30, 2007 and 2008.

## **CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

#### **5. TRANSACTIONS WITH RELATED COMPANIES**

##### **a. Related transactions**

Codelco Chile's Board of Directors has established the policy according to which business with individuals and companies related to the Corporation should be conducted. This has been monitored by Management since December 1, 1995 through Corporate Regulation N°18 and its related administrative procedures.

Accordingly, Codelco cannot enter into agreements or acts in which one or more Directors, its Executive President, members of the Divisional Board of Directors, Vice Presidents, Corporate Internal Auditor, Divisional Chief Executive Officers and senior supervisory personnel, including their spouses, children and other relatives, up to the second degree of blood relationship, have direct personal interests, whether they are represented by third parties or they act as representatives of another person, without prior authorization as set forth in the aforementioned Policy and Regulation, and by the Board of Directors, when required by Law or the Company's By-Laws.

This prohibition also includes those companies in which such individuals are involved through ownership or management, whether directly or through representation of other natural persons or legal entities, or individuals who have ownership or management in those companies.

For purposes of this regulation, second and third hierarchical level positions in the Divisions, and Managers and Assistant Managers in the Parent Company are considered as senior supervisory positions.

In accordance with the policy established by the Board of Directors and its related regulation, those transactions affecting the Directors, its Executive President, Vicepresidents, Corporate Internal Auditor, the members of the Divisional Boards of Directors and Divisional Chief Executive Officers should be approved by this Board.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

The Board of Directors became aware of transactions regulated by Corporate Regulation N°18 which, in accordance with this internal policy, should be approved by it. The main transactions are indicated below for the total amounts, which should be performed in the terms specified by each agreement:

Company name	Nature of the relationship	June 30,	
		2007 ThUS\$	2008 ThUS\$
Insitu Ingeniería Construcción y Servicios S.A.	Relative of an executive	739	644
B. Bosch S.A.	Executive's spouse	664	570
Edyce S.A.	Relative of an employee	398	-
CMS Tecnología S.A.	Investee	13,809	-
Alejandro Mejía Correa	Relative of an employee	27	-
Juan Torres Peters	Relative of an executive	57	-
Compañía de Petróleos de Chile S.A.	Director's participation	14,771	1,078
Ara Worley Parsons S.A.	Executive participation	58	250
Carmen Pavez Díaz	Executive's spouse	-	81
Ingeniería Eléctrica Transboch Ltda.	Executive's spouse	-	38
Distrinor S.A.	Investee	117,400	-
Prodalam S.A.	Director's participation	42	3
Quadrem Chile Ltda.	Investee	45	-
Sodimac S.A.	Director's participation	28	-

#### b. Directors' Remuneration

During 2007 and 2008, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees:

##### b.1 Directors' Per Diems

Name	June 30,	
	2007 ThUS\$	2008 ThUS\$
Santiago González Larraín	-	11
Andrés Velasco Brañes	9	11
Nicolás Majluf Sapag	25	31
Jorge Bande Bruck	25	31
Eduardo Gordon Valcárcel	25	31
Jorge Candia Díaz	25	31
Raimundo Espinoza Concha	25	31
Karen Poniachik Pollak	9	-

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### b.2 Remuneration

Name	June 30,	
	2007	2008
	ThUS\$	ThUS\$
Jorge Candia Díaz	36	45
Raimundo Espinoza Concha	41	22

#### b.3 Fees

Name	June 30,	
	2007	2008
	ThUS\$	ThUS\$
Nicolás Majluf Sapag	-	26
Jorge Bande Bruck	-	26

#### c. Operations with Codelco investees

The Company also has commercial and financial transactions, that are necessary for its operations with entities in which it has a participation in equity. Financial transactions are mainly loans in current account. The conditions of loans to related companies that are current as at June 2007 and 2008 are detailed as follows:

##### c.1 Loans receivable:

Company	Transaction	2007		2008	
		Interest	Term	Interest	Term
Electroandina S.A. (1)	Line of credit	Libor+0.75% per annum	4 years	Libor+0.75% per annum	4 years
Electroandina S.A. (2)	Line of credit	-	-	Libor+1% per annum	2 years
CMS Tecnología S.A.	Mortgage	Libor 180 days+2.5% per annum	3 years	Libor 180 days+2.5% per annum	3 years

(1) Direct line of credit

(2) Line of credit in guarantee for external credits

##### c.2 Loans payable:

Company	Transaction	2007		2008	
		Interest	Term	Interest	Term
Electroandina S.A. (3)	Leasing	-	-	8% per annum	40 months

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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- (3) The subsidiary Minera Gaby S.A. has commissioned the design, construction, assembly and start up of the power supply line projects by means of a finance lease. Via this contract, Electroandina will assume ownership of the line project from provisional acceptance to the day on which Minera Gaby S.A. pays installment number 41, on which date it is agreed that the ownership of the line project will be transferred to Minera Gaby S.A. This line project has been operating since December 2007.

#### c.3 Notes and accounts receivable from related companies:

Company name	As of June 30,			
	Current		Long-term	
	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Minera Pecobre S.A. de C.V.	305	174	-	-
Copper Partners Investment Company Ltd.	11,163	9,365	-	-
Sociedad Contractual Minera El Abra	2,542	3,779	-	-
Electroandina S.A.	803	41,690	53,410	60,752
Agua de la Falda S.A.	245	249	-	-
CMS Tecnología S.A.	1,051	872	333	-
Fundición Talleres S.A.	1,310	-	-	-
Sociedad GNL Mejillones S.A.	-	11	-	-
Total	17,419	56,140	53,743	60,752

#### c.4 Notes and accounts payable to related companies:

Company name	As of June 30,			
	Current		Long - term	
	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Copper Partners Investment Company Ltd.	36,667	36,667	473,611	436,947
Sociedad Contractual Minera El Abra	49,786	71,417	-	-
Electroandina S.A.	22,213	43,026	10,712	12,936
CMS Tecnología S.A.	326	108	-	-
Fundición Talleres S.A.	1,710	-	-	-
Total	110,702	151,218	484,323	449,883

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### d. Transactions

Commercial transactions with related companies correspond to the purchase and sale of products or services at market conditions and values and they are not subject to interest or readjustments. These companies are: Sociedad GNL Mejillones S.A., Minera Pecobre S.A., Sociedad Contractual Minera Sierra Mariposa, Copper Partners Investments Company Ltd., Sociedad Contractual Minera Purén, Kairos Mining S.A., MI Robotic Solutions S.A., Inversiones Tocopilla Ltda., Sociedad Contractual Minera El Abra, Electroandina S.A., Agua de La Falda S.A., Fundición Talleres S.A., CMS Tecnología S.A., Comotech S.A. and Inversiones Mejillones S.A.. The detail is as follows:

Company name	Relationship	Description of the Transaction	As of June 30,			
			2007		2008	
			Amount	Effect on Income gain (loss)	Amount	Effect on Income gain (loss)
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Copper Partners Investment Company Ltd.	Investee	Sale of products	77,592	77,592	73,974	73,974
Sociedad Contractual Minera Purén	Investee	Dividends collected	63,000	-	15,750	-
Sociedad GNL Mejillones S.A.	Investee	Other expenses	2,064	(2,064)	158	-
		Purchase of services	-	-	8	(8)
		Capital contribution	-	-	62,500	-
Kairos Mining S.A.	Investee	Capital contribution	40	-	-	-
Sociedad Contractual Sierra Mariposa	Investee	Capital contribution	1,747	-	-	-
S.C. Minera El Abra	Investee	Purchase of products	256,548	(256,548)	290,832	(290,832)
		Sale of products	15,141	15,141	32,062	32,062
		Commissions earned	90	90	85	85
		Dividends collected	308,700	-	36,750	-
		Purchase of services	128	(128)	1,539	(1,539)
Electroandina S.A.	Investee	Purchase of electricity	94,788	(94,788)	268,831	(268,831)
		Interest income	1,681	(1,681)	1,737	(1,737)
		Gas supply	4,122	(4,122)	3,355	(3,355)
		Loans	-	-	27,389	-
		Purchase of services	413	(413)	5,612	(5,612)
Fundición Talleres S.A.	Investee	Purchase of products	9,448	(9,448)	-	-
		Sale of services	976	976	-	-
CMS Tecnología S.A.	Investee	Purchase of services	-	-	23,998	(23,998)
		Interest	-	-	35	35
Mining Industry Robotic Solutions S.A.	Investee	Lease of building	-	-	24	(24)
Quadren Chile Ltda.	Investee	Services	45	(45)	-	-

#### e. Other information

At June 30, 2008 and 2007, the short term and long-term accounts payable to the investee Copper Partners Investment Company Ltd. correspond to the balance of the advance received (US\$550 million) in accordance with the commercial agreement with Minmetals (Note 25c).

At June 30, 2008 and 2007, the long-term accounts receivable from the investee Electroandina S.A. corresponds to the balance of credit line pending amortization in accordance with the Shareholders Agreement.

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

**6. INVENTORIES**

The breakdown of inventories is as follows:

	<b>As of June 30,</b>	
	<b>2007</b>	<b>2008</b>
	ThUS\$	ThUS\$
Finished products	574,717	587,378
Work in progress	866,700	1,150,460
Materials in warehouse and others, net	231,338	273,140
<b>Total</b>	<b>1,672,755</b>	<b>2,010,978</b>

At June 30, 2008, the Company has started the operation activities related to the Gabriela Mistral project; therefore the total amount of inventories includes MTF 4,339 from this deposit.

The value of inventories is presented net of the obsolescence allowance for materials in warehouse for ThUS\$50,900 and ThUS\$53,161 as of June 30, 2007 and 2008, respectively.

At June 30, 2007 and 2008 finished products are presented net of unrealized profits of ThUS\$51,151 and ThUS\$50,850, respectively, corresponding to purchase and sale operations to investees, which in accordance with generally accepted accounting principles in Chile, have to be deducted from the items that originated them.

**7. INCOME AND DEFERRED TAXES**

**a. Deferred taxes:**

The deferred tax calculated in accordance with the policy described in Note 2r) at June 30 2007, represents a net liability of ThUS\$507,561 and a net liability of ThUS\$586,225 at June 30, 2008).

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### b. Income taxes:

At June 30, 2007, and 2008 the charge to income for first category income tax is the following:

	<b>As of June 30,</b>	
	<b>2007</b>	<b>2008</b>
	ThUS\$	ThUS\$
First category Income tax (17%)	551,032	460,334
D.L. 2398 (40%)	1,411,105	1,158,688
Specific tax on mining activity (5%)	179,060	161,526
<b>Total</b>	<b>2,141,197</b>	<b>1,780,548</b>

The subsidiaries' income tax provision charged to income amounted to ThUS\$580 at June 30, 2007 and a credit to income amounted to ThUS\$2,646 at June 30, 2008.

This provision is presented in Income tax payable, net of estimated provisional monthly tax payments and other tax credits.

#### c. Deferred taxes:

The detail of deferred taxes is as follows:

	<b>As of June 30,</b>					
	<b>2007</b>			<b>2008</b>		
	Asset		Liability	Asset		Liability
	Current	Long-term	Long-term	Current	Long-term	Long-term
<b>Temporary differences</b>						
ThUS\$						
Allowance for doubtful accounts	-	2,075	-	-	2,576	-
Deferred income	30,569	290,859	-	25,724	269,960	-
Vacation accrual	50,209	-	-	61,760	-	-
Leased assets	-	658	-	-	7,642	-
Depreciation PP&E	-	-	1,463,420	-	-	1,494,477
Other accruals	76,054	59,465	-	25,684	73,963	126,938
Obsolescence provisions	-	29,013	-	-	30,302	-
Contingencies accrual	-	67,042	-	-	47,657	-
Environmental exit costs provision	-	93,417	-	-	254,627	-
Hedging of bonds	-	33,255	4,507	-	67,587	-
Unrealized gains with related parties	29,157	75,957	-	28,985	66,195	-
Domestic and foreign bonds costs	-	-	15,607	-	-	14,088
Special retired employees plan accrual	6,989	24,689	-	7,062	24,140	-
Health program accrual	-	106,565	-	-	110,281	-
Others from subsidiaries	-	-	-	-	-	54,867
<b>Total</b>	<b>192,978</b>	<b>782,995</b>	<b>1,483,534</b>	<b>149,215</b>	<b>954,930</b>	<b>1,690,370</b>

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

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(In thousands of U.S. dollars - ThUS\$)

**d. Income tax expense:**

<b>Item</b>	<b>Six-month period ended June 30,</b>	
	<b>2007</b>	<b>2008</b>
	<b>ThUS\$</b>	<b>ThUS\$</b>
Current tax	(2,141,777)	(1,777,902)
Deferred tax	(208,444)	(216,110)
Total	<u>(2,350,221)</u>	<u>(1,994,012)</u>

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 8. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

##### a. Property, plant and equipment, gross

	As of June 30,	
	2007	2008
	ThUS\$	ThUS\$
<b>Land</b>		
Land	58,450	66,857
Mining rights	376	380
Subtotal	58,826	67,237
<b>Buildings and infrastructure</b>		
Infrastructure	1,922,204	1,983,160
Buildings	2,112,088	2,170,465
Housing	129,291	152,552
Construction in progress	975,531	1,841,271
Development of mines and mining operations	2,343,822	2,656,876
Forestation and forest development	944	944
Buildings and infrastructure of subsidiaries	170,986	165,197
Subtotal	7,654,866	8,970,465
<b>Machinery and equipment</b>		
Machinery and equipment	6,228,488	6,565,009
Transport equipment	795,677	790,646
Furniture and fixtures	25,374	25,038
Machinery and equipment of subsidiaries	13,797	19,718
Subtotal	7,063,336	7,400,411
<b>Other plant and equipment</b>		
Improvements in leased land	4,722	4,722
Leased buildings	94,708	99,062
Leased machinery and equipment	15,446	35,250
Leased transport equipment	-	21,113
Other assets of subsidiaries	1,092	15,620
Other plant and equipment	-	1,359
Subtotal	115,968	177,126
<b>Technical appraisal revaluation</b>	368,457	368,148
Total gross property, plant and equipment	15,261,453	16,983,387

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### b. Accumulated depreciation

	<b>As of June 30,</b>	
	<b>2007</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>Buildings and infrastructure</b>		
Infrastructure	1,547,312	1,617,408
Buildings	1,508,782	1,583,277
Housing	165,882	165,428
Development of mines and mining operations	942,862	1,206,551
Subtotal	4,164,838	4,572,664
<b>Machinery and equipment</b>		
Machinery and equipment	3,746,455	4,072,087
Transport equipment	491,602	520,186
Furniture and fixtures	24,294	23,737
Subtotal	4,262,351	4,616,010
<b>Other plant and equipment</b>		
Improvements in leased land	551	1,023
Leased buildings and infrastructure	17,322	24,257
Leased machinery and equipment	2,502	5,190
Leased transport equipment	-	2,147
Subtotal	20,375	32,617
Accumulated depreciation from subsidiaries	43,380	34,749
Total accumulated depreciation	8,490,944	9,256,040

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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**c. Depreciation for the period**

	<b>Six-month period ended June 30,</b>	
	<b>2007</b>	<b>2008</b>
	ThUS\$	ThUS\$
<b>Buildings and infrastructure</b>		
Infrastructure	33,652	35,197
Buildings	36,607	36,680
Housing	466	598
Development of mines and mining operations	<u>108,116</u>	<u>110,211</u>
Subtotal	<u>178,841</u>	<u>182,686</u>
<b>Machinery and equipment</b>		
Machinery and equipment	160,448	165,138
Transport equipment	31,170	30,897
Furniture and fixtures	<u>157</u>	<u>147</u>
Subtotal	<u>191,775</u>	<u>196,182</u>
<b>Other plant and equipment</b>		
Improvements in leased land	236	236
Leased buildings and infrastructure	3,220	3,385
Leased machinery and equipment	1,037	2,337
Leased transport equipment	<u>-</u>	<u>1,413</u>
Subtotal	<u>4,493</u>	<u>7,371</u>
Depreciation and amortization from subsidiaries	<u>2,540</u>	<u>1,119</u>
Total depreciation and amortization for the period	<u><u>377,649</u></u>	<u><u>387,358</u></u>

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### d. Technical appraisal revaluation

	<b>As of June 30, 2007</b>			
	<b>Technical appraisal revaluation</b>			
	<b>Property, plant and equipment, gross</b>	<b>Accumulated depreciation</b>	<b>Depreciation for the period</b>	<b>Property, plant and equipment, net</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Buildings	110,897	(108,296)	(802)	2,601
Transport equipment	850	(764)	(3)	86
Housing	44,531	(43,359)	(119)	1,172
Machinery	10,468	(10,244)	(72)	224
Furniture and fixtures	19	(19)	-	-
Infrastructure	201,692	(184,765)	(946)	16,927
	<u>368,457</u>	<u>(347,447)</u>	<u>(1,942)</u>	<u>21,010</u>
Total	<u>368,457</u>	<u>(347,447)</u>	<u>(1,942)</u>	<u>21,010</u>

	<b>As of June 30, 2008</b>			
	<b>Technical appraisal revaluation</b>			
	<b>Property, plant and equipment, gross</b>	<b>Accumulated depreciation</b>	<b>Depreciation for the period</b>	<b>Property, plant and equipment, net</b>
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Buildings	110,693	(109,702)	(236)	991
Transport equipment	850	(771)	(3)	79
Housing	44,460	(43,557)	(97)	903
Machinery	10,433	(10,333)	(13)	100
Furniture and fixtures	19	(19)	-	-
Infrastructure	201,693	(186,656)	(915)	15,037
	<u>368,148</u>	<u>(351,038)</u>	<u>(1,264)</u>	<u>17,110</u>
Total	<u>368,148</u>	<u>(351,038)</u>	<u>(1,264)</u>	<u>17,110</u>

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

**e. Other plant and equipment**

Other plant and equipment includes assets acquired under capital leases as follows:

	<b>As of June 30,</b>	
	<b>2007</b>	<b>2008</b>
<b>Leased Assets:</b>	<b>ThUS\$</b>	<b>ThUS\$</b>
<b>Improvements in leased land</b>		
Improvements in leased land	4,722	4,722
Subtotal	<u>4,722</u>	<u>4,722</u>
<b>Buildings and infrastructure</b>		
Buildings and infrastructure	94,708	99,062
Subtotal	<u>94,708</u>	<u>99,062</u>
<b>Leased machinery and equipment</b>		
Leased machinery and equipment	15,446	35,250
Leased transport equipment	-	21,113
Subtotal	<u>15,446</u>	<u>56,363</u>
<b>Accumulated depreciation:</b>		
<b>Improvements in leased land</b>		
Improvements in leased land	551	1,023
Subtotal	<u>551</u>	<u>1,023</u>
<b>Buildings and infrastructure</b>		
Buildings and infrastructure	17,322	24,257
Subtotal	<u>17,322</u>	<u>24,257</u>
<b>Leased machinery and equipment</b>		
Leased machinery and equipment	2,502	5,190
Leased transport equipment	-	2,147
Subtotal	<u>2,502</u>	<u>7,337</u>

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### **f. Additional information**

- f.1 On January 9, 2006, the Board of Directors of Codelco approved the Gaby Project, which involves the exploitation of 584 million tons. At June 30, 2008, said project is under construction and ThUS\$951,943 are included in the Construction in progress item related to the Gaby Project.
- f.2 Assets acquired through capital leases correspond mainly to buildings, infrastructure and machinery and equipment, and are included in Other property, plant and equipment. Contracts are expressed in UF, at an average annual interest rate of 7.92%, and with amortization periods of up to 300 months and are included in Miscellaneous payables, according to their maturity.

#### **9. INVESTMENTS IN RELATED COMPANIES**

##### **Investments in foreign companies:**

Codelco's foreign subsidiaries facilitate the Company's commercial activity in different foreign markets.

The Company has not assumed any liabilities as hedging instruments to cover its foreign investments.

##### **Additional information:**

The following are the companies in which Codelco has participation and which have not been consolidated:

- Agua de la Falda S.A.

In 1996, Agua de La Falda S.A. was formed by Codelco (49%) and Minera Homestake (51%).

The company's business objective is the exploration and exploitation of gold and other ore deposits in Region III of Chile.

In 2004, Codelco - Chile did not participate in the capital increase carried out by Agua de la Falda S.A., decreasing its participation from 49% to 43%.

In September 2006, the Corporation acquired 56,72% through its subsidiary Inversiones Copperfield Ltda. The purchase of said participation amounted to ThUS\$12,000. Subsequently, Inversiones Copperfield Ltda. sold its participation in ThUS\$20,000 to Minera Meridian Ltda. generating a gain of ThUS\$8,000.

## **CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

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- Geotérmica del Norte S.A.

Geotérmica del Norte S.A. is a private company whose business objective is the exploration and exploitation of geothermal deposits located between the Regions I, II and III of Chile and the sale, of all products and by-products derived directly or indirectly from the conduct of the aforementioned activities. In March 2006, the Company sold 45.1% of its ownership to Enel Latin America (Chile) S.A., and therefore at March 31 it records a 5% interest. The sale price of the shares was ThUS\$1,215 generating a loss of ThUS\$12.

- Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a Mexican Company with variable capital formed by the Mexican company Minas Peñoles S.A. de C.V. and Codelco, with share holdings of 51% and 49%, respectively.

The Company's line of business is the exploration of copper and by-products in mining area concessions in the state of Sonora, Mexico. Through other mining companies, the company also explores processes and sells minerals found in the mining areas.

- Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Suez Energy Andino S.A. has a 51% interest and Codelco a 49% interest.

The main business of Electroandina S.A., a public company, is the generation, transmission and distribution of electric energy in Region II of Chile. Inversiones Tocopilla Ltda. holds 65.2% and Codelco holds 34.8%. Electroandina S.A.'s main assets were acquired from the Codelco's former Tocopilla Division.

Codelco has direct and indirect ownership of 66.75% of Electroandina S.A.

- Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco (49%) and Cyprus El Abra Company (51%), with Cyprus Amax Minerals Company as a guarantor, both linked to the Phelps Dodge mining consortium, to develop and exploit the El Abra deposit.

Codelco's investment in the project consisted of the contribution of a number of mining properties. The financing agreements for the project became effective September 15, 1995 and include the following obligations during the term of the agreements:

- a) A long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra.

## **CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.
- Inversiones Mejillones S.A.

Inversiones Mejillones S.A. was formed on March 20, 2002, with a direct ownership of 34.8% by Codelco and 65.2% by Inversiones Tocopilla Ltda. Codelco owns 49% of the capital of Inversiones Tocopilla Ltda.

Inversiones Mejillones S.A. was formed with the objective of acquiring an 82.34% of the shares of Empresa Eléctrica del Norte S.A. (Edelnor), and with the purpose of rescheduling its financial obligations and coordinating the operations of Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor.

Codelco has direct and indirect ownership of 66.75% of inversions Mejillones S.A.

- Sociedad Contractual Minera Purén

Sociedad Contractual Minera Purén was formed on September 23, 2003 by Corporación Nacional del Cobre de Chile and Compañía Minera Mantos de Oro, with shareholding of 35% and 65%, respectively.

The company's objective is the exploration, prospecting, research, development and exploitation of mining projects.

- Fundición Talleres S.A.

Fundicion Talleres S.A. is a private company formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Ltda. On October 23, 2003 Fundición Talleres S.A. acquired, from the Talleres Division of Codelco, machinery and other operational assets at a book value of ThCh\$8,066,432 (historic) (ThUS\$12,560). On January 23, 2004 Codelco sold 60% of its ownership to Compañía Electro Metalúrgica S.A., generating a loss of ThUS\$2,744, which was charged to 2004 results.

On December 10, 2007, Elecmetal S.A. exercised the option to purchase 40% of the shares issued by Fundición Talleres S.A. that were owned by Codelco. The sale price was ThUS\$9,575, generating a ThUS\$845 gain that was recognized in income at December 31, 2007.

Its purpose is the manufacture of steel and fittings spare parts.

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### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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- CMS Tecnología S.A.

CMS Tecnología S.A., is a private company, whose purpose is to manufacture, market, maintain, repair and distribute mining equipment and spares.

On October 4, 2005, the Company sold to ABB Chile S.A. 70% of CMS Tecnología S.A. shares for ThUS\$7,000, resulting in a gain of ThUS\$832.

- Quadrem International Limited and Copper Partners Invertment Company Ltd.

Through Codelco Internacional and its subsidiary Codelco Technologies Limited, the Company has invested in Quadrem International Holdings Limited, a global company comprised of 18 of the most significant global mining companies to operate in an electronic market, in which companies may buy and sell goods and services.

In March 2006, Codelco Chile through its subsidiary Codelco Internacional Ltd., signed an agreement with Minmetals for the creation of the company Copper Partners Investment Company Ltd, which is equally owned by the two parties.

- Sociedad Contractual Minera Sierra Mariposa

Sociedad Contractual Minera Sierra Mariposa was formed on March 15, 2007, with Codelco holding a 33.3% ownership interest and Exploraciones e Inversiones PD Chile Limitada holding a 66.7% ownership interest, with the business purpose of exploring, surveying, prospecting, investigating, developing and exploiting mining deposits in order to extract, produce and process ore concentrates or other mineral products. Its capital is ThUS\$5,247, with Codelco having 33.3% interest.

On October 9, 2007, an Extraordinary Shareholders Meeting was held to modify the company's capital. The Corporation did not subscribe, which caused its ownership interest to be reduced to 23.73%.

- Kairos Mining S.A.

On January 22, 2007, Codelco Chile, together with Honeywell Chile S.A., formed Sociedad Kairos Mining S.A., with an initial capital of ThUS\$100, with a 40% and 60% ownership interest, respectively.

## **CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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The corporate purpose is:

- a) To supply automation and control services for industrial and mining activities;
  - b) To develop advanced control system technology and applications for industrial and mining activities;
  - c) To license technology and software, together with the services set out in letter a);
  - d) To commercialize, distribute, import, export and generally trade, on its own or through third parties, any of the services mentioned in letter a) and any other service for industrial or mining activities.
- Mining Industry Robotic Solutions S.A.

On August 29, 2007, Codelco Chile and Support Company Limitada, Nippon Mining & Metals Co Ltd y Kuka Roboter GmbH, formed Mining Industry Robotic Solutions S.A., in which Codelco holds a 36% ownership interest.

The corporate purpose is:

- a) The research, design, creation, invention, manufacture, installation, supply, maintenance and commercialization in any form, of robotic products, robotic technology products or necessary or complementary inputs for the commercialization and maintenance of such products that are capable of being used in the mining and metallurgical industries and their related services.
  - b) To produce under license, to license and commercialize product licenses processes and services of robotic nature for the mining and metallurgical industry, as well as all other forms of use by third parties of products or services based on such technology.
  - c) The Company may also form all kinds of limited liability companies and private corporations and become a partner or a shareholder of any existing company, being able to develop business activities on its own or through companies that it forms or of which it becomes a partner.
- Sociedad GNL Mejillones S.A.

On January 31, 2007, Codelco Chile and Sociedad de Inversiones Copperfield Ltda. formed Sociedad GNL Mejillones S.A., with a capital of ThCh\$1,000 (one million Chilean pesos), with Codelco holding a 99.9% ownership interest. Its business purpose is the production, storage, transport and distribution of all types or classes of fuel, and the acquisition, construction, maintenance and exploitation of the infrastructure facilities and physical works necessary to transport, receive, process and store, both in Chile and abroad, singly or in partnership with third parties.

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

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On October 4, 2007, Codelco Chile's Board of Directors, in an extraordinary meeting, unanimously agreed to confirm Codelco's participation in the GNL Project, through GNL Mejillones S.A., changing its ownership interest in that company to 50%. The remaining 50% is assumed by Suez Energy Andino S.A.

- Comotech S.A.

Comotech S.A. is a private company formed on January 24, 2008 by Copper Technology Investments Inc., Molibdenos y Metales S.A. and Universidad de Chile, each with a 33.33% ownership interest in that company.

The corporate purpose is to develop investigation activities in order to increase the demand of molybdenum locally and internationally through new and better applications, uses and or markets.

**Contributions to paid in capital of related companies**

During the periods between January 1 and June 30, 2007 and 2008 Codelco made capital contributions, in cash or by capitalizing account receivables, for ThUS\$1,787 and ThUS\$62,500 respectively, as follows:

	<u>2007</u>	<u>2008</u>
	ThUS\$	ThUS\$
Sociedad Kairos Mining S.A.	40	-
Sociedad Contractual Minera Sierra Mariposa	1,747	-
Sociedad GNL Mejillones S.A.	-	62,500

These capital contributions were recorded at book value in accordance with Technical Bulletin N°72 issued by the Chilean Institute of Accountants.

**Additional information on unrealized gains:**

The Company has recognized unrealized gains on the contribution of mining properties, property, plant and equipment and ownership rights. The most significant transactions are detailed as follows:

**Sociedad Contractual Minera El Abra**

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. The gain is recognized based on the depletion of Sociedad Contractual Minera El Abra. At June 30, 2007 and 2008 gains ThCh\$7,479 and ThUS\$9,648, respectively, were recognized. At June 30, 2007 and 2008 finished products are presented under the Inventories item, net of unrealized gains for ThUS\$15,897 and ThUS\$0, respectively.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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The detail of investments in related companies is as follows:

Company	Number of Shares	Percentage owned		Equity in income (loss)		Unrealized gain		Book value of the investment	
		2007	2008	2007	2008	2007	2008	2007	2008
		%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
		As of June 30,							
Minera Pecobre S.A. de C. V .	481,794	49.00	49.00	(750)	(635)	-	-	648	289
Quadrem International Holdings Ltd.	1,319,797	6.00	6.00	-	-	-	-	706	706
Cooper Partners Investment Company Ltd.	-	50.00	50.00	2,760	8,326	-	-	132,928	113,765
Soc. Contractual Minera Sierra Mariposa	-	33.30	23.73	(120)	(216)	-	-	1,627	1,192
Soc. Contractual Minera Puren	350	35.00	35.00	40,007	14,342	-	-	1,692	6,423
Soc. GNL Mejillones S.A.	-	99.90	50.00	-	(2,609)	-	-	-	83,020
Kairos Mining S.A.	-	40.00	40.00	(13)	-	-	-	27	49
Mining Industry Robotic Solutions S.A.	-	-	36.00	-	(340)	-	-	-	916
Inversiones Tocopilla Ltda.	-	49.00	49.00	9,355	25,437	-	-	191,135	232,879
S.C. Minera El Abra	49,000	49.00	49.00	184,504	149,024	133,258	116,131	318,681	380,935
Electroandina S.A.	126,319,895	34.80	34.80	(1,084)	6,826	-	-	116,732	122,291
Agua de La Falda S. A.	17,052	43.00	43.00	2,129	54	-	-	6,080	6,125
CMS Tecnología S.A.	603,044	30.00	30.00	76	(316)	-	-	1,828	1,611
Inversiones Mejillones S.A.	18,671	34.80	34.80	11,265	20,882	-	-	91,067	131,258
Fundición Talleres S.A.	426,429	40.00	-	480	-	-	-	11,452	-
Comotech S.A.	-	-	-	-	-	-	-	-	-
<b>Total</b>				<b>248,609</b>	<b>220,775</b>	<b>133,258</b>	<b>116,131</b>	<b>874,603</b>	<b>1,081,459</b>

## 10. GOODWILL AND NEGATIVE GOODWILL

### Goodwill

The detail of goodwill is as follows:

Company	As of June 30,			
	2007		2008	
	Amount amortized in the period	Total goodwill	Amount amortized in the period	Total goodwill
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Fundición y Refinería Las Ventanas	588	21,082	588	19,906

The Law N°19,993 dated December 17, 2004 authorized Empresa Nacional de Minería (ENAMI) to sell real estate, equipment, a laboratory, furniture and vehicles, rights and licenses and other movable goods and intangible goods, forming the industrial mining metallurgical complex called Fundición y Refinería Las Ventanas.

Such acquisition was completed on May 1, 2005 for US\$391 million plus VAT for US\$2.5 million on taxed fixed assets. Such transaction mainly consisted in the acquisition of the assets of the industrial complex and certain liabilities related to the industrial complex's employee benefits.

As a result of this transaction goodwill was generated which is amortized over 20 years, since the date of acquisition in accordance with the estimated life of return on the investment.

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#### Negative goodwill

The detail of negative goodwill is as follows:

Company	As of June 30,			
	2007		2008	
	Amortization in negative goodwill ThUS\$	Negative goodwill ThUS\$	Amortization in negative goodwill ThUS\$	Negative goodwill ThUS\$
Alliance Copper Ltd. (now Ecometales Ltd.)	20	371	20	331

At July 31, 2006, the subsidiary Codelco Technologies Limited acquired the remaining 50% ownership in Alliance Cooper Limited (now Ecometales Ltd.) for ThUS\$10,000. Said operation generated a net negative goodwill of ThUS\$371 in 2007 and ThUS\$331 in 2008.

The indirect subsidiary Codelco Technologies Ltd. recorded the increase of this investment according to Technical Bulletin N°72 issued by the Chilean Institute of Accountants.

#### 11. OTHER ASSETS

At June 30, 2007 and 2008, other assets are as follows (net values):

	As of June 30,	
	2007	2008
	ThUS\$	ThUS\$
Interest rate hedging (1)	7,907	-
Complementary activities (2)	19,359	14,756
Discount on issues of bonds (3)	27,380	24,717
Nueva Calama integration project (4)	357,222	260,349
Hedging - exchange rates (5)	118,355	162,143
Law N°13,196 (6)	-	47,361
Other	22,035	16,510
Total other	<u>552,258</u>	<u>525,836</u>

(1) Corresponds to payments made for variations in interest rate hedging operations related to bank obligations in U.S. dollars and which were paid in January 2008 (Note 24a).

(2) Corresponds to disbursements related to improvements to tailing dams and hydro and geological activities, which are amortized over a maximum period of 6 years, depending on the related activity.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

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- (3) Corresponds to bond discount on issuances made in Chile and United States. These are amortized using the straight-line method over the term of these bonds to the maturity dates (2012, 2013, 2014, 2035 and 2036).
- (4) Corresponds to expenses incurred in moving the camp from Chuquicamata to Calama City due to the development of the mine, the extension of waste tips and the improvement of the environmental conditions in the camp.
- (5) Corresponds to the net account receivable in connection with exchange rate hedging contracts entered into to protect the Company against the future variation of other currencies against the U.S. dollar which are used in Codelco's operations (Note 24b).
- (6) Corresponds to the obligation related to the Law N°13196, which also is shown in the item Accruals under Current liabilities. This amount relates to the advance received by the Company as a result of the sales agreement signed with Copper Partners Investment Company Limited (Note 25c). This amount will be amortized according to the actual shipments.

## 12. CURRENT LIABILITIES DUE TO BANKS AND FINANCIAL INSTITUTIONS

### a. Current obligations

Bank or financial institution	Currency	As of June 30,	
		2007 ThUS\$	2008 ThUS\$
Dresdner Bank	Euros	47,301	35,496
Banco de Chile (SPOT)	US\$	2,000	-
Banco de Crédito e Inversiones (SPOT)	US\$	3,000	-
Scotiabank (SPOT)	US\$	20,000	-
Banco Santander (SPOT)	US\$	21,000	38,000
BBVA - BHIF	US\$	18,500	-
BBVA - BHIF	UF	-	301
BancoEstado	US\$	8,000	-
Others	UF	457	-
Thrinkaus & Burkhardt	Euros	13,597	7,852
Totals		<u>133,855</u>	<u>81,649</u>
Principal outstanding		<u>133,855</u>	<u>81,649</u>
Average interest rate	US\$	<u>4.41%</u>	<u>3.43%</u>
Average interest rate	Euros	<u>4.41%</u>	<u>4.65%</u>
Percentage of obligations in US dollars		<u>54.16%</u>	<u>46.54%</u>
Percentage of obligations in Euros		<u>45.50%</u>	<u>53.09%</u>

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### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### Additional information

U.S. dollar (SPOT) sales operation, maturing within no more 48 hours, are presented in Short-term liabilities with banks and financial institutions.

#### b. Current portion of long-term obligations

Bank or financial institution	Currency	As of June 30,	
		2007	2008
		ThUS\$	ThUS\$
Citibank N.A.	US\$	7,630	-
The Bank of Tokyo - Mitsubishi Ltd.	US\$	376	300,143
BBVA Bancomer S.A.	US\$	-	110
Total		<u>8,006</u>	<u>300,253</u>
Principal outstanding	US\$	<u>8,000</u>	<u>300,000</u>
Average interest rate	US\$	<u>4.41%</u>	<u>3.43%</u>
Percentage of obligations in US dollars		<u>100%</u>	<u>100%</u>

### 13. BANKS AND FINANCIAL INSTITUTIONS LONG-TERM

These obligations accrue interest at variable rates based on Libor.

Bank or financial institution	Currency	As of June 30, 2008				Annual average interest rate
		As of June 30, 2007	Years to maturity		Total	
			After 1 year but within 2 years	After 5 years but within 10 years		
		ThUS\$	ThUS\$	ThUS\$	ThUS\$	%
BBVA Bancomer S.A.	US\$	-	-	400,000	400,000	3.30
The Bank of Tokyo - Mitsubishi Ltd.	US\$	300,000	-	-	-	5.64
Citibank N.A.	US\$	300,000	-	-	-	5.58
Other institutions	Ch\$	-	322	-	322	-
Total		<u>600,000</u>	<u>322</u>	<u>400,000</u>	<u>400,322</u>	
Percentage of obligations in US dollars		100%			99.92%	

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#### **14. CURRENT AND LONG-TERM BONDS PAYABLE**

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$300,000. These bonds mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under the regulations of the Superintendency. These bonds were issued for a nominal amount of UF7,000,000, of a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature of a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum interest paid semi-annually.

On October 15, 2003, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2013, at an interest rate of 5.5% per annum interest paid semi-annually.

On October 15, 2004, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 15, 2014, at an interest rate of 4.750% per annum interest paid semi-annually.

On May 10, 2005, the Company issued and placed bonds in the local market, for a nominal amount of UF6,900,000 of a single denominated B Series, and are represented by 6,900 certificates for UF1,000 each. These bonds mature in a single installment on April 1, 2025, at an interest rate of 3.29% per annum with interest paid semi-annually.

On September 21, 2005, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on September 21, 2035, at an interest rate of 5.6250% per annum with interest paid semi-annually.

On October 19, 2006, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 24, 2036, at an interest rate of 6.15% per annum interest paid semi-annually.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Instrument	Currency	Interest rate %	Interest date/ maturity date	As of June 30,	
				Par value	
				2007	2008
				ThUS\$	ThUS\$
<b>Current portion of bonds payable:</b>					
Bond capital and interest payable 144-A and Reg S	US\$	7.375	Semi-annually	3,668	303,668
Bond interest payable Series A	UF	4.000	Semi-annually	3,702	3,539
Bond interest payable 144-A and Reg S	US\$	6.375	Semi-annually	2,411	2,411
Bond interest payable 144-A and Reg S	US\$	5.500	Semi-annually	5,860	5,936
Bond interest payable 144-A and Reg S	US\$	4.750	Semi-annually	5,061	5,126
Bond interest payable Series B	UF	3.290	Semi-annually	1,987	2,714
Bond interest payable 144-A and Reg S	US\$	5.625	Semi-annually	7,796	7,796
Bond interest payable 144-A and Reg S	US\$	6.150	Semi-annually	5,629	5,629
Total				36,114	336,819

Instrument	Currency	Interest rate %	Interest date/ maturity date	As of June 30,	
				Par value	
				2007	2008
				ThUS\$	ThUS\$
<b>Long-term bonds payable:</b>					
Long-term bond 144-A and Reg S	US\$	7.375	May-1-2009	300,000	-
Long-term bond Series A	UF	4.000	Sep-1-2012	247,445	269,497
Long-term bond 144-A and Reg S	US\$	6.375	Nov-30-2012	435,000	435,000
Long-term bond 144-A and Reg S	US\$	5.500	Oct-15-2013	500,000	500,000
Long-term bond 144-A and Reg S	US\$	4.750	Oct-15-2014	500,000	500,000
Long-term bond Series B	UF	3.290	Apr-01-2025	243,911	265,647
Long-term bond 144-A and Reg S	US\$	5.265	Sep-21-2035	500,000	500,000
Long-term bond 144-A and Reg S	US\$	6.150	Oct-24-2036	500,000	500,000
Total				3,226,356	2,970,144

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### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 15. ACCRUALS

The composition of current and long-term accruals is as follows:

Item	As of June 30,			
	Current		Long-term	
	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Cost of sales - miscellaneous (1)	7,229	6,852	-	-
Operating costs - miscellaneous (2)	20,034	24,005	-	-
Other employee benefits - collective bargaining	2,634	3,250	-	-
Severance indemnity	37,643	29,283	765,400	879,202
Export tax (Law N°13,196)	197,656	157,096	-	-
Profit sharing bonus	17,782	18,823	-	-
Payroll (3)	89,811	104,235	-	-
Vacations	88,087	108,351	-	-
Miscellaneous	17,279	15,968	8,555	10,201
Early retirement program (4)	12,261	12,390	43,314	42,351
Environmental exit costs (5)	-	-	163,890	446,715
Contingencies	269	1,995	125,177	89,444
Health programs (6)	-	-	184,323	190,227
<b>Total</b>	<b>490,685</b>	<b>482,248</b>	<b>1,290,659</b>	<b>1,658,140</b>

- (1) Corresponds to an accrual related to the sales area, including freight expenses, loading, and unloading not invoiced as of the end of the period.
- (2) Corresponds to an accrual for customs duties, freight charges on purchases, and electricity, among others.
- (3) Corresponds to benefits granted to the Company's employees which are accrued as of the closing date of these financial statements.
- (4) Corresponds to benefits granted to the Company's employees under early retirement programs for those who have agreed to retire, under these plans.
- (5) Corresponds to the policy established by the Company with respect to the provision of future environmental exit costs of mines, which principally relate to the tailing dams and other assets which are calculated at present value using a discount rate that is equivalent to the interest rate at which the Company obtains its financing and with a term according to the mining plan of each Division.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

- (6) Corresponds to a provision made at present value in order to cover Company's commitments for contributions to health institutions as agreed upon with employees and former employees. The accrual considers an annual discount rate that is equivalent to the interest rate which the Company obtains its financing operations and is it over 10 years.

#### 16. SEVERANCE INDEMNITIES

The changes in the accrual for severance indemnities are summarized as follows:

	As of June 30,			
	Current		Long-term	
	2007	2008	2007	2008
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of January 1	36,057	29,551	729,216	879,903
Payments made	(12,342)	(18,997)	-	-
Provision for the period (including effects of variations in exchange rates)	-	-	50,112	18,028
Transfer to current liabilities	13,928	18,729	(13,928)	(18,729)
<b>Total</b>	<b>37,643</b>	<b>29,283</b>	<b>765,400</b>	<b>879,202</b>

#### 17. MINORITY INTEREST

The detail of minority interest included in liabilities and net income is as follows:

Companies	As of June 30,			
	2007		2008	
	Liabilities	Net income (loss)	Liabilities	Net income (loss)
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Asociación Garantizadora de Pensiones	23	-	20	1
Biosigma S.A.	2,088	1,198	2,436	1,591
Inst. de Innov. en Min. y Metalurgia S.A.	2	(450)	3	-
Isapre Chuquicamata Ltda.	54	(10)	52	(3)
Prestadora de Servicios San Lorenzo Ltda.	-	-	1	-
Isapre Río Blanco Ltda.	1	-	3	(1)
Mineracao Vale Do Curaca	800	-	-	-
Micommo S.A.	957	82	767	134
<b>Total</b>	<b>3,925</b>	<b>820</b>	<b>3,282</b>	<b>1,722</b>

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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#### 18. EQUITY

- a. Corporación Nacional del Cobre de Chile, Codelco-Chile was formed by D.L. N°1350 dated 1976, which establishes that all net income earned by the Company goes to the benefit of the Chilean Government after deducting amounts that, by a charge to net earnings for each year, must be maintained in Other Reserves as established in Article 6 of D.L. N°1350, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

On February 28, 2007, in accordance with Article 6 of D.L. N°1350, the Board of Directors agreed to request the Ministries of Mining and Finance the creation of a reserve fund charging to 2006 net income for an amount equivalent to the total amount of taxes (ThUS\$313,500), which corresponds to the income tax and additional tax paid in advance by Codelco as a result of the advance received from clients for ThUS\$550,000 in accordance with the commercial agreement with Minmetals. At said meeting, the Board also asked to maintain as retained earnings an amount of ThUS\$400,000. Both proposals were accepted.

On February 28, 2008, in accordance with Article 6 of D.L. N°1350, the Board of Directors agreed to request the Ministries of Mining and Finance the creation of a reserve fund charging to 2007 net income for an amount of ThUS\$198,762.

On January 10, 2008 and on February 15, 2008, the Company paid an amount of ThUS\$400,000 and ThUS\$400,000, respectively, for fiscal surpluses on account of profit for 2007.

The composition of Other Reserves as of June 30, 2008 is as follows:

<b>Detail</b>	<b>Six-month period</b>	<b>Accumulated</b>
	ThUS\$	ThUS\$
Capitalization of net income and reserves	105,492	1,062,683
Cumulative translation adjustment - subsidiaries	(1,140)	37,926
Reserve for housing programs	-	35,100
Technical appraisal revaluation reserve - D.L. N°3,648	-	624,567
Balance of other reserves as of June 30, 2008	104,352	1,760,276

- b. At June 30, 2008, the Company recognized profit distributions to the Chilean Treasury for ThUS\$591,433, charged to period January-June 2008 income, which reduces equity.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

- c. As of June 30, 2007 and 2008, the composition of the cumulative translation adjustment in Other reserves, which corresponds to the investments in subsidiaries and investees whose currency is other than the United States dollars, is as follows:

	As of June 30,					
	2007			2008		
	As of January 1 ThUS\$	Period ThUS\$	Accumulated ThUS\$	As of January 1 ThUS\$	Period ThUS\$	Accumulated ThUS\$
Hospital del Cobre S. A.	2	-	2	4	2	6
Instituto de Innovación en Minería y Metalurgia S.A.	1,003	113	1,116	1,563	(98)	1,465
Compañía Contractual Minera Los Andes	(531)	(10)	(541)	(580)	9	(571)
CMS Chile S.A.	(3,255)	(30)	(3,285)	(3,449)	164	(3,285)
CMS Tecnología S.A.	(338)	(42)	(380)	(193)	(32)	(225)
Electroandina S.A. (2)	15,327	-	15,327	15,327	-	15,327
Inversiones Tocopilla Ltda. (2)	18,684	-	18,684	18,684	-	18,684
Complejo Portuario Mejillones S.A. (1)	(853)	-	(853)	(853)	-	(853)
Santiago de Río Grande S.A.C.	4	1	5	7	-	7
Sociedad Elaboradora de Cobre	(123)	35	(88)	54	(32)	22
Asociación Garantizadora de Pensiones	(80)	7	(73)	(35)	(37)	(72)
Isapre Chuquicamata Ltda.	716	76	792	1,047	(72)	975
Prestadora de Servicios San Lorenzo Ltda.	233	33	266	348	(23)	325
Isapre Río Blanco Ltda.	323	57	380	563	(31)	532
Sociedad Contractual Minera Picacho	(26)	4	(22)	(5)	(4)	(9)
Geotérmica del Norte S.A.	(366)	(3)	(369)	(369)	(522)	(891)
Biosigma S.A.	1,664	473	2,137	2,986	(144)	2,842
Inversiones Mejillones S.A. (2)	2,655	-	2,655	2,655	-	2,655
Fundición Talleres S.A.	1,784	318	2,102	-	-	-
SCM Minera Purén	(1,220)	(180)	(1,400)	(1,400)	-	(1,400)
Exportaciones Mineras Andinas S.A.	39	7	46	72	(14)	58
Clínica Río Blanco Ltda.	511	80	591	906	(70)	836
Inversiones Copperfield Limitada	6	240	246	1,197	(216)	981
Micom S.A.	50	58	108	340	(44)	296
Minera Gaby S.A.	73	(17)	56	56	-	56
Kairos Mining S.A.	-	1	1	6	(1)	5
Mining Robotic Solutions S.A.	-	-	-	135	25	160
<b>Total</b>	<b>36,282</b>	<b>1,221</b>	<b>37,503</b>	<b>39,066</b>	<b>(1,140)</b>	<b>37,926</b>

- (1) Effective January 1, 2003, the subsidiary Complejo Portuario Mejillones S.A., was authorized to keep its accounting records in US dollars.
- (2) Effective January 1, 2004, the investees Electroandina S.A., Inversiones Tocopilla Ltda. and Inversiones Mejillones S.A. keep their accounting records in US dollars.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

Changes in equity are as follows:

Movements	As of June 30, 2007					As of June 30, 2008				
	Paid-in capital	Other Reserves	Retained earnings	Profit distributions	Net income for the period	Paid-in capital	Other Reserves	Retained earnings	Profit distributions	Net income for the year
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Beginning balance - January 1	1,524,423	1,332,432	-	(1,668,043)	3,338,789	1,524,423	1,655,924	400,000	(1,817,763)	2,981,619
Transfer of prior year income	-	-	-	1,668,043	(1,668,043)	-	-	-	1,817,763	(1,817,763)
Profit distributions against prior year	-	-	-	-	(950,038)	-	-	-	-	(958,354)
Capitalization of reserves and/or other income	-	320,708	400,000	-	(720,708)	-	105,492	100,000	-	(205,492)
Net changes in equity in subsidiaries and investees	-	1,221	-	-	-	-	(1,140)	-	-	-
Net income for the period	-	-	-	-	1,640,487	-	-	-	-	1,389,146
Interim distributions	-	-	-	(817,763)	-	-	-	-	(591,433)	-
<b>Totals</b>	<b>1,524,423</b>	<b>1,654,361</b>	<b>400,000</b>	<b>(817,763)</b>	<b>1,640,487</b>	<b>1,524,423</b>	<b>1,760,276</b>	<b>500,000</b>	<b>(591,433)</b>	<b>1,389,146</b>

### 19. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses at June 30, 2007 and 2008 are detailed below:

#### a. Non-operating income

Item	For the six-month period ended June 30,	
	2007	2008
	ThUS\$	ThUS\$
Administration - Satep	2,386	2,747
Fines on suppliers	944	6,269
Sale of bid contract terms	119	183
Miscellaneous sales	12,162	19,137
Sales of services	3,416	6,354
Sales of property, plant and equipment	1,038	1,679
Realized gains	7,479	9,648
Others	66,267	125,687
<b>Total</b>	<b>93,811</b>	<b>171,704</b>

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### b. Non-operating expenses

Item	Six- month period ended June 30,	
	2007	2008
	ThUS\$	ThUS\$
Export tax (Law N°13,196)	678,961	729,073
Severance indemnities expense	19,828	50,229
Administration - Satep expenses	3,710	-
Loss on disposal of property, plant and equipment	1,925	503
Collective bargaining bonuses	51,975	11,836
Write-off of obsolete inventory	889	-
Environmental exit costs	47,986	191,250
Pre-investment expenses	20,498	26,559
Expenses ex Talleres Division	713	212
Expenses ex Tocopilla Division	450	312
Non recoverable VAT	620	1,295
Other expenses	14,372	10,913
Retirement plans expenses	2,782	7,235
Health programs	2,318	12,615
Accrual for contingencies	48,660	19,234
	<u>895,687</u>	<u>1,061,266</u>
Total	<u>895,687</u>	<u>1,061,266</u>

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**20. PRICE LEVEL RESTATEMENT**

The composition of price-level restatement (charged) credited to the statements of income is as follows:

	<b>Six- months period</b>	
	<b>ended June 30,</b>	
	<b>2007</b>	<b>2008</b>
	<u>ThUS\$</u>	<u>ThUS\$</u>
Property, plant and equipment	25	363
Other current assets	58	3
Income taxes recoverable	-	6
Other non-monetary assets	2	80
Expense and cost accounts	<u>45</u>	<u>39</u>
 Total net credits - assets	 <u>130</u>	 <u>491</u>
 Other liabilities		
Non-monetary liabilities	-	(964)
Accruals	(4)	(89)
Other liabilities	(405)	-
Income accounts	<u>(55)</u>	<u>-</u>
 Total net credits (charges) - liabilities	 <u>(464)</u>	 <u>(1,053)</u>
 Loss from price-level restatement	 <u>(334)</u>	 <u>(562)</u>

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### 21. FOREIGN EXCHANGE DIFFERENCES

The (charge) credit to income for foreign exchange differences is as follows:

Assets (Charges) / Credits	Currency	Six-month period ended June 30,	
		2007	2008
		ThUS\$	ThUS\$
Cash and banks	Ch\$	179	295
Trade receivables	Ch\$	716	6,444
Other receivables	Ch\$	364	670
Other current assets	Ch\$	2,252	(11,357)
Long-term receivables	Ch\$	2,871	(2,371)
Other	Ch\$	474	(889)
		<u>6,856</u>	<u>(7,208)</u>
<b>Liabilities (Charges) / Credits</b>			
Accounts payable	Ch\$	(6,116)	(11,746)
Other payables	Ch\$	(433)	(1,189)
Other current liabilities	Ch\$	(1,422)	(1,000)
Other long-term liabilities	Ch\$	(1,417)	26,504
Sundry accruals	Ch\$	(7,780)	53,941
		<u>(17,168)</u>	<u>66,510</u>
Total		<u>(10,312)</u>	<u>59,302</u>

#### 22. EXPENSES OF ISSUANCE AND PLACEMENT OF BONDS

Expenses incurred in the issuance and placement of bonds detailed in Note 14, were charged to income of the corresponding period ThUS\$731 in 2007 and ThUS\$723 in 2008.

The discount on the placement of bonds is capitalized as a deferred expense and is included in Others under Other Assets and is amortized using the straight-line method over the term of the bonds (2012, 2013, 2014, 2035 and 2036). As indicated in Note 11, as of June 30, 2007 and 2008, the balance of this item amounts to ThUS\$27,380 and ThUS\$24,717, respectively, while the amortization for the period was an income of ThUS\$30 and ThUS\$91, respectively.

The premium from the bond placements is included in Other long-term liabilities and is amortized using the straight-line method over the term of the bonds (2025). At June 30, 2007 and 2008, the balance of this liability amounted to ThUS\$24,160 and ThUS\$24,838, respectively.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### 23. STATEMENT OF CASH FLOWS

The detail of supplemental information to the interim consolidated statements of cash flows is as follows:

<b>Other investment income</b>	<b>Six-month period ended</b>	
	<b>June 30,</b>	
	<b>2007</b>	<b>2008</b>
	ThUS\$	ThUS\$
Recovery of loans granted to employees and others	32,936	48,509

#### 24. DERIVATIVE CONTRACTS

As is mentioned in Note 2 u), the Company has hedge operations to mitigate the risk of fluctuation in interest rates, foreign currency exchange rates and changes in selling prices, as follows:

##### **a. Interest rate hedge**

At June 30, 2008 the Company has no outstanding contracts. The contracts existing at June 30, 2007 (ThUS\$300,000) finalized in January, 2008.

##### **b. Exchange rate hedge**

The Company has exchange rate hedge contracts for ThUS\$373,001, which mature in August 2012 and April 2025. At June 30, 2008, these contracts show a positive exposure of ThUS\$50,824. The net accounts receivable for said contracts (Note 11) amount to ThUS\$118,355 in 2007 and ThUS\$162,143 in 2008 and are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$58,341 in 2007 and ThUS\$118,574 in 2008, are recorded in Other long-term liabilities and amortized over the term of the respective liabilities.

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### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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#### **c. Contracts for pricing operations and adjustments to the commercial policy**

In order to protect its cash flows and adjust when necessary its sale contracts to its commercial policy, the Company carries out operations in future markets recording the results of these hedging transactions at the maturity date of the contracts. Said results are added to or deducted from sales. The addition or deduction is due to the fact that sales include the positive or negative effect of market prices. At June 20, 2007, said operations generated a net lower income of ThUS\$148,273 (lower income for sales of ThUS\$145,225 and lower income for purchases of ThUS\$3,048). At June 30, 2008, said operations generated a net lower income of ThUS\$470,470 (lower income for sales of ThUS\$475,295 and higher income for purchases of ThUS\$4,825), which are detailed as follows:

##### **c.1 Commercial operations of outstanding copper contracts**

In accordance with the policy of cash flow hedge and adjustment to its commercial policy, in the period January-June, 2008, the Company has carried out operations in future markets, which represent 252,417 metric tons of fine copper. These hedging operations are part of the commercial policy of the Company and mature until March 2010.

The outstanding contracts at June 30, 2008, show a positive exposure of ThUS\$207,402, whose final result could only be known at the maturity date of said operations, after the compensation between the hedging operations and the income from the sale of hedged products.

The operations that ended between January 1 and June 30, 2007 generated a net negative effect on income of ThUS\$8 which is deducted from the amounts paid for purchase contracts and added to the amounts received for the contracts for sales of products involved in said pricing operations (ThUS\$3,048 for purchases and ThUS\$3,040 for sales).

The operations that ended between January 1 and June 30, 2008 generated a net positive effect on income of ThUS\$11,933 which is deducted from the amounts paid for purchase contracts and added to the amounts received for the contracts for sales of products involved in said pricing operations (ThUS\$4,825 for purchases and ThUS\$7,108 for sales).

##### **c.2 Commercial operations for outstanding gold and silver contracts**

At June 30, 2008, the Company has gold pricing hedging operations for MOZT 0.6 troy ounces and silver pricing hedging operations for MOZT 1,180 troy ounces.

At that date, the negative exposure amounted to ThUS\$37

The operations that ended between January 1 and June 30, 2007 generated a positive effect on income of ThUS\$71, which is added to the amounts received for the contracts for the sale of products involved in said pricing operations.

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### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

The operations that ended between January 1 and June 30, 2008 generated a positive effect on income of ThUS\$108, which is added to the amounts received for the contracts for the sale of products involved in said pricing operations. These hedging operations mature until March 2009.

#### **c.3 Operations to protect cash flows based on future production**

Also, in order to protect its future cash flows by guaranteeing levels of selling prices of part of the production, future operations have been carried out for MTF976, 431. These hedging contracts mature until March 2013.

Outstanding future operations at June 30, 2008, show a negative exposure of ThUS\$4,631,560, whose final result could only be known at the maturity date of said contracts, compensating their effects with the sale of the hedged products.

The future operations ended between January 1 and June 30, 2007, related to the production sold generated a lower income of ThUS\$148,336, which is the result of the compensation between the hedging operation and revenues arising from the contracts for the sale of products involved in said pricing operations. Said results are shown as a reduction in net operating income.

The future operations ended between January 1 and June 30, 2008, related to the production sold generated a lower income of ThUS\$436,457, which is the result of the compensation between the hedging operation and revenues arising from operation and revenues arising from the contracts for the sale of products involved in said pricing operations. Said results are shown as a reduction in net operating income.

At June 30, 2008, the Company has Min-Max option agreements (put purchases and call sales) in order to protect its future cash flows by means of ensuring a minimum sale price for MTF178,950. At June 30, 2008, these operations show a negative exposure of ThUS\$207,183. These hedging operations mature until March 2010.

The min-max operations ended between January 1 and June 30, 2008 generated a lower income of ThUS\$46,054.

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### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

As of June 30, 2008 the detail is as follows:

Type of Derivative	Type of Contract	Description of contracts							Financial statements			
		Contract amount ThUS\$	Maturity or expiry	Specific item	Position Purchase/ sale	Transaction hedged		Amount of transaction hedged ThUS\$	Asset/Liability		Effect in results	
						Name	Amount ThUS\$		Name	Amount ThUS\$	Realized ThUS\$	Unrealized ThUS\$
FU	CCTE	6,220	March 2010	Copper	S	Sale contracts (MTF)	252,417	214,975	Long term assets	207,402		207,402
FU	CCTE	698,393	March 2012	Copper	S	Production (MTF)	234,550	234,550	Long term liabilities	1,070,369		(1,170,369)
FU	CCTE	1,971,344	March 2013	Copper	S	Production (MTF)	658,331	658,331	Long term liabilities	3,070,953		(3,070,953)
FU	CCTE	279,621	September 2011	Copper	S	Production (MTF)	83,550	83,550	Long term liabilities	390,238		(390,238)
FU	CCTE	1,681	March 2009	Silver	S	Sale contracts (MOZT)	1,180	1,157	Short term liabilities	68		(68)
FU	CCTE	-	September 2008	Gold	S	Sale contracts (MOZT)	1	-	Short term liabilities	31		31
EO	CCTE	-	March 2010	Copper	S	Production (MTF)	178,950	178,950	Long term liabilities	207,183		(207,183)
S	CCTE	208,519	April 2025	UF	S	Foreign exchange hedge	208,519	312,480	Other assets	69,258		69,258
S	CCTE	164,482	August 2012	UF	S	Foreign exchange hedge	164,482	317,008	Other assets	18,434		(18,434)

MOZT: Thousands of troy ounces  
 MTF: Thousands of metric tons of copper  
 FU: Future  
 EO: European option  
 S: Swap

## 25. CONTINGENCIES AND COMMITMENTS

### Law suits and contingencies

Codelco is involved in various lawsuits and legal actions initiated by, or against, the Company which result from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. The Company defends its rights and uses all legal and procedural resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service for which the Company has presented its corresponding objections.
- Labor lawsuits: Labor lawsuit initiated by employees of Andina Division against the Company in relation to professional diseases (silicosis).
- Mining lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant and plaintiff in a number of proceedings, through which it seeks to protect certain mining concessions already established or in the process of being established. Currently these proceedings have no determined amounts and do not significantly affect Codelco's development.

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### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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A case by case analysis of these lawsuits has shown that there are a total of 131 lawsuits with an estimated amount. The Company estimates that 15 of them for ThUS\$1,810 could have negative results against the Company. Also, there are 58 lawsuits for ThUS\$16,351 for which there is no certainty if they will be against Codelco. For the 58 remaining lawsuits for ThUS\$46,830, the legal advisers estimate they will not have negative result for Codelco. Additionally there are 85 lawsuits for unknown amounts, of which 21 of them could have a negative ruling against Codelco.

The necessary provisions exist for all the abovementioned lawsuits, which are recorded in the accruals for contingencies.

It is public knowledge that the Corporation has presented a petition at the corresponding Court of Appeals, in relation to the reports issued by the Labor's Inspection Office, as a consequence of Law N° 20,123, which regulates the work in terms of subcontractation and temporary service companies. The Company has achieved five favorable sentences regarding these petitions and one against which it has appealed. Currently, all the cases are pending at the Supreme Court.

#### **Litigation in subsidiaries**

The subsidiary Instituto de Innovación en Minería y Metalurgia S.A., has an arbitration lawsuit regarding an alleged non-compliance of confidentiality and industrial property obligations, derived from agreements and contracts signed between the subsidiary and the company Ultratech II S.A., in the years from 1999 to 2002.

This arbitration claim was filed by the trustee of the bankruptcy of the company Ultratech II S.A. in liquidation, for an exact amount of ThUS\$681,150, considering the concepts of consequential damage, loss of earnings and moral damages.

Instituto de Innovación en Minería y Metalurgia S.A. was notified of this contingency on April 25, 2007, and at present the discussion stage has concluded, and therefore the evidence stage of the trial will soon start.

According to the case details, information provided by Instituto de Innovación en Minería y Metalurgia S.A. and its legal advisors, this contingency has been classified as remote and therefore no accrual has been recorded by Instituto de Innovación en Minería y Metalurgia S.A.

In addition, due to the status of this case, and due to the defense expenses and costs incurred as of this date, an additional maximum cost of Ch\$80 million has been estimated for 2008. This contingency, is considered to be a loss classified as "certain" as the plaintiff is currently in liquidation stage (and apparently it lacks the assets to respond to this new liability).

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### Other commitments

- a. On April 29, 2008 the Company and other mining companies signed a backup energy service contract with Gas Atacama Generación S.A. in the Interconnected Northern System (SING) for the period between March 1<sup>st</sup>, 2008 and December 31, 2011, whose related expense will be recognized in relation to the consumption of all the participating companies. Codelco's share will not exceed ThUS\$194,710 during the entire period covered by said contract.
- b. In July 2005, the Board of Directors of the Company was informed of the Salvador mineral situation; and therefore Management initiated activities in order to close the oxide line by 2008 at the latest and the sulphides line by 2011 at the latest.

Additionally, on September 5, 2005, the Board of Directors approved the 2006 exploration plan, which includes the closing of oxide and sulphide mining operations in 2008 and 2011 respectively, as well as the transition plan for that period.

Regardless of the above, on May 8, 2007 considering new studies related to market conditions, the Board of Directors decided to extend the exploitation of the Salvador Division's oxide line for two more years, postponing the close of the oxide line until 2010.

Additionally, during the second half of 2005, and in accordance with the evaluated impact of this decision, and the mine closure plan, the corresponding provisions were recorded.

Additionally, at December 31, 2005, the Company wrote-off assets related to the activities that will have to be closed.

- c. On May 31, 2005, Codelco through its subsidiary Codelco International Ltd. signed an agreement with Minmetals to create a company, in which both companies will participate equally. They also agreed on the terms of a 15-year sales agreement regarding cathodes for the joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 836,250 metric tons. Codelco will receive a payment in advance of US\$550 million from the joint venture. Each shipment will be paid by the purchaser at a price composed of a fixed and a variable component, which will depend on the current price of the copper at the time of the shipment.

On the other hand, Codelco has granted Minmetals an option to acquire, at market price, a minority ownership in a company that will exploit the Gaby mineral deposit, subject to the conditions that Codelco establishes and approves to go forward with said initiative.

During the first quarter of 2006, based on agreed financial conditions, the financing contracts with the China Development Bank were signed, allowing the Copper Partners Investment Company Ltd. to make the US\$550 million payment in March 2006 to Codelco.

## **CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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At June 30, 2008, the contract is operating and the monthly shipments began in June 2006.

Based on the abovementioned agreements with Minmetals the Board of Directors of Codelco authorized hedge transactions for 139,325 tons (including the abovementioned tons), on behalf of Copper Partners Investment Company Ltd., which were completed during January and February 2006 (83,550 MTF at June 30, 2008). Copper Partners Investment Company assumes the result of this hedge.

The agreement with Minmetals was reported as a significant event to the Superintendency on February 22, 2006 and additional explanatory communications dated February 27 and March 7, 2006.

- d. The Company has subscribed gas supply contracts with its investee GNL Mejillones S.A., which will operate as from October 2010. Through this contract, the investee agreed to sell as a minimum the equivalent to 27 annual Tera of BTU (British Thermal Unit) in the period 2010-2012. The Company has subscribed guarantees for 50% of the total amount of GNL Mejillones S.A derivative contract's exposure, with a maximum of ThUS\$360,000.
- e. Law N°19,993 dated December 17, 2004, that authorized the purchase of the assets of Fundición y Refinería Las Ventanas from ENAMI, establishes that the Company should guarantee the necessary smelting and refining capacity, with no restrictions or limitations, for the treatment of products of the small and medium size mining industry that ENAMI sends for processing or under other terms agreed to by both parties.
- f. Following its cost-reduction programs through the use of modern technologies, the Corporation has established early severance programs for its personnel that qualify for retirement, with benefits that encourage retirement, for which obligations are recognized as a provision when the employee commits to his/her retirement.

#### **Additional information**

In connection with the financial liabilities incurred by the investee Copper Partners Investment Company Ltd. with the China Development Bank, Codelco Chile and Codelco International Ltd. must fulfill certain covenants, mainly referred to providing financial information. Additionally, Codelco Chile has to maintain its 51% ownership in Codelco International Limited.

In accordance with the Sponsor Agreement, dated March 8, 2006, the subsidiary Codelco International Ltd. agreed to transfer its rights held in Copper Partners Investment Company Ltd. as collateral security in favor of China Development Bank.

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

The Company no restrictions or covenants associated with obligations with banks and financial institutions or with the public.

**Direct guarantees**

<b>Creditor</b>	<b>Debtor</b>	<b>Type of guarantee</b>	<b>Outstanding Payments</b>	
			<b>2007</b>	<b>2008</b>
			ThUS\$	ThUS\$
Tesorería General de la República	Codelco Chile	Customs duties	690	-
Tesorería General de la República	Codelco Chile	Use of tax credit	69	5
Other	Codelco Chile	Guarantee notes	40,996	64,858
Macquarie Bank Limited	Codelco Chile	Standby letter	250,000	275,000
Sempre Metals Limited	Codelco Chile	Standby letter	80,000	80,000
Calyon (Co.and Invest. Bank)	Codelco Chile	Standby letter	145,000	185,000
Barclays Bank Plc.	Codelco Chile	Standby letter	180,000	385,000
Guarantees future metal markets	Codelco Chile	Deposits	8,929	64,529

**Indirect guarantees**

<b>Creditor</b>	<b>Debtor</b>	<b>Type of guarantee</b>	<b>Outstanding Payments</b>	
			<b>2007</b>	<b>2008</b>
			ThUS\$	ThUS\$
ABN Amro Bank N.V.	Electroandina	Guarantee	30,038	30,038
Barclays Bank Plc.	Soc. GNL Mejillones S.A.	Guarantor	-	100,000
Morgan Stanley Capital Group Inc.	Soc. GNL Mejillones S.A.	Guarantor	-	200,000
Koch Supply & Trading LP	Soc. GNL Mejillones S.A.	Guarantor	-	60,000
China Development Bank	Copper Partners Inv. Co.Ltd.	Rights	320,755	288,934

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### 26. GUARANTEES OBTAINED FROM THIRD PARTIES

The Company has received a number of guarantees that mainly cover supplier and contractors' obligations related to various projects under development. Considering the large number of guarantees received as of June 30, 2007 and 2008 and the many suppliers and contractors involved, the amounts covered are presented by Division as follows:

Division:	<b>As of June 30,</b>	
	<b>2007</b>	<b>2008</b>
	ThUS\$	ThUS\$
Andina	27,243	36,010
Codelco Norte	52,853	49,688
Head Office	227,867	153,674
Salvador	12	140
El Teniente	44,252	54,812
Fundición Ventanas	795	799
Total	353,022	295,123

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### 27. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES

Assets and liabilities by currency are as follows:

##### a. Assets

Item	Currency	As of June 30,	
		2007	2008
		ThUS\$	ThUS\$
Cash and banks	Ch\$	14,153	19,596
Cash and banks	US\$	6,643	12,999
Cash and banks	Pounds Sterling	173	69
Cash and banks	Euro	10,908	27,803
Time deposits	US\$	1,094,341	169,132
Time deposits	Ch\$	26,577	832
Time deposits	Pounds Sterling	25,827	3,588
Marketable securities	US\$	2,037	1,468
Marketable securities	Ch\$	523	6,929
Trade accounts receivable	Ch\$	1,251	84,613
Trade accounts receivable	US\$	1,148,704	1,315,500
Trade accounts receivable	Pounds Sterling	32,017	304
Trade accounts receivable	Euro	84,334	33,128
Notes receivable	Ch\$	142	358
Other receivables	Ch\$	100,387	109,766
Other receivables	US\$	136,907	130,573
Other receivables	Euro	18,192	1,835
Other receivables	Pounds Sterling	116	120
Due from related companies	US\$	17,419	56,140
Inventories	US\$	1,577,046	1,911,357
Inventories	Euro	87,490	99,240
Inventories	Ch\$	343	381
Inventories	Pounds Sterling	7,876	-
Recoverable taxes	Ch\$	84,611	135,446
Recoverable taxes	US\$	1,037	10,849
Recoverable taxes	Euro	2,561	4,233
Prepaid expenses	Ch\$	7,222	7,613
Prepaid expenses	US\$	8,781	15,178
Prepaid expenses	Pounds Sterling	618	109
Prepaid expenses	Euro	163	141
Deferred taxes	US\$	192,625	148,987
Deferred taxes	Ch\$	353	228
Other current assets	US\$	1,324	83,034
Other current assets	Ch\$	12,536	2,210
Fixed assets - net	US\$	6,758,273	7,706,394
Fixed assets - net	Ch\$	12,179	20,896
Fixed assets - net	Pounds Sterling	3	2
Fixed assets - net	Euro	54	55
Investments in related companies	Ch\$	86,506	86,870
Investments in related companies	US\$	751,361	946,229
Investments in related companies	Euro	33,376	45,082
Investments in related companies	Pounds Sterling	2,712	2,989
Investments in related companies	Mexican pesos	648	289
Investments in other companies	Ch\$	175	175
Investments in other companies	Euro	1,018	1,538
Goodwill	US\$	21,082	19,906
Badwill	US\$	(371)	(331)
Long-term receivables	Ch\$	449	146
Long-term receivables	US\$	188,019	204,151
Due from related companies	US\$	52,875	67,452
Due from related companies	Ch\$	868	(6,700)
Intangibles	US\$	15,957	23,877
Amortization of intangibles	Ch\$	(6,680)	(6,550)
Other assets	US\$	545,894	520,768
Other assets	Ch\$	6,364	5,068
Total assets	Ch\$	347,959	467,877
Total assets	US\$	12,519,954	13,343,663
Total assets	Pounds Sterling	69,342	7,181
Total assets	Euro	238,096	213,055
Total assets	Mexican pesos	648	289
Total assets		<u>13,175,999</u>	<u>14,032,065</u>

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

**b. Current liabilities**

Item	Currency	As of June 30,							
		Up to 90 days				90 days to 1 year			
		2007		2008		2007		2008	
		Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average annual interest rate	Amount	Average Annual Interest rate
	ThUS\$	%	ThUS\$	%	ThUS\$	%	ThUS\$	%	
Banks and financial Institutions	US\$	72,500		38,000		-		-	
Banks and financial Institutions	Ch\$	-		301		-		-	
Banks and financial Institutions	Euro	60,898	4.41	43,348		-		-	
Banks and financial Institutions	UF	457		-		-		-	
Banks and financial Institutions	US\$	8,006		300,253	3.43	-		-	
Bonds	US\$	30,425	5.82	330,566	3.69	-		-	
Bonds	UF	5,689	3.76	6,253		-		-	
Accounts payable	Ch\$	5,059		5,524		-		-	
Accounts payable	Pounds Sterling	42,893		239		-		-	
Accounts payable	Euro	13,979		41,437		-		-	
Accounts payable	US\$	588,921		767,307		-		-	
Other payables	US\$	59,015		270,883		-		-	
Other payables	Ch\$	11,432		29,021		-		-	
Other payables	Euro	135		24		-		-	
Due to related companies	US\$	98,167		151,218		-		-	
Due to related companies	Euro	12,535		-		-		-	
Notes payable	Ch\$	10		15		-		-	
Notes payable	US\$	-		1,180		-		-	
Accruals	Ch\$	250,482		278,969		-		-	
Accruals	US\$	239,781		202,855		-		-	
Accruals	Euro	422		424		-		-	
Withholdings	Ch\$	66,418		62,457		-		-	
Withholdings	US\$	20,085		69,234		-		-	
Income taxes	US\$	505,107		164,288		-		-	
Income taxes	Pounds Sterling	12,535		184		-		-	
Income taxes	Euro	197		10,677		-		-	
Income taxes	Ch\$	227		316		-		-	
Deferred income	US\$	85,844		72,743		-		-	
Deferred income	Pounds Sterling	-		148		-		-	
Deferred income	Ch\$	-		218		-		-	
Other current liabilities	US\$	5,717		8,725		-		-	
Other current liabilities	Ch\$	-		350		-		-	
Other current liabilities	Euro	-		10		-		-	
<b>Total current liabilities</b>		<b>2,196,936</b>		<b>2,857,167</b>		<b>-</b>		<b>-</b>	
	US\$	1,713,568		2,377,252		-		-	
	Ch\$	333,628		377,171		-		-	
	Euro	88,166		95,920		-		-	
	UF	6,146		6,253		-		-	
	Pounds Sterling	55,428		571		-		-	
<b>Total current liabilities</b>		<b>2,196,739</b>		<b>2,857,167</b>		<b>-</b>		<b>-</b>	

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

**c. Long-term liabilities**

		1 to 3 years		3 to 5 years		5 to 10 years		Over 10 years			
		Currency	Amount	Average annual interest rate		Amount	Average annual interest rate		Amount	Average annual interest rate	
				ThUS\$	%		ThUS\$	%		ThUS\$	%
<b>June 30, 2007:</b>											
Banks and financial institutions	US\$	600,000	5.805	-	-	-	-	-	-	-	-
Bonds	US\$	300,000	7.375	-	-	1,435,000	5.503	1,000,000	5.888	-	-
Bonds	UF	-	-	-	-	247,445	4.00	243,911	3.290	-	-
Notes payable	Ch\$	-	-	-	-	-	-	-	-	-	-
Notes payable	US\$	80,290	-	-	-	-	-	-	-	-	-
Other payables	US\$	106,837	-	-	-	-	-	-	-	-	-
Other payables	Ch\$	-	-	-	-	-	-	-	-	-	-
Accruals	Ch\$	821,336	-	-	-	-	-	-	-	-	-
Accruals	US\$	469,323	-	-	-	-	-	-	-	-	-
Deferred taxes	US\$	700,539	-	-	-	-	-	-	-	-	-
Other liabilities	Ch\$	453	-	-	-	-	-	-	-	-	-
Other liabilities	US\$	84,173	-	-	-	-	-	-	-	-	-
Related companies	US\$	484,323	-	-	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>		<b>3,647,274</b>				<b>1,682,445</b>		<b>1,243,911</b>			
	US\$	2,825,485				1,435,000		1,000,000			
	UF	-				247,445		243,911			
	Ch\$	821,789				-		-			
<b>Total long-term liabilities</b>		<b>3,647,274</b>				<b>1,682,445</b>		<b>1,243,911</b>			
<b>June 30, 2008:</b>											
Banks and financial institutions	US\$	400,000	3.30	-	-	-	-	-	-	-	-
Banks and financial institutions	Ch\$	322	-	-	-	-	-	-	-	-	-
Bonds	US\$	-	-	435,000	6.375	1,000,000	5.503	1,000,000	5.888	-	-
Bonds	UF	-	-	269,497	4.000	-	-	265,647	3.290	-	-
Notes payable	US\$	77,075	-	-	-	-	-	-	-	-	-
Related companies	US\$	449,883	-	-	-	-	-	-	-	-	-
Accruals	US\$	777,941	-	-	-	-	-	-	-	-	-
Accruals	Ch\$	880,199	-	-	-	-	-	-	-	-	-
Deferred taxes	US\$	735,440	-	-	-	-	-	-	-	-	-
Other payables	US\$	150,369	-	-	-	-	-	-	-	-	-
Other payables	Ch\$	2,194	-	-	-	-	-	-	-	-	-
Other liabilities	Ch\$	105	-	-	-	-	-	-	-	-	-
Other liabilities	US\$	145,532	-	-	-	-	-	-	-	-	-
<b>Total long-term liabilities</b>		<b>3,619,060</b>		<b>704,497</b>		<b>1,000,000</b>		<b>1,265,647</b>			
	US\$	2,736,240		435,000		1,000,000		1,000,000			
	Ch\$	882,820		-		-		-			
	UF	-		269,497		-		265,647			
<b>Total long-term liabilities</b>		<b>3,619,060</b>		<b>704,497</b>		<b>1,000,000</b>		<b>1,265,647</b>			

**28. SANCTIONS**

At June 30, 2007 and 2008, Codelco-Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

## **CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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#### **29. SUBSEQUENT EVENTS**

On July 3, 2008, the Board of Directors of Codelco during its Ordinary Meeting agreed to approve the bases and conditions of the public bid for the incorporation of third parties in the development of the Project Inca de Oro, located in the Third Region. This project relates to the exploitation of copper porphyry containing oxide and sulphide resources of approximately 345 million tons, with an ore grade of 0.47% of copper, and with presence of silver, gold and molybdenum.

On July 3, 2008, the Board of Directors of Codelco agreed to authorize the participation and concurrence of Codelco to the project Sulfolix of Sociedad Contractual Minera El Abra, this project implies exploiting copper sulphides through the leaching process, which implies extending the mine production for at least a decade, as of 2010.

On July 11, 2008, the Corporate Vice-Chairman of Finance, Promotion and Sustainability, Isabel Marshall Lagarrigue, presented her resignation to Codelco, due to personal reasons, which will be effective at the end of July.

On August 1, 2008, in Ordinary Meeting, was incorporated to the Board of Directors of Codelco as new Director the General Inspector of Carabineros, Mr. Gustavo Adolfo González Jure, who takes the position of General Eduardo Gordon Varcárcel.

On August 26, 2008, Mr. Ignacio Muñoz Reyes was appointed as the new General Auditor of the Corporation, starting September 8, 2008 replacing Mr. Luis Mulim Celume.

On September 23, 2008, it was announced that, in the spirit of long term cooperation, Codelco and Minmentals had agreed to indefinitely suspend the rights and obligations related to the option over the Gabriela Mistral ore body. Any possible reposition of this option will require the agreement of both parties. At the same time, both companies agreed to work together, on a case by case basis, in the study of new businesses and exploration opportunities in international copper mining.

On September 30, 2008 the Company entered into a US\$250 million loan with HSBC Securities (USA) Inc.

On October 10 and July 7, 2008, capital contributions were made to the associate GNL Mejillones S.A. for ThUS\$ 35,000 and ThUS\$ 47,500, respectively.

On October 10, 2008, it was announced that Mr. Daniel Barría Iroumé, Corporate Vice-President of Shared Services had tendered his resignation, effective October 31, 2008.

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### **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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Economic conditions have weakened dramatically in recent months and there is uncertainty about the price outlook for copper. LME copper prices declined from \$3.98 per pound at June 30, 2008, to \$1.68 per pound at October 24, 2008.

Codelco maintains a positive long-term outlook for its business, recognizing limited copper supply and continued copper requirements worldwide. Codelco is revising its operating plans to respond to the downturn and uncertain near-term to target reduction in costs.

The Management of Codelco is not aware of any other significant event, financial or other, occurred between June 30, 2008 and the issuance date of these financial statements (August 5, 2008 except for the Note 29 whose issuing date is October 24, 2008), that might significantly affect them.

### **30. ENVIRONMENT**

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company has defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001, which has assisted in geology, geochemical, geophysical and sounding work directed towards exploration of mineral resources both in Chile and abroad.

Under these circumstances at June 30, 2008, Codelco Norte, formed by the ex-divisions Chuquicamata and Radomiro Tomic Divisions, Andina, Salvador and El Teniente Divisions and head office have received the ISO 14001 certification.

In accordance with this policy, at June 30, 2007 and 2008, the Company has made investments, related to environmental issues for ThUS\$26,420 and ThUS\$23,929, respectively.

## CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars - ThUS\$)

#### 31. TIME DEPOSITS

The composition of time deposits is as follows:

**2007**

<b>Bank</b>	<b>Interest annual rate</b>	<b>Amount</b>
	%	ThUS\$
Sumitomo Mitsui Banking Corporation - N.Y.	5.3200	127,408
Banco Santander Central Hispano, New York	5.2600	100,000
Banco del Estado de Chile, New York	5.2800	100,000
Natixis New York Bank	5.2900	100,000
Natixis New York Bank	5.2800	46,300
Barclays Bank PLC, Miami Agency	5.3000	100,176
Barclays Bank PLC, Miami Agency	5.3175	50,000
Barclays Bank PLC, Miami Agency	5.3140	52,046
Bank of Tokyo-Mitsubishi Ltd.	5.3200	70,000
Bank of Tokyo-Mitsubishi Ltd.	5.2900	54,900
Royal Bank of Canada, New York	5.2600	104,921
Banca di Roma - New York	5.2900	77,600
Banca di Roma - New York	5.2900	100,000
Citi New York	4.2125	4,207
Citi New York	5.1800	600
BBVA	5.7000	3,113
BBVA	5.2400	22,714
Banco de Chile	5.4000	777
Banco de Chile	5.2500	100
BCI	5.5200	1,222
BCI	5.6400	15,754
BCI	5.4000	501
BCI	5.3200	1,604
Others	-	12,802
<b>Total</b>		<b>1,146,745</b>

**CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**2008**

<u>Bank</u>	<u>Interest annual rate</u>	<u>Amount</u>
	%	ThUS\$
Bayerische Hypo-Und Vereinsbank	2.7500	22,000
Bank of Tokyo-Mitsubishi Ltd.	2.7500	22,000
Royal Bank of Canada, New York	2.6250	12,768
Citi New York	1.6000	35,780
Citi New York	0.9000	12,273
BBVA	5.1800	3,385
ABN AMRO Bank	14.5000	48,340
Banco de Chile	7.0800	11,026
Banco de Chile	6.9600	2,101
Banco de Chile	4.2000	794
BCI	6.2400	2,050
Others	-	1,035
Total		<u>173,552</u>

**32. MINING SITES**

The Company's productive activities are conducted in its Divisions; Codelco Norte, (Chuquicamata and Radomiro Tomic), Salvador, Andina, Ventanas and El Teniente. These Divisions operate with independent administrative departments which report to the Chief Executive Officer. The characteristics of each Division are as follows:

**Chuquicamata**

Type of deposit: Open pit mine  
 Operation: Since 1915  
 Location: Calama, Chile's Second Region  
 Products: SX-EW copper cathodes and copper concentrate

**Radomiro Tomic**

Type of deposit: Open pit mine  
 Operation: Since 1997  
 Location: Calama, Chile's Second Region  
 Products: SX-EW copper cathodes

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(In thousands of U.S. dollars - ThUS\$)

**Salvador**

Type of deposit: Underground mine  
Operation: Since 1926  
Location: Salvador, Chile's Third Region  
Products: SX-EW copper cathodes and copper concentrate

**Andina**

Type of deposit: Underground mine and open pit mine  
Operation: Since 1970  
Location: Los Andes, Chile's Fifth Region  
Products: Copper concentrate

**El Teniente**

Type of deposit: Underground mine  
Operation: Since 1905  
Location: Rancagua, Chile's Sixth Region  
Products: Blister and copper anodes

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