

Simplified Consolidated Financial Statements

CORPORACION NACIONAL DEL COBRE DE CHILE

Santiago, Chile

December 31, 2008 and 2007

INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
Corporación Nacional del Cobre de Chile

We have audited the accompanying consolidated balance sheets of Corporación Nacional del Cobre de Chile (the "Company") and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income and of cash flows for the years then ended. These financial statements (including the related notes) are the responsibility of the management of Corporación Nacional del Cobre de Chile. Our responsibility is to express an opinion on these financial statements based on our audits. We have not audited the financial statements at December 31, 2008 and 2007, of certain investees and subsidiaries. Those financial statements were audited by other auditors, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for such investees and subsidiaries, is based solely on the reports of such other auditors. At December 31, 2008 and 2007, the direct and indirect investment of the Company in such investees and the total assets reflected by the financial statements of such subsidiaries represent 7.6% and 6.9%, respectively, of the total consolidated assets, and the year's net equity in income of these investees and the total sales reflected by the financial statements of these subsidiaries represent 9.6% and 5.4%, respectively, of the total consolidated sales.

We conducted our audits in accordance with auditing standards generally accepted in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports from other auditors, the consolidated financial statements, present fairly, in all material respects, the financial position of Corporación Nacional del Cobre de Chile and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Chile.

The notes to the accompanying financial statements are a simplified version of those included in the consolidated financial statements of Corporación Nacional del Cobre de Chile and subsidiaries filed with the Superintendency of Securities and Insurance, upon which we have issued our report under this same date. Such financial statements contain additional information required by such Superintendency, which is not indispensable for their adequate interpretation.

The accompanying financial statements have been translated into English solely for the convenience of readers outside of Chile.



February 25, 2009

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

ASSETS	At December 31,	
	2008 ThUS\$	2007 ThUS\$
CURRENT:		
Cash and banks	25,351	21,607
Time deposits	353,469	2,048,598
Marketable securities	8,145	4,260
Trade receivables, net	494,402	1,061,313
Notes receivable	281	265
Other receivables, net	334,956	340,531
Due from related companies	115,484	36,790
Inventories, net	1,546,632	1,704,550
Recoverable taxes	445,952	262,750
Prepaid expenses	15,604	10,295
Deferred taxes	232,692	449,406
Other current assets	8,300	49,315
Total current assets	3,581,268	5,989,680
PROPERTY, PLANT AND EQUIPMENT:		
Land	62,672	66,168
Buildings and infrastructure	9,034,901	8,443,896
Machinery and equipment	8,243,011	7,252,721
Other plant and equipment	181,708	168,110
Technical appraisal revaluation	367,693	368,171
Accumulated depreciation	(9,682,744)	(8,832,405)
Net property, plant and equipment	8,207,241	7,466,661
OTHER ASSETS:		
Investments in related companies	1,077,486	864,987
Investments in other companies	1,648	1,604
Goodwill	19,319	20,494
Negative goodwill	(310)	(351)
Long-term receivables	177,302	220,471
Due from related companies	224	53,410
Intangibles	31,179	19,766
Accumulated amortization	(6,550)	(6,698)
Other assets	617,853	555,870
Total other assets	1,918,151	1,729,553
TOTAL ASSETS	13,706,660	15,185,894

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

LIABILITIES AND EQUITY	At December 31,	
	2008	2007
	ThUS\$	ThUS\$
CURRENT LIABILITIES:		
Banks and financial institutions:		
Current	808,147	23,824
Current portion of long-term debt	300,064	308,341
Current portion of bonds payable	336,849	37,427
Dividends payable	-	800,000
Accounts payable	763,776	955,419
Notes payable	12	1,942
Miscellaneous payables	90,465	119,343
Due to related companies	112,764	115,090
Accruals	483,979	717,873
Withholdings	261,830	134,807
Income taxes payable	3,352	21,364
Deferred income	14,935	54,362
Other current liabilities	11,993	10,504
Total current liabilities	3,188,166	3,300,296
LONG-TERM LIABILITIES:		
Due to banks and financial institutions	400,000	700,000
Bonds payable	2,903,522	3,283,924
Notes payable	75,528	78,622
Miscellaneous payables	306,458	149,394
Due to related companies	429,665	469,512
Accruals	1,679,087	1,526,162
Deferred taxes	758,013	819,521
Other long-term liabilities	87,799	109,959
Total long-term liabilities	6,640,072	7,137,094
MINORITY INTEREST	2,730	4,301
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,757,914	1,655,924
Retained earnings:		
Retained earnings	500,000	400,000
Net income for the year	1,566,775	2,981,619
Profit distributions to the Chilean Treasury	(1,473,420)	(1,817,763)
Total net equity	3,875,692	4,744,203
TOTAL LIABILITIES AND EQUITY	13,706,660	15,185,894

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

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

	For the years ended December 31,	
	2008	2007
	ThUS\$	ThUS\$
SALES	14,424,756	16,988,242
COST OF SALES	<u>(8,840,972)</u>	<u>(7,991,137)</u>
GROSS PROFIT	5,583,784	8,997,105
ADMINISTRATIVE AND SELLING EXPENSES	<u>(354,186)</u>	<u>(382,465)</u>
OPERATING INCOME	<u>5,229,598</u>	<u>8,614,640</u>
NON-OPERATING INCOME (EXPENSES):		
Interest income	57,357	97,275
Equity in income of related companies	297,076	463,719
Other income	199,253	236,367
Equity in losses of related companies	(13,470)	(6,338)
Amortization of goodwill	(1,176)	(1,176)
Interest expense	(238,073)	(245,487)
Other expenses	(1,949,689)	(2,016,341)
Price level restatement	759	(1,303)
Foreign exchange differences	<u>228,646</u>	<u>(71,717)</u>
NON-OPERATING EXPENSES, NET	<u>(1,419,317)</u>	<u>(1,545,001)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	3,810,281	7,069,639
INCOME TAXES	<u>(2,245,965)</u>	<u>(4,091,162)</u>
INCOME BEFORE MINORITY INTEREST	1,564,316	2,978,477
MINORITY INTEREST	<u>2,418</u>	<u>3,101</u>
NET PROFIT	1,566,734	2,981,578
Amortization of negative goodwill	<u>41</u>	<u>41</u>
NET INCOME FOR THE YEAR	<u>1,566,775</u>	<u>2,981,619</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the years ended December 31,	
	2008	2007
	ThUS\$	ThUS\$
NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Collection of accounts receivable	16,038,164	17,931,727
Interest income collected	21,004	71,411
Dividends and other distributions collected	240,954	610,682
Other income collected	1,551,354	1,086,263
Payments to suppliers and personnel	(8,998,270)	(8,092,524)
Interest paid	(241,690)	(180,138)
Income taxes paid	(2,138,552)	(4,276,553)
Law No. 13,196 and other expenses paid	(2,122,282)	(1,578,042)
Value added tax and other similar taxes paid	(1,108,075)	(886,308)
Net cash provided by operating activities	3,242,607	4,686,518
NET CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	886,100	578,800
Profits distribution to the Chilean Treasury	(3,231,784)	(2,267,800)
Loan payment	(400,000)	(200,800)
Net cash used in financing activities	(2,745,684)	(1,889,800)
NET CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	10,881	89,187
Proceeds from sales of permanent investments	3,770	9,575
Proceeds from sale of other investments	14,070	307
Other investment income	18,603	61,351
Purchases of property, plant and equipment	(1,975,490)	(1,604,951)
Investments in related companies	(186,654)	(2,340)
Investments in financial instruments		(10,295)
Loans to related companies	(27,390)	(28,010)
Other investment disbursements	(42,213)	(70,220)
Net cash used in investing activities	(2,184,423)	(1,555,396)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(1,687,500)	1,241,322
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	2,074,465	833,143
CASH AND CASH EQUIVALENT AT THE END OF YEAR	386,965	2,074,465

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the years ended December 31,	
	2008	2007
	ThUS\$	ThUS\$
RECONCILIATION BETWEEN NET INCOME AND CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the year	1,566,775	2,981,619
Proceeds from sales of assets:		
Proceeds from sales of property, plant and equipment	(9,795)	(62,007)
Proceeds from sale of investments	(1,667)	(8,572)
Charges (credits) to income which do not represent cash flows:		
Depreciation	657,459	543,548
Amortization of assets	346,368	290,985
Write-off and provisions	515,672	494,664
Equity in income of related companies	(297,076)	(463,719)
Equity in losses of related companies	13,470	6,338
Amortization of goodwill	1,176	1,176
Amortization of negative goodwill	(41)	(41)
Price level restatement, net	(759)	1,303
Foreign exchange differences	(228,646)	71,717
Other credits to income which do not represent cash flows	(76,318)	(52,132)
(Increase) decrease in assets that affect operating cash flows:		
Accounts receivable	488,217	542,048
Inventories	157,918	(182,023)
Other assets	319,481	262,302
Increase (decrease) in liabilities that affect operating cash flows:		
Accounts payable related to operating activities	(189,525)	159,196
Interest payable	(4,525)	(13,761)
Income taxes payable	(18,012)	(88,958)
Value added tax and other similar taxes payable	4,853	205,936
Minority interest	(2,418)	(3,101)
Net cash provided by operating activities	<u>3,242,607</u>	<u>4,686,518</u>

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

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

Management considers these explanatory notes offer sufficient information but less detailed than that contained in the explanatory notes that are an integral part of the consolidated financial statements which were filed with the Superintendency of Securities and Insurance, and are available to the general public. This information is also available at the Company's office.

Note 1. Description of the Business

Corporación Nacional del Cobre de Chile, Codelco - Chile ("Codelco", or the "Company") is registered under the Securities Registry No.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.) No. 1350 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. No.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. No.1350, 2398 and 824.

Note 2. Summary of Significant Accounting Policies Applied

a. Accounting periods - These consolidated financial statements correspond to the period between January 1st to December 31, 2008 and 2007.

b. Basis of preparation - The 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. No.1350, the Company's records are kept in United States dollars.

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:

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

Chile Copper Limited (U.K.), Codelco Services Limited (U.K.), Codelco Group USA Inc. (U.S.A.), Codelco Metals Inc. (U.S.A.), Copper Technology Investment Inc. (U.S.A.), Semi Solid Metal Investors Llc. (U.S.A.), Corporación del Cobre (USA) Inc. (U.S.A.), Codelco International Limited (Bermudas), Codelco Technologies Ltd. (Bermudas), Codelco Do Brasil Mineracao (Brazil), Mineracao Vale do Curaca (Brazil), Codelco Kupferhandel GmbH (Germany), Metall Agentur GmbH (Germany), Biosigma Ltda. (Bermudas), Ecometales Ltd., Mining Information Communication and Monitoring S.A., Compañía Minera Picacho (SCM), Compañía Contractual Minera Los Andes, Isapre Chuquicamata Limitada, Elaboradora de Cobre Chilena Limitada, Asociación Garantizadora de Pensiones, Prestadora de Servicios San Lorenzo Limitada, Isapre Río Blanco Limitada, CMS - Chile Sistemas y Equipos Mineros S.A., Sociedad Ejecutora Proyecto Hospital del Cobre Calama S.A., Complejo Portuario Mejillones S.A., Instituto de Innovación en Minería y Metalurgia S.A., Santiago de Río Grande S.A., Biosigma S.A., Exploraciones Mineras Andinas S.A., Clínica Río Blanco S.A., Minera Gaby S.A., Sociedad de Inversiones Copperfield Ltda., Energía Minera S.A., Termoeléctrica Farellones S.A., Ecosea Farming S.A., San Lorenzo Instituto de Salud Previsional Ltda. e Innovaciones del Cobre S.A. The interest that Codelco holds in the above companies fluctuates between 96% and 100%. Likewise, in Mining Information, Communication and Monitoring S.A. and Biosigma S.A., Codelco holds an interest of 66% and 66.67%, respectively.

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.

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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

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 accordance with price-level restatement regulations. 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 years ended December 31, 2008 and 2007 were 8.9% and 7.4%, respectively.

f. Basis of conversion - The Chilean peso assets and liabilities 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\$636.45 per US dollar as of December 31, 2008 and Ch\$496.89 per US dollar as of December 31, 2007.

UF-Denominated Assets and Liabilities

At December 31, 2008 and 2007, assets and liabilities denominated in Chilean pesos or UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of each period (2008: Ch\$636.45 and 2007: Ch\$496.89) and the UF value on the closing dates of the financial statements (2008: Ch\$21,452.57; 2007: Ch\$19,622.66).

The Chilean peso income and expenses 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 December 31, 2008 and 2007 were Ch\$520.35 per US dollar and Ch\$522.55 per US dollar, respectively.

Chilean Subsidiaries

Assets and liabilities and income statement accounts in Chilean pesos as of December 31, 2008 and 2007 have been translated into US dollars at the exchange rates on those dates (Ch\$636.45 per US dollar in 2008 and Ch\$496.89 per US dollar in 2007).

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

Foreign subsidiaries

As of December 31, 2008 and 2007, 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:

	<u>2008</u>	<u>2007</u>
	US\$	US\$
Pound sterling - UK	1.44279	1.99124
Euro	1.41223	1.47102
Mexican peso	0.07234	0.09175

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 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.

- 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.

The provisions related with lower realization values are made using the information available at the year-end.

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 by technical appraisals performed by The American Appraisal Co. during 1982 to 1984, net of accumulated depreciation.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

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

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 their 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.
- 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 the 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 normal 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 the 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 period-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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

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 No. 55 issued by the Chilean Institute of Accountants.

r. Income tax and deferred income taxes - Include taxes on first category taxable income and the specific mining activity tax according to D.L. No.824, and D.L. No.2,398.

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 obligation accrued 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 is prepared and is presented as a reductin of trade receivables or in accounts payable, as applicable. 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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

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

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 No. 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 the 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 No.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 No. 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
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

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 are classified in the item Other Assets under Other Assets or in the item Other Long-Term Liabilities under Long-Term Liabilities, respectively.

z. Closure costs - The Company has established a policy of accruing for future closure costs, which mainly relate to the closure of tailing dams, mining operations and other assets, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the recording of a mine's closure costs during its exploitation stage.

This accrual is calculated at net 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.

aa. Law No. 13196 - Law No.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 - 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 No.1,370 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 No.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 - Negative goodwill corresponds to the investment made in Alliance Copper Ltd. by our subsidiary Codelco Technologies Limited in July 2006, and results from the difference generated between the cost of the investment and the equity method of accounting at the purchase date, in accordance with Technical Bulletin No.72 of the Chilean Institute of Accountants.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies Applied (continued)

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.

ag. Financial statements from January to December, 2007 - Certain 2007 figures have been reclassified to be comparative with 2008 figures.

Note 3. Changes in accounting principles

At December 31, 2008, there are no changes in accounting policies and accounting criteria described in Note 2, with respect to the prior year.

Note 4. Balances and Transactions with related companies

Accounts receivable and payable to related Companies are presented in the balance sheets.

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 No.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
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Balances and transactions with related companies (continued)

The Board of Directors became aware of transactions regulated by Corporate Regulation No.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	December 31,	
		2008	2007
		ThUS\$	ThUS\$
Insitu Ingeniería Construcción y Servicios S.A.	Relative of an executive	742	739
B. Bosch S.A.	Executive's spouse	708	664
Edyce S.A.	Relative of an employee	-	398
CMS Tecnología S.A.	Investee	-	23,545
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	1,082	14,771
Ara Worley Parsons S.A.	Executive participation	357	2,801
Carmen Pavez Díaz	Executive's spouse	81	-
Ingeniería Eléctrica Transboch Ltda.	Executive's spouse	4,984	-
Distrinor S.A.	Investee	-	117,400
Prodalam S.A.	Director's participation	714	47
Quadrem Chile Ltda.	Investee	69	1,045
Sodimac S.A.	Director's participation	-	28
Patricio Vergara Ramirez	Relative of an employee	-	72
Ricardo Parada Araya	Relative of an executive	-	112
Fundición Talleres S.A.	Investee	-	155
Dynal Industry S.A.	Relative of an executive	23	-
Mining Industry Robotic Solutions	Investee	5,000	-
Biosigma S.A.	Subsidiary	3,912	-
Ecometales Limited (Ex ACL Limited)	Subsidiary	34,500	-
Prodinsa S.A.	Director's participation	170	-
Transelec S.A.	Relative of an executive	13	-
R & Q Ingeniería S.A.	Relative of an executive	1,609	-
SyS Consultores Ltda.	Relative of an employee	13	-
Consortio Ara Worley Parson-SNC LAVALIN	Executive participation	3,029	3,040
Idesol Ingenieros S.A.	Relative of an employee	28	-
Mining Information Communication and Monitoring S.A.	Subsidiary	-	33,131

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Balances and transactions with related companies (continued)

b. Directors' Remuneration

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

b.1 Directors' Per Diems

Name	Amount of transaction	
	2008	2007
	ThUS\$	ThUS\$
Santiago González Larráin	20	-
Andrés Velasco Brañes	20	14
Nicolás Majluf Sapag	57	39
Jorge Bande Bruck	57	39
Eduardo Gordon Valcárcel	31	39
Jorge Candía Díaz	57	39
Raimundo Espinoza Concha	57	39
Gustavo González Jure	25	-
Karen Poniachik Pollak	-	14

b.2 Remuneration

Name	Amount of transaction	
	2008	2007
	ThUS\$	ThUS\$
Jorge Candía Díaz	84	96
Raimundo Espinoza Concha	55	55

b.3 Fees

Name	Amount of transaction	
	2008	2007
	ThUS\$	ThUS\$
Nicolás Majluf Sapag	39	-
Jorge Bande Bruck	39	-

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Balances and transactions with related companies (continued)

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 December 2008 and 2007 are detailed as follows:

Loans receivable:

Company	Transaction	2008		2007	
		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	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
Sociedad GNL Mejillones S.A.	Current account financing	-	-	2.6% annual	6 months

- (1) Direct line of credit
- (2) Line of credit in guarantee for external credits

Loans payable:

Company	Transaction	2008		2007	
		Interest	Term	Interest	Term
Electroandina S.A.	Leasing	23.3% per annum	74 months	23.3% per annum	74 months
Electroandina S.A. (3)	Leasing	8% annual	40 months	-	-

- (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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4. Balances and transactions with related companies (continued)

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., 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., CMS Tecnología S.A., Comotech S.A. and Inversiones Mejillones S.A.. The detail is as follows:

	<u>Amount of transaction</u>	
	<u>2008</u>	<u>2007</u>
	ThUS\$	ThUS\$
Capital contribution	186,654	29,087
Dividends received	264,236	608,832
Sales of products and services	209,279	182,112
Purchase of products and services	941,073	751,569
Loans	27,391	5,000
Interest	46	158
Interest and commissions	3,580	3,288
Reimbursement of expenses	97,904	136,142
Commissions paid	176	177
Various expenses	-	2,058
Lease	13	-

d. Other information

At December 31, 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 19c).

At December 31, 2007, the long-term accounts receivable from the investee Electroandina S.A. corresponds to the balance of the credit line pending amortization in accordance with the Shareholders Agreement.

Note 5. Inventories

At December 31, 2008 and 2007, inventories amounted to ThUS\$1,546,632 and ThUS\$1,704,550, respectively, and include finished products, products in process, material in warehouse and others.

At December 31, 2008, the Company has started the operation activities related to the Gabriela Mistral project; therefore the total amount of inventories includes MTF22,701 (MTF2,508 corresponding to finished products and MTF20,193 to products in process) from this deposit (ThUS\$52,112).

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Inventories (continued)

At December 31, 2008 and 2007 finished products are presented net of unrealized profits of ThUS\$809 and ThUS\$34,003, 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.

At December 31, 2008 finished products and products in process are presented net of the provision for lower realization value of ThUS\$7,293 and ThUS\$34,539, respectively.

The value of material in warehouse and others are presented net of the obsolescence allowance for materials in warehouse of ThUS\$89,444 and ThUS\$51,673 as of December 31, 2008 and 2007, respectively.

Note 6. Income and deferred taxes

a. Deferred taxes:

The deferred tax calculated in accordance with the policy described in Note 2r) at December 31 2008, represents a net liability of ThUS\$525,321 conformed by assets for ThUS\$1,299,681 and liabilities for ThUS\$1,825,002 and of ThUS\$370,115 conformed by assets for ThUS\$1,312,663 and liabilities for ThUS\$1,682,778 as of December 31, 2007.

b. Income taxes:

At December 31, 2008 and 2007 the charge to income for first category income tax is the following:

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
	ThUS\$	ThUS\$
First category Income tax (17%)	530,467	1,035,407
D.L. 2,398 (40%)	1,351,073	2,602,492
Specific tax on mining activity (5%)	<u>210,756</u>	<u>347,837</u>
Total income taxes	<u><u>2,092,296</u></u>	<u><u>3,985,736</u></u>

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

The subsidiaries' income tax provision amounted to a credit to income of ThUS\$1,537 at December 31, 2008 and a charge to income of ThUS\$17,021 at December 31, 2007.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Property, plant and equipment

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

a. Property, plant and equipment, gross

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
	ThUS\$	ThUS\$
Land and mining rights	62,672	66,168
Buildings and infrastructure	9,034,901	8,443,896
Machinery and equipment	8,243,011	7,252,721
Other property, plant and equipment	181,708	168,110
Technical appraisal revaluation	367,693	368,171
	<u>17,889,985</u>	<u>16,299,066</u>
Total gross property, plant and equipment	<u>17,889,985</u>	<u>16,299,066</u>

On January 9, 2006, the Board of Directors of Codelco approved the Gaby Project, which involves the exploitation of 555 million tons. At December 31, 2008, said project is still in construction and ThUS\$1,062,561 (2007; ThUS\$0) are included in property, plant and equipment and ThUS\$36,381 (2007; ThUS\$732,779) are included in works in construction item related to the Gaby Project.

b. Accumulated depreciation

	<u>As of December 31,</u>	
	<u>2008</u>	<u>2007</u>
	ThUS\$	ThUS\$
Buildings and infrastructure	(4,799,528)	(4,353,436)
Machinery and equipment	(4,803,241)	(4,421,978)
Other property, plant and equipment	(41,786)	(26,474)
Accumulated depreciation from subsidiaries	(38,189)	(30,517)
	<u>(9,682,744)</u>	<u>(8,832,405)</u>
Total accumulated depreciation	<u>(9,682,744)</u>	<u>(8,832,405)</u>
Depreciation and amortization for the year	<u>897,422</u>	<u>792,460</u>

c. Other assets

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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in related companies

At December 31, 2008 and 2007, total investments in investees which have not consolidated their financial statements with the Company amount to ThUS\$1,077,486 and ThUS\$864,987, respectively. The net profits of these companies for 2008 and 2007 amounted to ThUS\$283,606 and ThUS\$457,381, respectively.

These investments are expressed net of unrealized gains for ThUS\$106,483 and ThUS\$125,779 in 2008 and 2007, respectively.

The 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.

a) Main investees of Codelco

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.

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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in related companies (continued)

On December 29, 2008, Codelco Chile agreed to sell to Industrias Peñoles S.A. de C.V. its shares in Sociedad Pecobre S.A. de C.V. corresponding to 49% of the capital of said company in US\$5,000,000 gross, generating an after tax income of ThUS\$1,667.

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 Codelco's former Tocopilla Division.

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

On July 24, 2008, the market was informed regarding the merger between Suez S.A. (controlling entity of Suez Energy Andino S.A., through Suez-Tractabel S.A.) and Gas de France S.A. Due to this operation, the new controlling entity of the holding changed its name to GDF Suez S.A.

The Extraordinary Shareholders' Meeting of Electroandina S.A., held on July 29, 2008, approved a capital increase of said company, under which on September 26, 2008, Codelco subscribed 25,687,934 Serie B shares, for a total amount of ThUS\$24,537, maintaining its ownership percentage in 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.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in related companies (continued)

- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.

Since March 19, 2007, Phelps Dodge Corporation is a subsidiary of Freeport McMoran Copper & Gold Inc.

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 Inversiones 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 parts and fittings.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in related companies (continued)

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 70% of CMS Tecnología S.A. shares to ABB Chile S.A. for ThUS\$7,000, resulting in a gain of ThUS\$832.

Quadrem International Limited and Copper Partners Invertment Company Ltd.

Through Codelco International 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 International 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.

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);

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in related companies (continued)

- 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. and 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.

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.

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Investments in related companies (continued)

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.

On December 30, 2008, Copper Technology Investment Inc., transferred the ownership and assets and liabilities of Comotech S.A. to Innovaciones Cobre S.A. (an indirect subsidiary of Codelco Chile through Sociedad de Inversiones Copperfield Ltda.). The aforementioned assets and liabilities were transferred at the book value recorded in Copper Technology Investment Inc. at the date of this transaction.

b) Contributions to paid in capital of related companies

During the periods between January 1 and December 31, 2008 and 2007 Codelco made capital contributions, in cash or by capitalizing accounts receivable, for ThUS\$186,654 and ThUS\$29,087 respectively, as follows:

	<u>2008</u>	<u>2007</u>
	ThUS\$	ThUS\$
Minera Pecobre S.A.	-	1,000
Sociedad GNL Mejillones S.A.	145,000	25,000
Sociedad Kairos Mining S.A.	-	40
Sociedad Contractual Minera Sierra Mariposa	-	1,747
Mining Industry Robotic Solutions S.A.	2,281	1,300
Inversiones Tocopilla Ltda.	14,836	-
Electroandina S.A.	24,537	-

These capital contributions were recorded at their book value in accordance with Technical Bulletin No.72 issued by the Chilean Institute of Accountants.

c. Unrealized gains:

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

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Note 8. Investments in related companies (continued)

Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994, whose unrealized gain for ThUS\$106,483 in 2008 and ThUS\$125,779 in 2007 are presented net of the investment. The gain is recognized based on the depletion of Sociedad Contractual Minera El Abra. At December 31, 2008 and 2007 gains of ThUS\$19,296 and ThUS\$14,957, respectively, were recognized. At December 31, 2008 and 2007 finished products are presented under the Inventories item, net of unrealized gains for ThUS\$0 and ThUS\$10,721, respectively.

Note 9. Goodwill and negative goodwill

a. Goodwill

Law No.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.

b. Negative goodwill

On July 31, 2006, the subsidiary Codelco Technologies Limited acquired the remaining 50% ownership in Alliance Copper Limited (now Ecometales Ltd.) for ThUS\$10,000. Such operation generated a net negative goodwill of ThUS\$310 in 2008 and ThUS\$351 in 2007, respectively net of amortization.

The indirect subsidiary Codelco Technologies Ltd. recorded the increase of this investment according to Technical Bulletin No.72 issued by the Chilean Institute of Accountants.

Note 10. Obligations with banks and financial institutions - current

Current obligations with banks and financial institutions amount to ThUS\$808,147 and ThUS\$23,824 in 2008 and 2007, respectively. In 2008 ThUS\$786,563 are denominated in US dollars and pay no interest and ThUS\$21,427 are denominated in euros at 4.52% annual interest rate. In 2007, ThUS\$23,824 are denominated in euros at a 4.49% annual interest rate.

Long - term bank obligations due within one year amount to ThUS\$300,064 in 2008 and ThUS\$308,341 in 2007, they are denominated in US dollars at an average annual interest rate of 1.72% in 2008 and 5.22% in 2007.

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Note 11. Obligations with banks and financial institutions - long term

At December 31, 2008, these obligations amount to ThUS\$400,000 (2007; ThUS\$700,000), are denominated in US dollars at an interest rate based on Libor. The average annual interest rate was 1.59% in 2008 (5.06% in 2007). At December 31, 2008 these obligations mature in 2014.

Note 12. 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. At December 31, 2008 and 2007, the current liability for each year is ThUS\$303,728 and ThUS\$3,708, respectively.

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. At December 31, 2008 and 2007, the current liability for each year is ThUS\$3,166 and ThUS\$3,670, respectively.

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. At December 31, 2008 and 2007, the current liability for each year is ThUS\$2,528 and ThUS\$2,438, respectively.

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. At December 31, 2008 and 2007, the current liability for each year is ThUS\$6,044 and ThUS\$6,011, respectively.

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. At December 31, 2008 and 2007, the current liability for each year is ThUS\$5,220 and ThUS\$5,192, respectively.

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. At December 31, 2008 and 2007 the current liability for each year is ThUS\$2,416 and ThUS\$2,814, respectively.

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Note 12. Current and long-term bonds payable (continued)

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. At December 31, 2008 and 2007 the current liability for each year is ThUS\$8,002 and ThUS\$7,881, respectively.

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. At December 31, 2008 and 2007, the current liability for each year is ThUS\$5,745 and ThUS\$5,713, respectively.

Note 13. Accruals

At December 31, 2008 and 2007, long-term accruals amount to ThUS\$1,679,087 and ThUS\$1,526,162, respectively. These accruals cover the Company's commitments that will take place in the long term, arising from closure plans, contingencies, severance indemnities and others related to personnel benefits in union contracts.

The changes in the long-term accruals for severance indemnities are summarized below:

Movements	Long-term liability	
	2008	2007
	ThUS\$	ThUS\$
Balance as of January 1,	879,903	729,216
Provision for the year (including effects for variations in exchange rates)	(66,069)	176,842
Transfers to current liability	<u>(35,091)</u>	<u>(26,155)</u>
Total severance indemnities	<u>778,743</u>	<u>879,903</u>

Note 14. Change in equity

- a. Corporación Nacional del Cobre de Chile, Codelco-Chile was formed by D.L. No.1,350 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. No.1,350, and have to be included in the proposal made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

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Note 14. Change in equity (continued)

On February 28, 2007, in accordance with Article 6 of D.L. No.1,350, 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. No.1,350, the Board of Directors agreed to propose to 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 ThUS\$400,000 and ThUS\$400,000, respectively, for fiscal surpluses on account of 2007 profit.

The composition of Other Reserves as of December 31, 2008 is as follows:

Detail	Year	Accumulated
	ThUS\$	ThUS\$
Capitalization of net income and reserves	105,492	1,062,683
Cumulative translation adjustment - subsidiaries	(3,078)	35,988
Net changes in equity in subsidiaries and investees	(424)	(424)
Reserve for housing programs	-	35,100
Technical appraisal revaluation reserve - D.L. No.3,648	-	624,567
Balance of other reserves as of December 31, 2008	101,990	1,757,914

- b. At December 31, 2008, the Company recognized profit distributions to the Chilean Treasury for ThUS\$1,473,420, charged to the January-December 2008 period income, which reduces equity.

Changes in equity are as follows:

Movements	As of December 31, 2008					As of December 31, 2007				
	Paid-in capital	Other reserves	Retained earnings	Profit distributions	Net income for the year	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	1,655,924	400,000	(1,817,763)	2,981,619	1,524,423	1,332,432	-	(1,668,043)	3,338,789
Transfer of prior year income				1,817,763	(1,817,763)				1,668,043	(1,668,043)
Profit distributions against prior year					(958,364)					(950,038)
Capitalization of reserves and/or other income		105,492	100,000		(205,492)		320,708	400,000		(720,708)
Net changes in equity in subsidiaries and investees		(3,502)					2,784			
Net income for the year					1,566,775					2,981,619
Interim dividend				(1,473,420)					(1,817,763)	
Total	1,524,423	1,757,914	500,000	(1,473,420)	1,566,775	1,524,423	1,655,924	400,000	(1,817,763)	2,981,619

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Note 15. Non-operating income and expenses

Non-operating income and expenses at December 31, 2008 and 2007 are detailed below:

a. Non-operating income

Item	December 31,	
	2008	2007
	ThUS\$	ThUS\$
Administration - Satep	5,140	5,042
Fines on suppliers	9,426	4,916
Miscellaneous sales	32,669	44,841
Sales of services	14,265	10,012
Sales of property, plant and equipment (1)	2,507	83,377
Realized gains	19,296	14,957
Others	115,950	73,222
Total	199,253	236,367

b. Non-operating expenses

Item	December 31,	
	2008	2007
	ThUS\$	ThUS\$
Export tax (Law No.13,196)	1,159,804	1,389,965
Severance indemnities expense	108,111	77,684
Loss on disposal of property, plant and equipment	14,978	6,124
Collective bargaining bonuses	27,205	161,556
Closure costs	295,880	194,922
Pre-investment expenses	94,945	54,222
Other expenses	93,010	52,477
Retirement plans expense	48,009	28,064
Health programs	24,355	11,545
Accrual for contingencies	83,392	39,782
Total	1,949,689	2,016,341

- (1) At December 31, 2007, the subsidiary Codelco Internacional Ltd. through its indirect subsidiary Codelco Mineracao Ltda., has an income for ThUS\$81,460 corresponding to the sale of Boa Esperanca Project. The profit obtained in this operation for ThUS\$60,090 was recognized in net revenue of said subsidiary.

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Note 16. Price level restatement

As stipulated in D.L. No. 1,350 of 1976, the Company records its operations in U.S. dollars. Therefore price level restatement figures stem from the consolidation with subsidiaries, which registered a net charge to income of ThUS\$759 and ThUS\$1,303 in 2008 and 2007, respectively.

Note 17. Exchange differences

Assets and liabilities, traded in currencies other than US dollars, have been converted at the year-end exchange rate, resulting in a net credit to income of ThUS\$228,646 in 2008 and net debit to income for ThUS\$71,717 in 2007.

Note 18. Derivative contracts

As is mentioned in Note 2 t), 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 December 31, 2008 the Company has no outstanding contracts. The contracts existing at December 31, 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 December 31, 2008, these contracts show a negative exposure of ThUS\$7,737. The net accounts receivable for said contracts amount to ThUS\$95,520 in 2008 and ThUS\$175,927 in 2007 and are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$59,338 in 2008 and ThUS\$77,946 in 2007, are recorded in Other long-term liabilities and are amortized over the term of the respective liabilities.

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 December 31, 2008, said operations generated a lower net revenue of ThUS\$723,769, which is detailed as follows:

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Note 18. Derivative contracts (continued)

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-December, 2008, the Company has carried out operations in future markets, which represent 244,154 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 December 31, 2008, show a net positive exposure of ThUS\$217,009, whose final result will 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 December 31, 2008 generated a net positive effect on income of ThUS\$2,993 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\$6,331 for purchases and ThUS\$3,338 for sales).

c.2 Commercial operations for outstanding gold and silver contracts

At December 31, 2008, the Company has gold pricing hedging operations for 4.2 thousand troy ounces and silver pricing hedging operations for 181.6 thousand troy ounces.

At that date, the negative exposure amounted to ThUS\$384.

The operations that ended between January 1 and December 31, 2008 generated a positive effect on income of ThUS\$1,811, 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 867,700 metric tons of fine copper. These hedging contracts mature until March 2013.

Outstanding future operations at December 31, 2008, show a negative exposure of ThUS\$127,422, whose final result will 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 December 31, 2008, related to the production sold generated a lower revenue of ThUS\$679,550, which is the result of the compensation between the hedging operation and revenues arising from the 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.

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Note 18. Derivative contracts (continued)

At December 31, 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 120,900 metric tons of fine copper. At December 31, 2008, these operations show a positive exposure of ThUS\$111,294. These hedging operations mature until March 2010.

The min-max operations ended between January 1 and December 31, 2008 generated a lower revenue of ThUS\$49,023.

Note 19. Contingencies and commitments

Lawsuits 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.

A case by case analysis of these lawsuits has shown that there are a total of 136 lawsuits with an estimated amount. The Company estimates that 18 of them for ThUS\$2,095 could have negative results against the Company. Also, there are 84 lawsuits for ThUS\$41,508 for which there is no certainty if they will be against Codelco. For the 34 remaining lawsuits for ThUS\$20,549, the legal advisers estimate they will not have a negative result for Codelco. Additionally there are 82 lawsuits for unknown amounts, of which 34 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.

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Note 19. Contingencies and commitments (continued)

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 No. 20,123, which regulates the work in terms of subcontracting 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 provision 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\$50 million (Chilean pesos) has been estimated for 2009. 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).

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 1st, 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.

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Note 19. Contingencies and commitments (continued)

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. 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.

On September 23, 2008, Codelco Chile and Minmetals agreed to suspend indefinitely the rights and obligations regarding 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 business and exploration opportunities in the international copper mining sector, mainly in Latin America and Africa.

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.

At December 31, 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 (69,600 metric tons of fine copper at December 31, 2008). Copper Partners Investment Company assumes the result of this hedge.

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Note 19. Contingencies and commitments (continued)

- d. The Company has subscribed gas supply contracts with its investee GNL Mejillones S.A., which will operate as from October 2010. Through these contracts, the investee agreed to sell as a minimum the equivalent to 27 annual Tera of BTU (British Thermal Unit) in the period 2010-2012. Additionally, the Company, jointly with other mining companies, has signed an option contract with GNL that include the following options:
- i) To purchase the right to use the terminal's capacity after the maturity of the contract, or
 - ii) To purchase shares of GNL

The companies are required to take one of these options.

The Company has subscribed guarantees for 50% of the total amount of GNL Mejillones S.A derivative contract exposure, with a maximum of ThUS\$360,000.

- e. Law No.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.

The Company's bond payables establish some restrictions related with limitations on the pledge and limitations on leaseback transactions over the mainly Company's property, plant and equipment and investment in significant subsidiaries.

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Note 20. Direct guarantees

The Company has obligations with the Chilean Treasury according to Law No.18,634 on deferred customs rights for ThUS\$5 (2007; ThUS\$216). In addition, the Company records documents delivered as guarantee for ThUS\$64,882 in 2008 (2007; ThUS\$64,858).

At December 31, 2008, the Company has direct guarantees corresponding to Stand by letter of ThUS\$140,000 (2007; ThUS\$660,000) and deposits in guarantee of ThUS\$16,009 in 2007 to certain Brokers in order to guarantee future metal market operations.

Note 21. Indirect guarantees

At December 31, 2008 and 2007, the Company records and indirect debt for ThUS\$30,038 from guarantees to its investee Electroandina S.A.

At December 31, 2008 the Company has subscribed guarantees for the 50% of the total exposition of derivatives transactions taken by the subsidiary GNL Mejillones S.A. up to amount of ThUS\$360,000 (ThCh\$0 in 2007).

At December 31, 2008 and 2007 the subsidiary Codelco International Ltd. agreed to cede to China Development Bank, as a security collateral, its rights in Copper Partner Investment Company Limited in the amount of ThCh\$235,714 and ThCh\$267,143 respectively.

Note 22. Sureties 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 in its operating Divisions, which amount to ThUS\$411,521 in 2008 and ThUS\$413,267 in 2007.

Note 23. Assets and liabilities in local and foreign currencies

At December 31, 2008, the Company has assets traded in local currency for ThUS\$937,260 (2007; ThUS\$1,029,350) and liabilities for ThUS\$1,219,521 (2007; ThUS\$1,364,068).

Note 24. Sanctions

At December 31, 2008 and 2007, Codelco-Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency or other administrative authorities.

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SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25. 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 the exploration of mineral resources both in Chile and abroad.

Under these circumstances at December 31, 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 December 31, 2008 and 2007, the Company has made investments, related to environmental issues for ThUS\$53,936 and ThUS\$53,741, respectively.

Note 26. Time deposits

The composition of time deposits is as follows:

2008

Bank	Annual interest rate	Amount
	%	ThUS\$
Banco del Estado de Chile	0.2500	78,126
Banco Bilbao Vizcaya Argentaria	0.2000	56,840
Sumitomo Mitsui Banking Corporation	0.2200	10,000
Sumitomo Mitsui Banking Corporation	0.3000	35,004
Banco del Estado de Chile	0.2300	19,170
Intesa Sanpaolo SpA, New York	0.2500	90,001
Citi New York	0.1000	2,324
Citi New York	0.1300	8,370
BCI	7.9200	7,130
Banco de Chile	8.5200	1,224
Banco de Chile	8.7600	9,504
BBVA	2.2000	1,445
HSBC	1.2000	902
ABN AMRO Bank	14.5000	32,270
Others		<u>1,159</u>
Total		<u><u>353,469</u></u>

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Note 26. Time deposits (continued)

2007

Bank	Annual interest rate %	Amount ThUS\$
Banco de Chile	6.3600	817
Banco de Chile	7.2800	6,326
Banco de Crédito e Inversiones	5.1600	1,001
Banco Bilbao Vizcaya Argentaria, N.Y. Branch	4.3800	102,405
Banco del Estado de Chile, N.Y. Branch	4.2500	16,894
Banco del Estado de Chile, N.Y. Branch	4.9500	100,096
Barclays Bank PLC, Miami Agency	4.4000	20,007
Barclays Bank PLC, Miami Agency	4.9000	130,363
BCI, Miami Branch	4.5000	180,068
Citi New York	3.6000	25,040
Natixis, New York Branch	4.4000	200,073
Natixis, New York Branch	4.4200	100,037
Standard Chartered Bank, N. York	4.4700	360,133
Sumitomo Mitsui Banking Co. N.Y.	4.4700	220,082
Sumitomo Mitsui Banking Co. N.Y.	4.8200	60,201
Sumitomo Mitsui Banking Co. N.Y.	4.8500	71,620
The Bank of Tokyo-M Ltd., N.Y.	4.5200	170,064
The Bank of Tokyo-M Ltd., N.Y.	4.7900	70,047
The Bank of Tokyo-M Ltd., N.Y.	4.9500	120,066
ABN AMRO	-	82,233
Others	-	11,025
Total		<u>2,048,598</u>

Note 27. Subsequent events

On January 20, 2009, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$600,000. Said placement was led by HSBC and JP Morgan, matures in a single installment on 2019, at an interest rate of 7.5% per annum.

On January 30, 2009 the Company informed to Anglo American Sur S.A. its decision to delay the exercise of the option to acquire up to 49% of that company until the next contractual period (January 2012).

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Note 27. Subsequent events (continued)

The Company's management has no knowledge of any other significant events of a financial nature or any other nature, occurring between December 31, 2008 and the date of issuance of these financial statements (February 25, 2009) which might affect them.

José Pablo Arellano Marín
Executive President

Juan Medel Fernández
Corporate Vice-President for Shared Services

Mario Allende Gallardo
Chief Accountant

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