

Simplified Consolidated Financial Statements

CORPORACION NACIONAL DEL COBRE DE CHILE

Santiago, Chile

December 31, 2007 and 2006

Simplified Consolidated Financial Statements
CORPORACION NACIONAL DEL COBRE DE CHILE

December 31, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006, the direct and indirect investment of the Company in such investees and the total assets reflected by the financial statements of such subsidiaries represent 6.9% and 8.6%, 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 5.4% and 7.6%, 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, 2007 and 2006, 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 for the convenience of readers outside of Chile.


February 15, 2008

CORPORACION NACIONAL DEL COBRE DE CHILE

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars - ThUS\$)

| ASSETS | At December 31, | |
|--|--------------------------|--------------------------|
| | 2007 ThUS\$ | 2006 ThUS\$ |
| CURRENT ASSETS: | | |
| Cash and banks | 21,607 | 8,419 |
| Time deposits | 2,048,598 | 821,466 |
| Marketable securities | 4,260 | 3,258 |
| Trade receivables, net | 933,303 | 1,470,158 |
| Notes receivable | 265 | 9,739 |
| Other receivables, net | 340,531 | 248,788 |
| Due from related companies | 36,790 | 15,472 |
| Inventories, net | 1,704,550 | 1,522,527 |
| Taxes recoverable | 262,750 | 95,166 |
| Prepaid expenses | 10,295 | 9,186 |
| Deferred taxes | 449,406 | 375,875 |
| Other current assets | 49,315 | 41,932 |
| Total current assets | <u>5,861,670</u> | <u>4,621,986</u> |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Land | 66,168 | 58,674 |
| Buildings and infrastructure | 8,443,896 | 7,389,756 |
| Machinery and equipment | 7,252,721 | 6,871,901 |
| Other plant and equipment | 168,110 | 116,999 |
| Technical appraisal revaluation | 368,171 | 368,741 |
| Accumulated depreciation | (8,832,405) | (8,203,826) |
| Net property, plant and equipment | <u>7,466,661</u> | <u>6,602,245</u> |
| OTHER ASSETS: | | |
| Investments in related companies | 864,987 | 1,009,968 |
| Investments in other companies | 1,604 | 1,279 |
| Goodwill | 20,494 | 21,670 |
| Negative goodwill | (351) | (392) |
| Long-term receivables | 220,471 | 178,548 |
| Due from related companies | 53,410 | 46,679 |
| Intangibles | 19,766 | 21,391 |
| Accumulated amortization | (6,698) | (6,748) |
| Other assets | 555,870 | 536,217 |
| Total other assets | <u>1,729,553</u> | <u>1,808,612</u> |
| TOTAL ASSETS | <u>15,057,884</u> | <u>13,032,843</u> |

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

CORPORACION NACIONAL DEL COBRE DE CHILE

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars - ThUS\$)

| LIABILITIES AND EQUITY | At December 31, | |
|--|--------------------------|--------------------------|
| | 2007 | 2006 |
| | ThUS\$ | ThUS\$ |
| CURRENT LIABILITIES: | | |
| Banks and financial institutions: | | |
| Current | 23,824 | 61,049 |
| Current portion of long-term debt | 308,341 | 8,506 |
| Current portion of bonds payable | 37,427 | 36,717 |
| Dividends payable | 800,000 | 300,000 |
| Accounts payable | 829,806 | 596,450 |
| Notes payable | 1,942 | 649 |
| Miscellaneous payables | 119,343 | 65,694 |
| Due to related companies | 115,090 | 145,962 |
| Accruals | 715,476 | 505,865 |
| Withholdings | 134,807 | 150,631 |
| Income taxes payable | 21,364 | 110,322 |
| Deferred income | 54,362 | 87,348 |
| Other current liabilities | 10,504 | 2,611 |
| Total current liabilities | <u>3,172,286</u> | <u>2,071,804</u> |
| LONG-TERM LIABILITIES: | | |
| Due to banks and financial institutions | 700,000 | 600,000 |
| Bonds payable | 3,283,924 | 3,213,739 |
| Notes payable | 78,622 | 81,853 |
| Miscellaneous payables | 149,394 | 106,952 |
| Due to related companies | 469,512 | 492,291 |
| Accruals | 1,526,162 | 1,179,540 |
| Deferred taxes | 819,521 | 674,999 |
| Other long-term liabilities | 109,959 | 81,491 |
| Total long-term liabilities | <u>7,137,094</u> | <u>6,430,865</u> |
| MINORITY INTEREST | <u>4,301</u> | <u>2,573</u> |
| EQUITY: | | |
| Paid-in capital | 1,524,423 | 1,524,423 |
| Other reserves | 1,655,924 | 1,332,432 |
| Retained earnings: | | |
| Retained earnings | 400,000 | - |
| Net income for the year | 2,981,619 | 3,338,789 |
| Profits distribution to the Chilean Treasury | (1,817,763) | (1,668,043) |
| Total net equity | <u>4,744,203</u> | <u>4,527,601</u> |
| TOTAL LIABILITIES AND EQUITY | <u>15,057,884</u> | <u>13,032,843</u> |

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

CORPORACION NACIONAL DEL COBRE DE CHILE

CONSOLIDATED INCOME STATEMENTS

(In thousands of dollars - ThUS\$)

| | For the years ended December 31, | |
|---|-------------------------------------|---------------------------|
| | <u>2007</u> ThUS\$ | <u>2006</u> ThUS\$ |
| Sales | 16,988,242 | 17,077,032 |
| Cost of sales | <u>(8,058,827)</u> | <u>(7,272,311)</u> |
| Gross profit | 8,929,415 | 9,804,721 |
| Administrative and selling expenses | <u>(381,595)</u> | <u>(338,101)</u> |
| OPERATING INCOME | <u>8,547,820</u> | <u>9,466,620</u> |
| Interest income | 97,275 | 58,124 |
| Equity in income of related companies | 463,719 | 451,877 |
| Other income | 235,497 | 164,741 |
| Equity in losses of related companies | (6,338) | (7,573) |
| Amortization of goodwill | (1,176) | (1,176) |
| Interest expenses | (245,487) | (236,085) |
| Other expenses | (1,948,651) | (2,037,565) |
| Price level restatement | (1,303) | (264) |
| Foreign exchange differences | <u>(71,717)</u> | <u>42,364</u> |
| NON-OPERATING EXPENSES | <u>(1,478,181)</u> | <u>(1,565,557)</u> |
| INCOME BEFORE INCOME TAXES AND MINORITY INTEREST | 7,069,639 | 7,901,063 |
| INCOME TAXES | <u>(4,091,162)</u> | <u>(4,564,654)</u> |
| INCOME BEFORE MINORITY INTEREST | 2,978,477 | 3,336,409 |
| MINORITY INTEREST | <u>3,101</u> | <u>2,349</u> |
| NET PROFIT | 2,981,578 | 3,338,758 |
| Amortization of negative goodwill | <u>41</u> | <u>31</u> |
| NET INCOME FOR THE YEAR | <u>2,981,619</u> | <u>3,338,789</u> |

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

CORPORACION NACIONAL DEL COBRE DE CHILE

CONSOLIDATED CASH FLOW STATEMENTS

(In thousands of dollars - ThUS\$)

| | For the years ended December 31, | |
|--|---|---------------------------|
| | <u>2007</u> | <u>2006</u> |
| | ThUS\$ | ThUS\$ |
| NET CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Collection of accounts receivable | 17,931,727 | 18,504,378 |
| Interest income collected | 71,411 | 48,573 |
| Dividends and other distributions collected | 610,682 | 318,500 |
| Other income collected | 1,086,263 | 822,495 |
| Payments to suppliers and personnel | (8,200,443) | (8,580,429) |
| Interest paid | (72,219) | (69,797) |
| Income taxes paid | (4,276,553) | (5,194,888) |
| Law N°13,196 and other expenses paid | (1,578,042) | (1,464,048) |
| Value added tax and other similar taxes paid | <u>(886,308)</u> | <u>(780,060)</u> |
| Net cash provided by operating activities | <u>4,686,518</u> | <u>3,604,724</u> |
| NET CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Loans obtained | 578,800 | 150,000 |
| Bonds payable | - | 500,000 |
| Profits distribution to the Chilean Treasury | (2,267,800) | (1,857,009) |
| Loan payment | <u>(200,800)</u> | <u>(468,000)</u> |
| Net cash used in financing activities | <u>(1,889,800)</u> | <u>(1,675,009)</u> |
| NET CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of property, plant and equipment | 89,187 | 391 |
| Proceeds from sales of permanent investments | 9,575 | - |
| Proceeds from sale of other investments | 307 | 1,619 |
| Other investment income | 61,351 | 65,174 |
| Purchases of property, plant and equipment | (1,604,951) | (1,218,725) |
| Investments in related companies | (2,340) | (111,046) |
| Investments in financial instruments | (10,295) | (3,775) |
| Loans to related companies | (28,010) | - |
| Other investment disbursements | <u>(70,220)</u> | <u>(47,852)</u> |
| Net cash used in investing activities | <u>(1,555,396)</u> | <u>(1,314,214)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENT | <u>1,241,322</u> | <u>615,501</u> |
| CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR | <u>833,143</u> | <u>217,642</u> |
| CASH AND CASH EQUIVALENT AT THE END OF YEAR | <u>2,074,465</u> | <u>833,143</u> |

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

CORPORACION NACIONAL DEL COBRE DE CHILE

CONSOLIDATED CASH FLOW STATEMENTS

(In thousands of dollars - ThUS\$)

| | For the years ended | |
|---|----------------------------|-------------------------|
| | December 31, | |
| | <u>2007</u> | <u>2006</u> |
| | ThUS\$ | ThUS\$ |
| RECONCILIATION BETWEEN NET INCOME AND CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the year | 2,981,619 | 3,338,789 |
| Proceeds from sale of assets: | | |
| Proceeds from sales of property, plant and equipment | (62,007) | (10,366) |
| Proceeds from sale of investments | (8,572) | - |
| Charges (credits) to income which do not represent cash flows: | | |
| Depreciation | 543,548 | 520,367 |
| Amortization of assets | 290,985 | 255,874 |
| Write-off and provisions | 347,337 | 25,340 |
| Equity in income of related companies | (463,719) | (451,877) |
| Equity in losses of related companies | 6,338 | 7,573 |
| Amortization of goodwill | 1,176 | 1,176 |
| Amortization of negative goodwill | (41) | (31) |
| Price level restatement, net | 1,303 | 269 |
| Foreign exchange differences | 71,717 | (42,364) |
| Other credits to income which do not represent cash flows | (52,132) | (27,675) |
| (Increase) decrease in assets that affect operating cash flow: | | |
| Accounts receivable | 542,048 | (320,101) |
| Inventories | (182,023) | (501,927) |
| Other assets | 262,302 | (71,101) |
| Increase (decrease) in liabilities that affect operating cash flow: | | |
| Accounts payable related to operating activities | 159,196 | 620,880 |
| Interest payable | (13,761) | 18,146 |
| Income taxes payable | (88,958) | (35,682) |
| Value added tax and other similar taxes payable | 353,263 | 279,783 |
| Minority interest | <u>(3,101)</u> | <u>(2,349)</u> |
| Net cash provided by operating activities | <u>4,686,518</u> | <u>3,604,724</u> |

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

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

(In thousands of 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 01 - Registration in the Securities Register

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 (the "Superintendency"). The Company is subject to the regulation of the Superintendency.

Codelco-Chile was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and 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. Also, the Company also carries out similar activities in other mining deposits in association with third parties.

As is established in D.L. N° 1,350, Codelco's financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company's tax regime is established in D.L. N°s 1,350, 2,398 and 824.

Note 02 - Significant accounting policies applied

a. Accounting periods - These consolidated financial statements correspond to the period between January 1°, to December 31, 2007 and 2006.

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. 1,350, the Company's records are maintained in United States dollars.

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 its subsidiaries:

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), Ecometales Ltd., Mining Information Communications 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., 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., Inversiones Cooperfield Ltda., Energía Minera S.A., Termoeléctrica Farellones S.A.. The interest that Codelco holds in the above companies fluctuates between 96% and 100%. Likewise, in Mineracao Vale Do Curaca (Brazil), Mining Information Communications and Monitoring S.A. and Biosigma S.A., Codelco holds an interest of 51%, 66% and 66.67%, respectively.

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

Although Codelco owns 66.75% of Electroandina S.A. and Inversiones Mejillones S.A., directly or indirectly, the Company does not control the management of these companies, and therefore, in accordance with generally accepted accounting principles in Chile, the conditions to include these subsidiaries in the Codelco financial statements consolidation are not met, the ownership is as follows:

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

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Price level 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 year. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the year ended December 31, 2007 and 2006 were 7.4% and 2.1%, respectively.

f. Basis of conversion - The Company's assets and liabilities in Chilean pesos, mainly composed of cash, other receivables, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each year-end of Ch\$496.89 per US dollar as of December 31, 2007 (2006: Ch\$532.39).

UF-Denominated Assets and Liabilities

At December 31, 2007 and 2006, assets and liabilities in local currency denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$ rates effective at the end of the period (2007: Ch\$496.89 and 2006: Ch\$532.39) and the UF value on the closing dates of the financial statements. (2007: \$19,622.66; 2006: \$18,336.38).

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

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

The average exchange rate for the year ended December 31, 2007 was Ch\$522.55 per US dollar, (2006: Ch\$530.34).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2007 and 2006 have been translated into US dollars at the exchange rates on those dates, (Ch\$496.89 and Ch\$532.39 per US dollar, respectively).

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign subsidiaries

As of December 31, 2007 and 2006, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the closing exchange rates as of the respective year-end, as follows:

| | 2007 US\$ | 2006 US\$ |
|----------------|--------------|--------------|
| Pound sterling | 1.99124 | 1.95695 |
| Euro | 1.47102 | 1.31874 |
| Mexican peso | 0.09175 | 0.09259 |

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

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

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

- 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 of property, amortization of property, plant and equipment and indirect expenses.
- Materials in warehouse: Materials in warehouse are valued at purchase cost.

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

- Materials in transit: Materials in transit are valued at the cost incurred as at the year-end.

j. Allowance for doubtful accounts - Management estimates the allowance for doubtful accounts based on its 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.

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 the accounting value.

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, and is booked in accordance therewith 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 over future mineral production. These costs include extraction of waste material, constructing the mine's infrastructure and other work carried out prior to the production phase.
- Expenses of developing existing mines: These expenses are incurred for the purpose of maintaining the production volumes from deposits and are charged to income as incurred.
- Costs of delineating new deposit areas in exploitation and of mining operations (property, plant and equipment): These costs are recorded in property, plant and equipment and are amortized to income in the period in which the benefits are obtained.

n. Leased assets - Property, plant and equipment recorded under finance leasing contracts are recorded as Other property, plant and equipment item. These 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 based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

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

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

p. Investments in other companies - The item "investments in other companies" represents the value of the shares that the Company has been required to acquire for its operations. These investments are recorded at cost, which do not exceed market value.

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

r. Income tax and deferred income taxes - Include taxes on first category taxable income and the specific mining activity tax according to D.L. 824, and D.L. N°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 payment of severance indemnities. It is the Company's policy to provide for the total accrued obligation under the shut-down method.

The Company, following its cost-reduction programs through the use of modern technologies, 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 to abroad 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. Estimations for lower sales value on unsettled operations at the end of the period are accrued based on the information available as of the date the financial statements are prepared and is presented deducting trade receivables. Sales in Chile are recorded in accordance with Chilean regulations.

According to the note related to metal future market hedging policies, the Company carries out operations in future markets recording the final effects of these hedging transactions at the settlement date of the contracts. These results are added or deducted from sales.

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

- Hedging policies for exchange and interest rates

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

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

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

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 policies approved by the Board of Directors the Company entered into contracts in order to hedge future metal prices supported by physical production minimizing the inherent risks to the fluctuation of the prices.

The hedging policy seeks to protect foremost the expected cash flows from sale of products and set prices for a portion of future production also adjust physical contracts to its commercial policy, when it will be necessary.

With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, which does not imply 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 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 operations, as part of the procedures of the settlement of sale of products.

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

In accordance with Circular N°981 dated December 28, 1990 of the Superintendency of Securities and Insurance, 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.

x. Statement of cash flows - Cash and cash equivalent include unrestricted cash and bank balances, time deposits and as short-term marketable securities maturing within 90 days, 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.

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

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

aa. Law N° 13,196 - 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 income statements.

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

ac. Bond issuance cost - Bond issuance cost is charged to the year's results, as is established in Circular 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 N°72 of the Chilean Association of Accountants. Goodwill is amortized over the period in which the benefits are expected to be obtained.

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

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

ag. Financial statements from January to December, 2006 - Certain 2006 figures have been reclassified for comparative purposes with 2007 figures.

Note 03 - Changes in accounting principles

From January 1, 2006, the Company records in income collective bargaining bonuses. Until December 31, 2005, these bonuses were capitalized and amortized over the period of the respective collective bargaining agreements. At December 31, 2005, there was an asset for ThUS\$14,805 for collective bargaining bonuses, net of deferred taxes, which was also recognized in 2006 income (Note 15).

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At December 31, 2007, there are no changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

Note 04 - 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 under which business transacted with individuals and companies related to the Corporation should be conducted. This has been monitored by management since December 1, 1995 through Corporate Regulation N°18 and its related administrative procedure.

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 the 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.

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

| Company name | Nature of the relationship | Amount of transaction | |
|---|----------------------------|-----------------------|----------------|
| | | 2007 ThUS\$ | 2006 ThUS\$ |
| Juan Costella Montt | Employee's brother | - | 2,606 |
| Insitu Ingeniería Construcción y Servicios S.A. | Executive's relative | 739 | 1,700 |
| Alquimia Ingenieros S.A. | Executive's ex-spouse | - | 488 |
| Cimm Tecnologías y Servicios S.A. | Executive | - | 261 |
| Cristian Aguilera Alcaayaga | Executive' son | - | 15 |
| Sebastián Sánchez Arenas | Executive' son | - | 8 |
| Bosch S.A. | Executive's spouse | 664 | - |
| Edyce S.A. | Employee's relative | 398 | - |
| CMS Tecnología S.A. | Subsidiary | 23,580 | - |
| Alejandro Mejía Correa | Employee's relative | 27 | - |
| Juan Torres Peters | Executive's relative | 57 | - |
| Distrinor S.A. | Investee | 117,400 | - |
| Compañía de Petróleos de Chile S.A. | Director's participation | 14,771 | - |
| Prodalam S.A. | Director's participation | 80 | 2 |
| Quadrem Chile Ltda. | Investee | 1,045 | - |
| Domingo Iraola Vela | Employee's relative | - | 9 |
| Sodimac S.A. | Director | - | 1 |
| Consortio Ingenieros ARA – PM Ltda. | Executive participation | 3,040 | 60 |
| Ara Worley Parsons | Executive participation | 2,851 | - |
| Fundición Talleres S.A. | Investee | 310 | - |
| Consortio Cioc S.A. | Executive participation | 3,404 | - |
| Patricio Vergara Ramírez | Employee's relative | 72 | - |
| Mining Information Communication and Monitoring | Subsidiary | 33,131 | - |
| Ricardo Parada Araya | Executive's relative | 112 | - |

b) Directors' Remunerations

During 2007 and 2006, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees:

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b.1) Directors' per diems

| Name | Amount of transaction | |
|-------------------------------|-----------------------|--------|
| | 2007 | 2006 |
| | ThUS\$ | ThUS\$ |
| Karen Poniachik Pollak | 14 | 11 |
| Andrés Velasco Brañes | 14 | 11 |
| Nicolás Majluf Sapag | 39 | 36 |
| Jorge Bande Bruck | 39 | 36 |
| Eduardo Gordon Valcarcel | 39 | 34 |
| Jorge Candia Díaz | 39 | 36 |
| Raimundo Espinoza Concha | 39 | 35 |
| José Alfonso Dulanto Rencoret | - | 3 |
| Nicolás Eyzaguirre Guzmán | - | 3 |
| Patricio Meller Bock | - | 8 |
| Jorge Navarrete Martínez | - | 8 |
| Ricardo Ortega Terrier | - | 8 |
| Bismarck Robles Guzmán | - | 8 |
| René Valdenegro Oyaneder | - | 8 |

b.2) Remunerations

| Name | Amount of transaction | |
|--------------------------|-----------------------|--------|
| | 2007 | 2006 |
| | ThUS\$ | ThUS\$ |
| Jorge Candia Díaz | 96 | 62 |
| Raimundo Espinoza Concha | 55 | 27 |
| Bismarck Robles Guzmán | - | 7 |
| René Valdenegro Oyaneder | - | 14 |

b.3) Fees

| Name | Amount of transaction | |
|--------------------------|-----------------------|--------|
| | 2007 | 2006 |
| | ThUS\$ | ThUS\$ |
| Jorge Navarrete Martínez | - | 12 |

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c) Operations with Codelco investees

In addition, the Company also performs the necessary commercial and financial transactions related to its operations with subsidiaries or investees. Financial transactions are mainly loans in current account, the conditions of loans to related companies in use at December 2007 and 2006 are detailed as follows:

Loans receivable:

| Company | Transaction | 2007 | | 2006 | |
|------------------------------|---------------------------|----------------------------|----------|----------------------------|---------|
| | | Interest | Term | Interest | Term |
| Electroandina S.A. (1) | Line of credit | Libor+0.75% annual | 4 years | Libor+0,75% annual | 4 years |
| Electroandina S.A. (2) | Line of credit | Libor+1% annual | 2 years | - | - |
| CMS Tecnología S.A. | Morgage | Libro 180 days+2.5% annual | 3 years | Libro 180 days+2,5% annual | 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 | 2007 | | 2006 | |
|------------------------|-------------|-----------|-----------|----------|------|
| | | Interest | Term | Interest | Term |
| 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 projects has been operating since December, 2007.

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

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| | Amount of transaction | |
|-----------------------------------|------------------------------|-------------|
| | 2007 | 2006 |
| | ThUS\$ | ThUS\$ |
| Capital contribution | 29,086 | 11,801 |
| Advance from clients | - | 550,000 |
| Sales of products and services | 182,112 | 121,971 |
| Received dividends | 608,832 | - |
| Reimbursement of expenses | 136,142 | - |
| Purchase of products and services | 716,447 | 821,860 |
| Overheads | 2,058 | - |
| Interest | 158 | 120 |
| Loans | 5,000 | - |
| Commissions paid | 177 | 218 |
| Interests and commissions | 3,288 | 3,041 |
| Gas supply | 5,828 | 9,222 |
| Contract supply | 10,366 | - |

d) Other information

At December 31, 2007 and 2006, the short term and long-term account 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 19b) for ThUS\$491,976 (ThUS\$528,958 in 2006).

At December 31, 2007 and 2006, the long-term account receivable to the investee Electroandina S.A. corresponds to the balance of credit line pending of amortization in accordance with Shareholders Agreement for ThUS\$53,410 (ThUS\$45,400 in 2006).

Note 05 - Inventories

At December 31, 2007 and 2006, inventories amounted to ThUS\$1,704,550 and ThUS\$1,522,527, respectively, and include finished products, products in process and material in warehouse and others.

Inventory values are net of obsolescence allowance for material in warehouse for ThUS\$51,673 and ThUS\$49,837 as of December 31, 2007 and 2006, respectively.

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At December 31, 2007 finished product are presented net of unrealized profits of ThUS\$34,003 (ThUS\$68,725 in 2006), 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.

Note 06 - Deferred taxes and income taxes

a) Deferred taxes

The deferred tax calculated in accordance with the policy described in Note 2r) at December 31, 2007 represents a net liability of ThUS\$370,115 conformed by assets for ThUS\$1,312,663 and liabilities for ThUS\$1,682,778. At December 31, 2006 represents a net liability of ThUS\$299,124 conformed by assets for ThUS\$1,145,088 and liabilities for ThUS\$1,444,212.

b) Income taxes

At December 31, 2007, the provision for first category income tax and D.L. No.2,398 amounted to a charge to income of ThUS\$3,637,899 (2006: ThUS\$4,724,510), and are shown in the item income taxes payable in current liabilities, net of estimated monthly payments of taxes and other tax credits.

The subsidiaries' income tax provision charged to income amounted to ThUS\$16,513 in 2007 and ThUS\$156 in 2006 and is presented in income tax payable, net of estimated provisional monthly tax payments and other tax credits.

c) Tax Law N°20,026

On June 16, 2005, income tax law D.L. 824 was modified by Law 20,026, establishing a progressive tax rate on mining activity operating margins in Chile (5% for companies with sales over 50,000 metric tons of equivalent copper) and will be applied as of January 2006. In October 2005, the Chilean Internal Revenue Service issued a regulation regarding the law.

At December 31, 2007, the provision for specific tax on mining activities amounted to a charge of ThUS\$347,837 (ThUS\$440,909 in 2006).

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Note 07 - Property, plant and equipment

Property, plant and equipment at December 31, 2007 and 2006 are detailed below:

| a) Property, plant and equipment | 2007 | 2006 |
|---|-----------------------|-----------------------|
| | ThUS\$ | ThUS\$ |
| Land and mining rights | 66,168 | 58,674 |
| Buildings and infrastructure | 8,443,896 | 7,389,756 |
| Machinery and equipment | 7,252,721 | 6,871,901 |
| Other plant and equipment | 168,110 | 116,999 |
| Technical appraisal revaluation | <u>368,171</u> | <u>368,741</u> |
| Total gross property, plant and equipment | <u>16,299,066</u> | <u>14,806,071</u> |

In 2005, the Company deducted ThUS\$46,791 from its assets for those mining sectors of Salvador Division that will shut down, they were presented in said year in Other non-operating expenses.

On January 9, 2006, the Board of Directors of Codelco approved the Gaby Project, which involves the exploitation of 584 million tons with a total investment of US\$898 million. At December 31, 2007, said project is still in construction and ThUS\$732,779 are included in works in construction item related to the Gaby Project.

b) Accumulated depreciation and depreciation for the year:

| | 2007 | 2006 |
|--|------------------------|------------------------|
| | ThUS\$ | ThUS\$ |
| Buildings and infrastructure | (4,353,436) | (3,988,259) |
| Machinery and equipment | (4,421,978) | (4,161,237) |
| Other plant and equipment | (26,474) | (15,882) |
| Accumulated depreciation - subsidiaries | <u>(30,517)</u> | <u>(38,448)</u> |
| Total accumulated depreciation | <u>(8,832,405)</u> | <u>(8,203,826)</u> |
| Depreciation and amortization for the year | <u>792,460</u> | <u>747,930</u> |

c) Other assets:

Assets acquired through capital leases correspond to 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.

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Note 08 - Investments in related companies

At December 31, 2007 and 2006, total investments in investees which have not consolidated its financial statements with the Company amount to ThUS\$864,987 and ThUS\$1,009,968, respectively. The net profits of these companies for 2007 and 2006 amounted to ThUS\$457,381 and ThUS\$444,304, respectively.

These investments are expressed net of unrealized gains for ThUS\$125,779 and ThUS\$140,736 in 2007 and 2006, respectively.

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

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

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

a) Main investees of Codelco:

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. Afterwards, Inversiones Copperfield Ltda. sold its participation in ThUS\$20,000 to Minera Meridian Ltda. which generated an income 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.

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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 a 65.2% and Codelco holds 34.8%. Electroandina S.A.'s main assets were acquired from the Codelcos' former Tocopilla Division.

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

Sociedad Contractual Minera El Abra

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

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

- a) A long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.

Inversiones Mejillones S.A.

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

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

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

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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.

Fundición 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 Talleres Division of Codelco, machinery and other operational assets at a book value of Th\$8,066,432 (historics) (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 for Fundición Talleres S.A. that were property of Codelco Chile. The sale was for ThUS\$9,575, earning a ThUS\$845 profit that was recognized in income at December 31, 2007.

Its purpose is production of steel parts and fittings.

CMS Tecnología S.A.

CMS Tecnología S.A., a non-public company, whose purpose is to manufacture, market and distribute mining equipment and spares and to provide maintenance and repair service for equipment.

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

Geotérmica del Norte S.A.

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

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Quadrem International Limited and Copper Partners Invertment Company Ltd.

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

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

Sociedad Contractual Minera Sierra Mariposa

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

On October 9, 2007, an Extraordinary Shareholders Meeting was held to modif. The Company's capital, the corporation did not subscribe, which caused its ownership interest was 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);
- 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.

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Mining Industry Robotic Solutions S.A.

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

The corporate purpose is:

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

Sociedad GNL Mejillones S.A.

On January 31, 2007, Codelco Chile and Sociedad de Inversiones Copperfield Ltda. formed Sociedad GNL Mejillones S.A., with a capital of ThCh\$1,000 (one million Chilean pesos), with Codelco holding a 99.9% ownership interest. Its business purpose is the production, storage, transport and distribution of all type or class 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 the GNL Mejillones S.A., changing its ownership interest in that company to 50%. The remaining 50% is assumed by Suez Energy Andino S.A.

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b) Contributions to related companies

During 2007 and 2006 Codelco-Chile made capital contributions to investees, in cash or by capitalizing accounts receivable, for ThUS\$29,087 and ThUS\$121,801 respectively, as follows:

| | 2007 ThUS\$ | 2006 ThUS\$ |
|---|----------------|----------------|
| Mínera Pecobre S.A. de C.V. | 1,000 | 3,030 |
| Sociedad Contractual Mínera Purén | - | 8,771 |
| Sociedad Kairos Mining S.A. | 40 | - |
| Sociedad Contractual Mínera Sierra Mariposa | 1,747 | - |
| Sociedad GNL Mejillones S.A. | 25,000 | - |
| Mining Industry Robotic Solutions S.A. | 1,300 | - |
| Copper Partners Investment Company Ltd. | - | 110,000 |

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

c) Unrealized gains

The Company has recorded unrealized gains on contributions from mining properties, fixed assets and ownership rights. The most significant transactions are detailed below:

Sociedad Contractual Mínera El Abra

The Company contributed mining rights to Sociedad Contractual Mínera El Abra in 1994. The recognition of income is in relation to the depletion of Sociedad Contractual Mínera El Abra. At December 31, 2007 gains for ThUS\$14,957 (2006, ThUS\$16,019) were recognized. At December 31, 2007 finished products are presented under inventories item, net of unrealized gains for ThUS\$10,721 (2006, ThUS\$37,359).

Electroandina S.A.

There is an unrealized gain on the contribution of fixed assets generated in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$3,026 was recognized.

Inversiones Tocopilla Ltda.

There is an unrealized gain on the initial contribution of ownership rights generated in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$1,089 was recognized.

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SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 09 - Goodwill and bad goodwill

a) Goodwill

The Law No.19,993 dated December 17, 2004 authorized 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.

At December 31, 2007, the goodwill resulting of this transaction, is amortized in 20 years, since that date in accordance with the estimated life of the investment.

b) Negative goodwill

At July 31, 2006, the subsidiary Codelco Technologies Limited acquired the remaining 50% of the ownership in Alliance Cooper Limited (now Ecometales Ltd.) in ThUS\$10,000. Said operation generated a net negative goodwill of ThUS\$351 (2006: ThUS\$391).

The indirect subsidiary Codelco Technologies Ltd. booked the increase of this investment according to Technical Bulletin N°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\$23,824 and ThUS\$61,049 in 2007 and 2006, respectively. In 2007, US\$23,824 are denominated in euros at a 4.49% annual interest rate. In 2006, ThUS\$22,000 are denominated in US dollars and pay no interest and ThUS\$39,049 are denominated in euros at a 4.28% annual interest rate.

Long - term bank obligations due within one year amount to ThUS\$308,341 in 2007 and ThUS\$8,506 in 2006, they are in US dollars at an average annual interest rate of 5.22% in 2007 and 5.72% in 2006.

Note 11 - Obligations with Banks and financial institutions - long term

At December 31, 2007 and 2006, these obligations amount to ThUS\$700,000 (2006: ThUS\$600,000), are denominated in US dollars at an interest rate based on Libor. The average annual interest rate was 5.06% in 2007 (5.72% in 2006). At December 31, 2007 these obligations mature as follows: ThUS\$300,000 in 2009 and ThUS\$400,000 in 2014.

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Note 12 - Current and long-term bonds

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, 2007 and 2006, the current liability for each year is ThUS\$3,708 and ThUS\$3,728, respectively.

On November 18, 2002, the Company issued and placed bonds in the Chilean market, under Superintendency of Securities and Insurance regulations. These bonds were issued for a nominal amount of UF7,000,000, in a single denominated A Series, and are represented by 70,000 certificates for UF100 each. These bonds mature in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually. At December 31, 2007 and 2006, the current liability for each year is ThUS\$3,670 and ThUS\$3,227, 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, 2007 and 2006, the current liability for each year is ThUS\$2,438 and ThUS\$2,451, 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, 2007 and 2006, the current liability for each year is ThUS\$6,011 and ThUS\$5,969, 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, 2007 and 2006, the current liability for each year is ThUS\$5,192 and ThUS\$5,155, respectively.

On May 10, 2005, the Company issued and placed bonds in the local market, for a nominal amount of UF6,900,000 in 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, 2007 and 2006 the current liability for each year is ThUS\$2,814 and ThUS\$2,433, respectively.

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, 2007 and 2006 the current liability for each year is ThUS\$7,881 and ThUS\$7,925, respectively.

CORPORACION NACIONAL DEL COBRE DE CHILE

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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, 2007 and 2006, the current liability for each year is ThUS\$5,713 and ThUS\$5,829, respectively.

Note 13 - Accruals

At December 31, 2007 and 2006, long-term accruals amount to ThUS\$1,526,162 and ThUS\$1,179,540, respectively. These accruals cover the Company's commitments that will take place in the long term, arising from exit 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 | |
|---|----------------------------|-----------------|
| | 2007 | 2006 |
| | ThUS\$ | ThUS\$ |
| Balance as of January 1, | 729,216 | 696,033 |
| Provision for the year (including effects for variations in exchange rates) | 176,842 | 62,065 |
| Transfers to current liability | <u>(26,155)</u> | <u>(28,882)</u> |
| Total severance indemnities | <u>879,903</u> | <u>729,216</u> |

Note 14 - Changes 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.

On February 28, 2007, in accordance with Article 6 of D.L. N°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 advanced by Codelco as a result of the advance received from the clients for ThUS\$550,000 in accordance with the commercial agreement with Minmetals. At said meeting, the Board also asked to maintain as a retained earnings an amount of ThUS\$400,000. Both proposals were accepted.

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The composition of Other Reserves as of December 31, 2007 is as follows:

| Detail | Year ThUS\$ | Accumulated ThUS\$ |
|--|------------------------|-------------------------------|
| Capitalization of net income and reserves | 320,708 | 957,191 |
| Cumulative translation adjustment - subsidiaries | 2,784 | 39,066 |
| Reserves for housing programs | - | 35,100 |
| Technical appraisal revaluation D.L. N°3,648 | - | 624,567 |
| | <u>323,492</u> | <u>1,655,924</u> |

b) At December 31, 2007, the Company recognized a surplus in favor of the Chilean Treasury for ThUS\$1,817,763, charged to 2007 income, which reduces equity.

Changes in equity during 2007 and 2006 are detailed below:

| Movements | 2007 | | | | | 2006 | | | | |
|--|---------------------------------------|--------------------------------------|---|--|---|---------------------------------------|--------------------------------------|--|---|--|
| | Paid-in capital ThUS\$ | Other Reserves ThUS\$ | Retained earnings ThUS\$ | Profit distributions ThUS\$ | Net income for the year ThUS\$ | Paid-in capital ThUS\$ | Other Reserves ThUS\$ | Profit distributions ThUS\$ | Net income for the year ThUS\$ | |
| Beginning balance - January 1 | 1,524,423 | 1,332,432 | - | (1,668,043) | 3,338,789 | 1,524,423 | 1,325,390 | (1,688,388) | 1,779,609 | |
| Transfer to reserves and profit distributions | - | - | - | 1,688,043 | (1,668,043) | - | - | 1,688,388 | (1,688,388) | |
| Profit distributions against prior year results | - | - | - | - | (950,038) | - | - | - | (81,966) | |
| Capitalization of reserves and/or other income | - | 320,708 | 400,000 | - | (720,708) | - | 9,255 | - | (9,255) | |
| Net changes in equity in subsidiaries and investees of the company | - | 2,784 | - | - | - | - | (2,213) | - | - | |
| Net income for the year | - | - | - | - | 2,981,619 | - | - | - | 3,338,789 | |
| Provisional profit distributions to Chilean Treasury | - | - | - | (1,817,763) | - | - | - | (1,668,043) | - | |
| Totals | <u>1,524,423</u> | <u>1,655,924</u> | <u>400,000</u> | <u>(1,817,763)</u> | <u>2,981,619</u> | <u>1,524,423</u> | <u>1,332,432</u> | <u>(1,668,043)</u> | <u>3,338,789</u> | |

CORPORACION NACIONAL DEL COBRE DE CHILE

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Note 15 - Non-operating income and expenses

Non-operating income and expenses at December 31, 2007 and 2006 are detailed below:

a) Other income

| | 2007 | 2006 |
|--|----------------|----------------|
| | ThUS\$ | ThUS\$ |
| Satep delegated management | 5,042 | 4,768 |
| Penalties to suppliers | 4,916 | 7,541 |
| Sale of basis | 303 | 171 |
| Miscellaneous sales | 44,841 | 39,005 |
| Service sales | 10,012 | 8,540 |
| Proceeds from sales of property, plant and equipment (1) | 83,377 | 2,254 |
| Realized gains on contributions to companies | 14,957 | 20,134 |
| Others | 72,049 | 82,328 |
| | <hr/> | <hr/> |
| Totals | <u>235,497</u> | <u>164,741</u> |

b) Other expenses

| | 2007 | 2006 |
|--|------------------|------------------|
| | ThUS\$ | ThUS\$ |
| Export tax (Law N°13,196) | 1,389,965 | 1,311,417 |
| Adjustments to severance indemnity | 77,684 | 42,667 |
| Satep delegate administration | 6,409 | 7,433 |
| Write-off of property, plant and equipment | 6,124 | 48,506 |
| Collective bar gaining browses | 93,866 | 180,492 |
| Write-off | 3,031 | 5,083 |
| Bond issuance expenses | - | 1,634 |
| Closure costs | 194,922 | 105,937 |
| Pre-investment expenses | 54,222 | 65,562 |
| Expenses ex División Talleres | 924 | 1,028 |
| Expenses ex División Tocopilla | 941 | 605 |
| Stamp tax | 6,000 | 8,040 |
| Material inventories | 415 | 115 |
| Non recovered VAT | 1,290 | 1,105 |
| Others | 29,926 | 63,006 |
| Other employee's expenses | 3,541 | 7,960 |
| Retirement plans | 28,064 | 20,104 |
| Health plans | 11,545 | 83,178 |
| Contingencies accrued | 39,782 | 83,693 |
| | <hr/> | <hr/> |
| Totals | <u>1,948,651</u> | <u>2,037,565</u> |

CORPORACION NACIONAL DEL COBRE DE CHILE

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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 income obtained in this operation for ThUS\$60,090 was recognized in results of said subsidiary.

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\$1,303 and ThUS\$264 in 2007 and 2006, respectively.

Note 17 - Exchange rate differences

Assets and liabilities, traded in currencies other than US dollars, have been converted at the year-end exchange rate, resulting in a net charge to income of ThUS\$71,717 and net debit to income for ThUS\$42,364 in 2006.

Note 18 - Derivative contracts

As was mentioned in Note 2u), the Company had 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, 2007, the Company has contracts in place to fix the interest rate fluctuations of US dollar - denominated bank loans for ThUS\$300,000. Deferred payments under these contracts amounted to ThUS\$4,445 (2006: ThUS\$11,369), which are shown in Others under Other Assets and amortized over the term of the respective liabilities, from January 2008 to September 2008. A positive exposure of ThUS\$3,031 has been determined as of December 31, 2007.

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, 2007, these contracts show a positive exposure of ThUS\$132,615. The net account receivable for said contracts amounts of ThUS\$175,927 (2006: ThUS\$105,737), are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$77,946 (2006: ThUS\$55,558), are recorded in Other long-term liabilities and amortized over the term of the respective liabilities.

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

In order to protect its cash flows and adjust when is 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, 2007, said operations generated a net lower income of ThUS\$315,232 (lower income for sales of ThUS\$317,767 and higher income for purchases of ThUS\$2,535), which are detailed as follows:

c.1 Commercial operations of outstanding copper contracts

In accordance with the policy of cash flow hedge and adjustment to its commercial policy, in 2007, the Company has carried out operations in future markets, which represent 260,325 metric tons of fine copper. These hedging operations are part of the commercial policy of the Company and mature until March 2009.

The outstanding contracts at December 31, 2007 show a positive exposure of ThUS\$283,196, whose final result could only be known at the maturity date of said operations, after the compensation between the hedging operations and the income from the sale of hedged products.

The operations that ended between January 1 and December 31, 2007 generated a net positive effect on income of ThUS\$5,995 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\$2,535 for purchases and ThUS\$3,460 for sales).

c.2 Commercial operations for outstanding gold and silver contracts

At December 31, 2007, the Company has silver pricing hedging operations for MOZT2,218 troy ounces.

At that date, the negative exposure amounted to ThUS\$115.

The operations that ended between January 1 and December 31, 2007 generated a negative effect on income of ThUS\$81, which is deducted from the amounts received for the contracts for sale of products involved in said pricing operations. These hedging operations mature until March 2008.

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 project production, future operations related to said projects have been carried out for MTF1,077,829. These hedging contracts mature until March 2013.

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Outstanding futures operations at December 31, 2007 show a negative exposure of ThUS\$3,596,775, whose final result could only be known at the maturity date of said contracts, compensating their effects with the sale of the hedged products.

The future operations ended between January 1 and December 31, 2007, related to the production sold generated a lower income of ThUS\$320,728, which is the result of the compensation between the hedging operation and revenues arising from the contracts for the sale of products involved in said pricing operations. As part of the Company's commercial policy, said results reduce net operating income.

At December 31, 2007, the Company keeps Min/Max option agreements (put purchase and call sales) in order to protect their future cash flows by means of ensuring a minimum sale price of MTF 237,000. These operations record at December 31, 2007, a negative exposure of ThUS\$102,065. These hedging operations mature on March 2010.

The operations ended between January 1 and December 31, 2007 generated a minor income for ThUS\$418.

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 against to the Company do not represent significant loss contingencies. The Company defends its rights and uses all legal and proceeding resources available.

The most significant lawsuits to which Codelco is a party are related with the following matters:

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

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An analysis case by case related with these lawsuits against to the Company has shown that exists a total of 121 lawsuits with an estimate amount, 34 of them for ThUS\$6,523 could have negative results against to the Company. Also there are 36 lawsuits for ThUS\$21,008 for which there is no certainty they will be against to Codelco. For the 51 remaining lawsuits for ThUS\$23,842, legal advisers estimate they will not have negative result to Codelco. Additionally there are 92 lawsuits without amount, 21 of them could have negative judicial decision against to Codelco.

For all the abovementioned lawsuits, there are necessary provisions which are recorded in contingency provisions.

As publicly known, the Corporation filed a petition at the corresponding Courts 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 subcontractation and transitory services companies. The Corporation has achieved five favorable sentences regarding these petitions and it has appealed to one of them.

Litigation in subsidiaries

The subsidiary Instituto de Innovación en Minería y Metalurgia S.A., has a labor 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 demand 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 future earnings and moral damage.

This contingency was notified to the Instituto de Innovación en Minería y Metalurgia S.A. on April 25, 2007, and at present the discussion stage has concluded and the evidence period has started, situation which will be extended at least until April 2008.

According to the case information, the informed by the the Instituto de Innovación en Minería y Metalurgia S.A. and its legal advisors, the claim has low probabilities of success.

Other commitments

a) In July 2005, the Board of Directors of the Company was informed of the Salvador mineral situation; and hence 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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Regardless to the above mentioned on May 8, 2007 considering new studies related to market conditions the Board of Directors, decided to extend in two years the exploitation of the Salvador Division's oxide line, 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 associated with the activities being closed.

b) 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. Also, they agreed on the terms of a 15-year sales agreement regarding cathodes for that joint venture and a purchase agreement with Minmetals for the same term and monthly shipments until completing 836,250 metric tons. Codelco will receive an advance of US\$550 million as a payment from the joint venture. Each shipment will be paid by the purchaser at a price composed of a fixed and a variable component, which will depend on the current price of the copper at the time of the shipment.

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

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

At December 31, 2007 is operating and the monthly shipments began in June 2006, the contract in operation.

According to the abovementioned agreement of the Board of Directors and the agreements with Minmetals, Codelco contracted 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 (97,450 MTF at December 31, 2007). Copper Partners Investment Company assumes the result of this hedge.

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

c) The Company has subscribed gas supply contracts with its investee GNL Mejillones S.A., which will operate as from October 2010, through this contract, the investees agreed to sell as a minimum the equivalent to 27 TBtu annually in the period 2010-2012.

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d) Law N°19,993 dated December 17, 2004 that authorized the purchase of the assets of Fundición y Refinería Las Ventanas from ENAMI, establishes that the Company should guarantee the necessary smelting and refining capacity, with no restrictions or limitations, for products of the small and medium size mining industry that ENAMI serves, upon terms agreed to by both parties.

e) The Corporation, following its cost-reduction programs through the use of modern technologies, has established personnel early severance programs, with benefits that encourage retirement, which obligation is 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 ownership of 51% 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.

There are no restrictions or covenants associated with the Company's financial or public obligations.

Note 20 – Direct guarantees

The Company has obligations with the Chilean Treasury according to Law N°18.634 on deferred customs rights for ThUS\$216 (2006: ThUS\$801). In addition, the Company records documents delivered as guarantee for ThUS\$64,858 in 2007 (2006: ThUS\$40,628).

At December 31, 2007, the Company has direct guarantees corresponding to Stand by letter of ThUS\$660,000 to certain Brokers in order to guarantee future metal market operations.

Note 21 – Indirect guarantees

At December 31, 2007 and 2006, the Company records and indirect debt for ThUS\$30,038 from guarantees to its investee Electroandina S.A.

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\$413,266 in 2007 and ThUS\$314,256 in 2006.

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Note 23 - Assets and liabilities in local and foreign currency

At December 31, 2007, the Company has assets traded in local currency for ThUS\$1,029,350 (2006: ThUS\$495,600) and liabilities for ThUS\$1,361,671 (2006: ThUS\$1,500,268).

Note 24 - Sanctions

In exempt resolution No.317 dated August 1, 2007, the Company received a sanction of censure from the Superintendency of Securities and Insurance for infringement penalized in Article 44 of the Chilean Law 18,046 on corporations.

At December 31, 2007, and 2006, Codelco-Chile, its Directors and Management have not been subject to other sanctions applied by the Superintendence or other administrative authorities.

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 exploration of mineral resources both in Chile and abroad.

At December 31, 2007, Codelco Norte, formed by Chuquicamata and Radomiro Tomic Divisions, Andina, El Salvador and Teniente Divisions, and the head office received ISO 14001 certification.

In accordance with this policy, at December 31, 2007, the Company has made investments, related to environmental issues, which amount ThUS\$53,741 (2006: ThUS\$60,826).

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Nota 26 - Time deposits

The composition of time deposits as of December 31, 2007 and 2006 is as follows:

2007

| Bank | Interest annual 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 Argentina, 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 |
| Other Institutions | - | 11,025 |
| Total | | <u><u>2,048,598</u></u> |

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2006

| Bank | Interest annual rate % | Amount ThUS\$ |
|---|---------------------------------------|--------------------------|
| Banco de Chile | 5.6400 | 232 |
| Banco de Chile | 5.8200 | 771 |
| Banco de Crédito e Inversiones | 5.5200 | 18,989 |
| ABN AMRO Bank, Grand Cayman | 5.2400 | 60,026 |
| Banco Español de Crédito S.A – Banesto N.Y. | 5.2900 | 106,779 |
| Barclays Bank PLC, Miami Agency | 5.2875 | 41,024 |
| Barclays Bank PLC, Miami Agency | 5.2900 | 41,525 |
| Barclays Bank PLC, Miami Agency | 5.3200 | 60,044 |
| Citi New York | 3.8000 | 27,182 |
| Citi New York | 5.0225 | 29,300 |
| Sanpaolo IMI Bank, N.Y. Branch | 5.2700 | 97,643 |
| Sumitomo Mitsui Banking Co., N.Y. | 5.3000 | 64,634 |
| Sumitomo Mitsui Banking Co., N.Y. | 5.3100 | 60,044 |
| The Bank of Tokyo-M Ltd., N.Y. | 5.3100 | 138,537 |
| Banca Di Roma, N.Y. Branch | 5.2500 | 60,026 |
| Other Institutions | - | <u>14,710</u> |
| Total | | <u><u>821,466</u></u> |

Note 27 - Subsequent events

On January 9, 2008, Mr. Santiago González assumes as a new President of Board of Directors replacing to Mrs. Karen Poniachik Pollak.

On January 10, 2008, the Company paid an amount of ThUS\$400,000 for fiscal surpluses on account of surplus for 2007.

On February 15, 2008, the Company paid an amount of ThUS\$400,000 for fiscal surpluses on account of surplus for 2007.

CORPORACION NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management has no knowledge of any significant events of a financial nature or any other nature, occurring between December 31, 2007 and the date of issuance of these financial statements (February 15, 2008) which might affect them.

José Pablo Arellano
Executive President

Daniel Barría I.
Corporate Vice-President for
Shared Services

Mario Allende Gallardo
Chief Accountant