

Simplified Consolidated Financial Statements

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

Santiago, Chile

December 31, 2006 and 2005

Simplified Consolidated Financial Statements
CORPORACIÓN NACIONAL DEL COBRE DE CHILE

December 31, 2006 and 2005

Contents

Independent Auditors' Report

Financial Statements

Consolidated Balance Sheets

Consolidated Income Statements

Consolidated Cash Flow Statements

Simplified Notes to the Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

To the Chairman and 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, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005, the direct and indirect investment of the Company in such investees and the total assets reflected by the financial statements of such subsidiaries represent 8.6% and 7.5%, 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 7.6% and 7.1%, 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, 2006 and 2005, 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 7, 2007

CORPORACIÓN NACIONAL DEL COBRE DE CHILE
CONSOLIDATED BALANCE SHEETS

(In thousands of dollars - ThUS\$)

ASSETS	At December 31,	
	2006	2005
	ThUS\$	ThUS\$
CURRENT ASSETS:		
Cash and banks	8,419	15,526
Time deposits	821,466	201,720
Marketable securities	3,258	396
Trade receivables, net	1,470,158	1,162,315
Notes receivable	9,739	5,098
Other receivables, net	248,788	158,974
Due from related companies	15,472	3,214
Inventories, net	1,522,527	1,020,600
Taxes recoverable	95,166	89,183
Prepaid expenses	9,186	6,815
Deferred taxes	375,875	108,515
Other current assets	41,932	22,500
Total current assets	4,621,986	2,794,856
PROPERTY, PLANT AND EQUIPMENT:		
Land	58,674	54,962
Buildings and infrastructure	7,389,756	7,055,175
Machinery and equipment	6,871,901	6,477,183
Other plant and equipment	116,999	99,525
Technical appraisal revaluation	368,741	368,901
Accumulated depreciation	(8,203,826)	(7,670,833)
Net property, plant and equipment	6,602,245	6,384,913
OTHER ASSETS:		
Investments in related companies	1,009,968	723,369
Investments in other companies	1,279	3,093
Goodwill	21,670	25,628
Negative goodwill	(392)	-
Long-term receivables	178,548	162,058
Due from related companies	46,679	55,387
Intangibles	21,391	23,703
Accumulated amortization	(6,748)	(1,812)
Other assets	536,217	567,853
Total other assets	1,808,612	1,559,279
TOTAL ASSETS	13,032,843	10,739,048

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars - ThUS\$)

LIABILITIES AND EQUITY	At December 31,	
	2006	2005
	ThUS\$	ThUS\$
CURRENT LIABILITIES:		
Banks and financial institutions:		
Current	61,049	46,162
Current portion of long-term debt	8,506	306,381
Current portion of bonds payable	36,717	30,740
Dividends payable	300,000	407,000
Accounts payable	596,450	566,236
Notes payable	649	1,899
Miscellaneous payables	112,923	103,190
Due to related companies	145,962	80,114
Accruals	505,865	382,557
Withholdings	150,631	98,043
Income taxes payable	110,322	146,004
Deferred income	40,120	26,920
Other current liabilities	2,610	4,810
	<u>2,071,804</u>	<u>2,200,056</u>
LONG-TERM LIABILITIES:		
Due to banks and financial institutions	600,000	600,000
Bonds payable	3,213,739	2,722,512
Notes payable	81,853	85,948
Miscellaneous payables	106,952	101,095
Due to related companies	492,291	-
Accruals	1,179,540	994,180
Deferred taxes	674,999	1,008,553
Other long-term liabilities	81,491	82,651
	<u>6,430,865</u>	<u>5,594,939</u>
MINORITY INTEREST		
	<u>2,573</u>	<u>3,019</u>
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,332,432	1,325,390
Retained earnings:		
Net income for the year	3,338,789	1,779,609
Profits distribution to the Chilean Treasury	<u>(1,668,043)</u>	<u>(1,688,388)</u>
Total net equity	<u>4,527,601</u>	<u>2,941,034</u>
TOTAL LIABILITIES AND EQUITY	<u>13,032,843</u>	<u>10,739,048</u>

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE
CONSOLIDATED INCOME STATEMENTS
(In thousands of dollars - ThUS\$)

	For the years ended December 31,	
	2006 ThUS\$	2005 ThUS\$
SALES	17,077,032	10,490,573
COST OF SALES	<u>(7,272,311)</u>	<u>(4,801,086)</u>
GROSS PROFIT	9,804,721	5,689,487
ADMINISTRATIVE AND SELLING EXPENSES	<u>(319,945)</u>	<u>(261,779)</u>
OPERATING INCOME	<u>9,484,776</u>	<u>5,427,708</u>
Interest income	58,124	22,361
Equity in income of related companies	451,877	110,032
Other income	183,631	121,391
Equity in losses of related companies	(7,573)	(10,514)
Amortization of goodwill	(1,176)	(810)
Interest expense	(236,085)	(189,208)
Other expenses	(2,074,611)	(1,301,595)
Price level restatement	(264)	(240)
Foreign exchange differences	<u>42,364</u>	<u>(107,910)</u>
NON-OPERATING EXPENSES	<u>(1,583,713)</u>	<u>(1,356,493)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	7,901,063	4,071,215
INCOME TAXES	<u>(4,564,654)</u>	<u>(2,295,331)</u>
INCOME BEFORE MINORITY INTEREST	3,336,409	1,775,884
MINORITY INTEREST	<u>2,349</u>	<u>3,725</u>
NET PROFIT	3,338,758	1,779,609
AMORTIZATION OF NEGATIVE GOODWILL	<u>31</u>	<u>-</u>
NET INCOME FOR THE YEAR	<u>3,338,789</u>	<u>1,779,609</u>

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE
CONSOLIDATED CASH FLOW STATEMENTS
(In thousands of dollars - ThUS\$)

	For the years ended December 31,	
	2006 ThUS\$	2005 ThUS\$
CASH FLOW FROM OPERATING ACTIVITIES:		
Collection of accounts receivable	18,504,378	10,855,438
Interest income collected	48,573	19,822
Dividends and other distributions collected	318,500	735
Other income collected	822,495	677,318
Payments to suppliers and personnel	(8,580,429)	(5,258,722)
Interest paid	(69,797)	(23,066)
Income taxes paid	(5,194,888)	(2,214,183)
Law N°13,196 and other expenses paid	(1,464,048)	(1,029,970)
Value added tax and other similar taxes paid	<u>(780,060)</u>	<u>(622,572)</u>
Net cash provided by operating activities	<u>3,604,724</u>	<u>2,404,800</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Loans obtained	150,000	390,000
Bonds payable	500,000	718,737
Other financing obtained	-	7,870
Profits distribution to the Chilean Treasury	(1,857,009)	(1,389,247)
Loan payment	<u>(468,000)</u>	<u>(393,600)</u>
Net cash used in financing activities	<u>(1,675,009)</u>	<u>(666,240)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of property, plant and equipment	391	44
Proceeds from sales of permanent investments	-	7,000
Proceeds from sale of other investments	1,619	-
Collection of loans to related companies	-	34,300
Other investment income	65,174	87,111
Purchases of property, plant and equipment	(1,218,725)	(1,844,681)
Investments in related companies	(111,046)	(4,098)
Investments in financial instruments	(3,775)	(3,880)
Loans to related companies	-	(12,170)
Other investment disbursements	<u>(47,852)</u>	<u>(39,572)</u>
Net cash used in investing activities	<u>(1,314,214)</u>	<u>(1,775,946)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	<u>615,501</u>	<u>(37,386)</u>
CASH AND CASH EQUIVALENT AT THE BEGINNING OF YEAR	<u>217,642</u>	<u>255,028</u>
CASH AND CASH EQUIVALENT AT THE END OF YEAR	<u>833,143</u>	<u>217,642</u>

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE
CONSOLIDATED CASH FLOW STATEMENTS
(In thousands of dollars - ThUS\$)

	For the years ended December 31,	
	2006	2005
	ThUS\$	ThUS\$
RECONCILIATION BETWEEN NET INCOME AND CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	3,338,789	1,779,609
Income from sale of assets:		
Proceeds from sales of property, plant and equipment	(10,366)	(3,638)
Profit from sale of investments	-	(832)
Charges (credits) to income which do not represent cash flows:		
Depreciation	520,367	457,642
Amortization of assets	255,874	166,720
Write-off and provisions	118,227	144,635
Equity in income of related companies	(451,877)	(110,032)
Equity in losses of related companies	7,573	10,514
Amortization of goodwill	1,176	810
Amortization of negative goodwill	(31)	-
Price level restatement, net	269	240
Foreign exchange differences, net	(42,364)	107,910
Other credits to income which do not represent cash flows	(27,675)	(111,733)
(Increase) decrease in assets that affect operating cash flow:		
Accounts receivable	(320,101)	(498,771)
Inventories	(501,927)	(266,969)
Other assets	(71,101)	(43,083)
Increase (decrease) in liabilities that affect operating cash flow:		
Accounts payable related to operating activities	620,880	161,285
Interest payable	18,146	9,163
Income taxes payable	(35,682)	158,926
Value added tax and other similar taxes payable	186,896	446,129
Minority interest	(2,349)	(3,725)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,604,724</u>	<u>2,404,800</u>

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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.

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a 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. The Ventanas Division was formed on May 1, 2005, through the purchase of Fundición y Refinería Las Ventanas from ENAMI. Also, the Company also carries out similar activities in other mining deposits in association with third parties.

As 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 period - These consolidated financial statements reflect the financial position of the Company and its subsidiaries as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended.

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.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c. Reporting currency - In accordance with Article 26 of D.L. 1,350, the Company's records are maintained in United States dollars.

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

Asociación Garantizadora de Pensiones, Isapre Chuquicamata Limitada, Instituto de Innovación en Minería y Metalurgia S.A., Isapre San Lorenzo Limitada, Isapre Río Blanco Limitada, Chile Copper Limited (UK), Codelco Group USA Inc. (United States), Codelco International Limited (Bermuda), Codelco Kupferhandel GMBH (Germany), Codelco Services Limited (UK), Metall Agentur GmbH (Germany), Codelco Metals Inc. (United States), Codelco Technologies Ltd. (Bermuda), Codelco Do Brasil Mineracao (Brazil), Copper Technology Investment Inc.(United States), Semi Solid Metal Investors Llc. (United States), Corporación del Cobre (USA) Inc. (United States), Compañía Minera Picacho (SCM), Compañía Contractual Minera Los Andes, Elaboradora de Cobre Chilena Limitada, CMS - Chile Sistemas y Equipos Mineros S.A., Ejecutora Proyecto Hospital del Cobre Calama S.A., Complejo Portuario Mejillones S.A., Santiago de Río Grande S.A., Exploraciones Mineras Andinas S.A., Inversiones Cooperfied Ltda., Alliance Copper Limited, Minera Gaby S.A. and Clínica Río Blanco 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.

CORPORACIÓN 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. Constant currency restatement - The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each 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, 2006 and 2005 were 2.1% and 3.6%, respectively.

f. Basis of conversion - The Company's assets and liabilities in Chilean pesos, mainly composed of cash, accounts receivable, 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\$532.39 per US dollar as of December 31, 2006 (2005: Ch\$512.50 per US dollar).

UF-Denominated Assets and Liabilities

At December 31, 2006 and 2005, 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 (2006: Ch\$532.39 and 2005: Ch\$512.5) and the UF value on the closing dates of the financial statements. (2006: \$18,336.38; 2005: \$17,974.81).

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, 2006 was Ch\$530.34 per US dollar, (2005: Ch\$559.68).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of December 31, 2006 and 2005 have been translated into US dollars at the exchange rates on those dates, (Ch\$532.39 and Ch\$512.50 per US dollar, respectively).

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign subsidiaries

As of December 31, 2006 and 2005, 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:

	2006 US\$	2005 US\$
Pound sterling	1.95695	1.71792
Euro	1.31874	1.18259
Mexican peso	0.09259	0.09241

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, plant and equipment and indirect expenses.

- Materials in warehouse: 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.

CORPORACIÓN 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. 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 are recorded at cost, which does not exceed market value.

CORPORACIÓN 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 the D.L. N°2,398 at a 40% tax rate.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for book 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 is recognized at the time of shipment or delivery in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared and is presented deducting trade receivables. Sales in Chile are recorded in accordance with Chilean regulations.

According to the note related to the contracts for price-fixing operations, the Company carries out operations in future markets in order to protect its commercial operations, and records the effects of these hedging transactions at the settlement date of the contracts. These results are added or deducted from sales, as they form part of the commercial policy.

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.

CORPORACIÓN 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**

Hedging operations, which have to be approved by the Board of Directors, in metal futures markets are carried out in order to protect the Company from risks inherent to the fluctuation of the price of metals. The hedging policy seeks to protect the expected cash flows from sale of products and set prices for a portion of future production. With the transactions that are carried out, the Company takes advantage of the opportunities provided by the market, implying a reduced possibility of risk for the Company. 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. In other words, the Company conducts these futures operations in order to adjust the sales contracts and prices of a portion of future production to the commercial policy. The settlement of these operations coincides with the accounting the corresponding transactions and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.

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

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 equivalents includes 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.

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 under Other Assets on in the item Other long-term liabilities under long-term liabilities, respectively.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 interest plus and restatements at the year-end and are presented in current assets - other.

ag. Reclassifications - Certain 2005 figures have been reclassified for comparative purposes with 2006 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).

At December 31, 2006, there were no other changes in accounting policies and accounting criteria described in Note 2, with respect to the previous year.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE
SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors became aware of related transactions which, in accordance with internal policy, it should approve. 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	2006 ThUS\$	2005 ThUS\$
Alquimia Ingenieros S.A.	Executive' ex-spouse	488	-
Insitu Ingeniería y Servicios S.A.	Employee's relative	1,700	792
Marticorena & Cía. July	Employee's relative	-	41
Bosch S.A	Executive' spouse	-	2,385
Prodalam S.A.	Director's	2	-
Comunicaciones Bitelco Ltda.	Employee's relative	-	20
Gestra S.A.	Executive' spouse	-	10
Transbosch Ltda.	Executive' spouse	-	44
CIMM Tecnologías y Servicios S.A.	Executive	261	-
Consorcio Ingenieros ARA-PM Ltda.	Executive participation	60	-
Sodimac	Director	1	-
Domingo Iraola Vela	Employee's relative	9	-
Giovanna Riveri Cerón	Employee' sister	-	33
Ana Mejías Liberona	Employee' daughter	-	2
Juan Costella Montt	Employee' brother	2.606	-
Cristian Aguilera Alcayaga	Executive' son	15	11
Sebastián Sánchez Arenas	Employee' son	8	-
Industrial Support Company Ltda.	Employee's relative	-	301

b) Directors' Remunerations

During 2006 and 2005, the members of the Board of Directors have received the following amounts as per diems, remunerations and fees:

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b.1) Directors' per diems

Name	2006 ThUS\$	2005 ThUS\$
Karen Poniachik Pollak	11	-
Andrés Velasco Brañes	11	-
Nicolás Majluf Sapag	36	-
Jorge Bande Bruck	36	-
Eduardo Gordon Valcarcel	36	-
Jorge Candia Díaz	36	-
Raimundo Espinoza Concha	35	-
José Alfonso Dulanto Rencoret	3	17
Nicolás Eyzaguirre Guzmán	3	16
Patricio Meller Bock	8	44
Jorge Navarrete Martínez	8	44
Ricardo Ortega Terrier	8	43
Bismarck Robles Guzmán	8	44
René Valdenegro Oyaneder	8	44

b.2) Remunerations

Name	2006 ThUS\$	2005 ThUS\$
Jorge Candia Díaz	62	-
Raimundo Espinoza Concha	27	-
Bismarck Robles Guzmán	7	54
René Valdenegro Oyaneder	14	75

b.3) Fees

Name	2006 ThUS\$	2005 ThUS\$
Jorge Navarrete Martínez	12	64

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c) Operations with Codelco investees

In addition, the Company also performs the necessary commercial and financial transactions with subsidiaries or investees. Commercial transactions are for the purchase and sale of products and services at market conditions and values, and financial transactions are mainly loans in current account, subject to readjustments, interests, and terms of payment agreed in supporting documents.

The main transactions with related companies are with investees and subsidiaries and correspond to purchases for goods and services for ThUS\$821,860 (ThUS\$548,889 in 2005) and sales for goods and services in 2006 for ThUS\$121,971 (ThUS\$27,409 in 2005) all at market prices.

d) Other information

At December 31, 2006, the account payable to the investee Copper Partners Investment Company Ltd. corresponds to the balance of the advance (US\$550 millions) received in accordance with the commercial agreement with Minmetals (Note 19b).

Note 05 - Inventories

At December 31, 2006 and 2005, inventories amounted to ThUS\$1,522,527 and ThUS\$1,020,600, respectively, comprising finished products, products in process and material in warehouse and others. Inventory values are net of obsolescence allowance for material in warehouse for ThUS\$49,837 and ThUS\$46,387 as of December 31, 2006 and 2005, respectively.

At December 31, 2006 finished product are presented net of unrealized profits of ThUS\$68,725 (ThUS\$51,003 in 2005), 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.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 06 - Deferred taxes and income taxes

a) Deferred taxes

The deferred tax calculated in accordance with the policy described in Note 2 r) represents a net liability of ThUS\$299,117 at December 31, 2006 (ThUS\$900,038 in 2005).

b) Income taxes

At December 31, 2006 and 2005, the provisions for first category income tax and that required by D.L. No. 2,398 amount to ThUS\$4,724,510 (2005: ThUS\$2,427,650), and respectively and are shown in 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\$156 in 2006 and ThUS\$221 in 2005 and is presented in income tax payable, net of estimated provisional monthly tax payments and other tax credits.

c) Tax Law 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.

To this effect, at December 31, 2006, ThUS\$440,909 (ThUS\$21,363 in 2005) has been recorded in deferred taxes, under specific tax on mining activities. This tax will apply over net sales of the Company's own production from January 1, 2006.

Note 07 - Property, plant and equipment

Property, plant and equipment at December 31, 2006 and 2005 are detailed below (in ThUS\$):

a) Property, plant and equipment	2006	2005
	ThUS\$	ThUS\$
Land and mining rights	58,674	54,962
Buildings and infrastructure	7,389,756	7,055,175
Machinery and equipment	6,871,901	6,477,183
Other plant and equipment	116,999	99,525
Technical appraisal revaluation	368,741	368,901
	<hr/>	<hr/>
Total gross property, plant and equipment	14,806,071	14,055,746

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Accumulated depreciation and depreciation for the year:

	2006	2005
	ThUS\$	ThUS\$
Buildings and infrastructure	(3,988,259)	(3,759,771)
Machinery and equipment	(4,161,237)	(3,887,455)
Other plant and equipment	(15,882)	(7,853)
Accumulated depreciation - subsidiaries	<u>(38,448)</u>	<u>(15,754)</u>
 Total accumulated depreciation	 <u>(8,203,826)</u>	 <u>(7,670,833)</u>
 Depreciation and amortization for the year	 <u>704,756</u>	 <u>593,077</u>

c) Assets acquired through capital leases correspond to buildings and infrastructure, 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.

d) As a result of the acquisition of Fundición y Refinería Las Ventanas, from Empresa Nacional de Minería (ENAMI), property, plant and equipment increased as follows:

Item	ThUS\$
Land	24,588
Land improvements	28,574
Buildings	49,056
Work in progress	160
Machinery and equipment	<u>277,732</u>
 Total	 <u>380,110</u>

e) The Company has deducted ThUS\$46,791 from its assets for those mining sectors of Salvador Division that will have to shut down and has presented them in other non-operating expenses.

f) 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. Said project will involve a 23 month construction period from February 2006. At December 31, 2006, US\$110 million are included in works in construction related to Gaby project.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 08 - Investments in related companies

At December 31, 2006 and 2005, total investments in investees amount to ThUS\$1,009,968 and ThUS\$723,369, respectively. The net profits of these companies for 2006 and 2005 amounted to ThUS\$444,304 and ThUS\$99,518, respectively.

These investments are expressed net of unrealized gains for ThUS\$140,736 and ThUS\$165,870 in 2006 and 2005, respectively.

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

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

a) Principal 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 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, Minera Meridian Limitada acquired 56.72% of Agua de la Falda to Inversiones Copperfield Ltda.. Who held this investment at that date through a purchase at the same date, from Minera Homestake Chile S.A.

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

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

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

- **Inversiones Tocopilla Ltda. and Electroandina S.A.**

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

- **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), rescheduling its financial obligations and coordinating the operations of Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor.

- **Sociedad Contractual Minera Purén**

Sociedad Contractual Minera Purén was formed on September 23, 2003 by Codelco 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.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- **Fundición Talleres S.A.**

Fundicion Talleres S.A. is a private company formed on October 1, 2003 by Codelco and Elaboradora de Cobre Chilena Ltda. On October 23, 2003 Fundición Talleres S.A. acquired, from Talleres Division of Codelco, machinery and other operational assets at a book value of Th\$8,066,432 (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.

Its purpose is production of steel parts and fittings.

- **CMS Tecnología S.A.**

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

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.

- **Quadrem International Limited and Copper Partners Invertment Company Ltd.**

In addition, through Codelco Internacional and its subsidiary Codelco International 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.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Contributions to related companies

During 2006 and 2005 Codelco-Chile made capital contributions to investees, in cash or by capitalizing accounts receivable, for ThUS\$121,801 and ThUS\$2,548 respectively, according to the following detail:

	2006 ThUS\$	2005 ThUS\$
Mínera Pecobre S.A. de C.V.	3,030	2,548
Soc. Contractual Mínera Purén	8,771	-
Copper Partners Investment Company Ltda.	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, 2006 gains for ThUS\$16,019 (2005, ThUS\$20,566) were recognized. At December 31, 2006 finished products are presented under inventories item, net of unrealized gains for ThUS\$37,359.

- **Electroandina S.A.**

There is an unrealized gain on the contribution of fixed assets in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$3,026 (ThUS\$18,159 in 2005) was recognized.

- **Inversiones Tocopilla Ltda.**

There is an unrealized gain on the initial contribution of ownership rights in 1996. The gain was recognized in annual installments until February 2006. At December 31, 2006, a gain of ThUS\$1,089 (ThUS\$6,532 in 2005) was recognized.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 09 - Goodwill and bad goodwill

a) Goodwill

The Law No19,993 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 ThUS\$389,226 plus VAT for ThUS\$2,501 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.

The following is a summary of the operation:

- Property, plant and equipment ThUS\$380,110,
- Materials in warehouse ThUS\$4,020,
- VAT (property, plant and equipment) ThUS\$2,501,
- Personnel current accounts ThUS\$10,161,
- Recognition of severance indemnity provision ThUS\$29,427,
- Recognition of vacation provision ThUS\$2,076.

At December 31, 2006, the goodwill resulting of this transaction, to be amortized in 20 years, in accordance with the estimated life of the investment, was ThUS\$21,670 (ThUS\$25,628 in 2005). Amortization for 2005 amounted to ThUS\$1,176.

b) Negative goodwill

At July 31, 2006, the subsidiary Codelco Technologies Limited acquired the remaining 50% of the ownership in Alliance Cooper Limited in ThUS\$10,000. Said operation generated a net negative goodwill of ThUS\$ 392 at December 31, 2006. The initial fair value study of this investment, in accordance with Technical Bulletin N°72 of the Chilean Institute of Accountants, determined that there are no significant differences with respect to the book value of the investment at said date. Therefore, the Company considered the financial statements of Alliance Copper Ltd. at June 30, 2006, for determining the equity value of this investment. The subsidiary, at December 31, 2006, is obtaining the final fair value study of this investment under the term established in the aforementioned bulletin.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10 - Obligations with banks and financial institutions - current

Current obligations with banks and financial institutions amount to ThUS\$61,049 and ThUS\$46,162 in 2006 and 2005, respectively. At December 31, 2006, US\$22,000 (ThUS\$40,000 in 2005) are denominated in US dollars and pay no interest and ThUS\$39,049 (ThUS\$6,162 in 2005) are denominated in euros at a 4.28% (2005: 3.07%) annual interest rate.

Long - term bank obligations due within one year amount to ThUS\$8,506 in 2006 and ThUS\$306,381 in 2005, they are in US dollars at an average annual interest rate of 5.72% in 2006 and 4.59% in 2005.

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

At December 31, 2006 and 2005, these obligations amount to ThUS\$600,000 and ThUS\$600,000, respectively, and are denominated in US dollars at an interest rate based on Libor. The average annual interest rate was 5.72% in 2006 and 4.59% in 2005. At December 31, 2006 these obligations mature as follows: ThUS\$300,000 in 2008 and ThUS\$300,000 in 2009.

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, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$3,728, in both periods.

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, (equivalent to ThUS\$241,091 and ThUS\$245,510 at December 31, 2006 and 2005, respectively) 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, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$3,277, in both periods.

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, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$2,451, corresponding to accrued interest in each period.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$5,969 and ThUS\$5,893, 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, 2006 and 2005, the current liability for each year's accrued interest was ThUS\$5,155 and ThUS\$5,089, respectively.

On May 10, 2005, the Company issued and placed bonds in the local market, for a nominal amount of UF6,900,000 (equivalent to ThUS\$237,648 and ThCh\$242,002 at December 31, 2006 and 2005, respectively) 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, 2006 and 2005 the current liability for each year's accrued interest was ThUS\$2,433 and ThUS\$2,420 receptivity.

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, 2006 and 2005 the current liability for accrued interest was ThUS\$7,925 and ThUS\$7,882, respectively.

On October 19, 2006, the Company issued and placed bonds in the North American market, under Regulation 144-A and Regulation S, for a nominal amount of ThUS\$500,000. These bonds mature in a single installment on October 24, 2036, at an interest rate of 6.15% per annum interest paid semi-annually. At December 31, 2006, the current liability the accrued interest was ThUS\$5,829.

Note 13 - Accruals

At December 31, 2006 and 2005, long-term accruals amount to ThUS\$1,179,540 and ThUS\$994,180, respectively. These accruals cover the Company's long-term commitments, arising from exit plans, contingencies, severance indemnities and others related to personnel benefits in union contracts.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Movements	Long-term liabilities	
	2006	2005
	ThUS\$	ThUS\$
Balance as of January 1,	696,033	600,871
Provision for the year (including effects for variations in exchange rates)	62,065	158,815
Transfers to current liability	<u>(28,896)</u>	<u>(63,653)</u>
Total	<u>729,216</u>	<u>696,033</u>

Note 14 - Changes in equity

a) The Company 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. N°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 January 9, 2006, the Board of Directors agreed to ask the Ministries of Mining and Finance to create a reserve fund charged to 2006 income for an amount equivalent to the total amount of taxes, which, for income tax and advance to clients is for ThUS\$550,000 in accordance with the commercial agreement with Minmetals. At said meeting, the Board also asked to transfer the Chilean Treasury on an annual basis amount equivalent to one fifteenth of the total prepaid taxes, ThUS\$313,500, from December 2006 and charged to the reserve fund.

The composition of Other Reserves as of December 31, 2006 is as follows:

Detail	Year	Accumulated
	ThUS\$	ThUS\$
Capitalization of net income (exempt decree ministry of mining and treasury department)	9,255	636,483
Cumulative translation adjustment - subsidiaries	(2,213)	36,282
Reserves for housing programs	-	35,100
Technical appraisal revaluation D.L. N°3,648	-	<u>624,567</u>
Balance of Other Reserves as of December 31, 2006	<u>7,042</u>	<u>1,332,432</u>

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) At December 31, 2006, the Company recognized a surplus in favor of the Chilean Treasury for ThUS\$1,688,388, charged to 2006 income, which reduces equity. At December 31, 2006, dividends to be paid to the Chilean Treasury are presented in current liabilities, in the dividends payable item. In Current liabilities, within dividends payable, there were fiscal surpluses that were not paid at December 31, 2006 for ThUS\$300,000. These were paid on January 31, 2007.

Changes in equity during 2006 and 2005 are detailed below:

Movements	2006				2005			
	Paid-in capital ThUS\$	Other Reserves 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	1,325,390	(1,688,388)	1,779,609	1,524,423	1,312,568	(1,099,217)	1,134,173
Transfer to reserves and profit distributions	-	-	1,688,388	(1,688,388)	-	-	1,099,217	(1,099,217)
Profit distributions against prior year results	-	-	-	(81,966)	-	-	-	(25,909)
Capitalization of reserves and/or other income	-	9,255	-	(9,255)	-	9,047	-	(9,047)
Net changes in equity in subsidiaries and investees of the company	-	(2,213)	-	-	-	3,775	-	-
Net income for the year	-	-	-	3,338,789	-	-	-	1,779,609
Provisional profit distributions to Chilean Treasury	-	-	(1,668,043)	-	-	-	(1,688,388)	-
Total	1,524,423	1,332,432	(1,668,043)	3,338,789	1,524,423	1,325,390	(1,688,388)	1,779,609

Note 15 - Non-operating income and expenses

Non-operating income and expenses at December 31, 2006 and 2005 are detailed below:

a) Other income

	2006 ThUS\$	2005 ThUS\$
Satep delegated management	4,768	4,950
Penalties to suppliers	7,541	1,672
Sale of basis	171	230
Miscellaneous sales	43,343	9,588
Service sales	16,353	16,199
Proceeds from sales of property, plant and equipment	2,254	-
Realized gains on contributions to companies	20,134	45,257
Other	89,067	43,495
Total	183,631	121,391

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Other expenses

	2006	2005
	ThUS\$	ThUS\$
Export tax (Law N°13,196)	1,311,417	825,702
Adjustments to severance indemnity	42,667	19,198
Satep delegate administration	7,911	8,657
Write-off	5,083	10,258
Collective bar gaining browses	180,492	-
Contingencies accrued	83,693	-
Write-off of property, plant and equipment	48,506	5,072
Closure costs	105,936	69,500
Pre-investment expenses	65,562	89,348
Health plans	83,178	90,958
Retirement plans	20,104	68,625
Other	<u>120,062</u>	<u>114,277</u>
 Total	 <u>2,074,611</u>	 <u>1,301,595</u>

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\$264 and ThUS\$240 in 2006 and 2005, 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 credit to income of ThUS\$42,364 and net charge to income ThUS\$107,910 in 2006 and 2005, respectively.

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 selling prices, as follows:

a. Interest rate hedge

At December 31, 2006, 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\$11,369 (2005: ThUS\$26,572), which are shown in Others under Other Assets and amortized over the term of the respective liabilities, from January 2007 to September 2008. A positive exposure of ThUS\$7,901 has been determined as of December 31, 2006.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2006, these contracts show a positive exposure of ThUS\$70,695. The net account receivable for said contracts amounts of ThUS\$105,737 (2005: ThUS\$114,511), are classified in Others under Other Assets. In addition, costs arising from said contracts for ThUS\$55,558 (2005: ThUS\$51,599), are recorded in Other long-term liabilities and amortized over the term of the respective liabilities.

c. Contracts for pricing operations

In order to protect its cash flows, the Company carries out operations in futures markets recording the results of these hedging transactions at the maturity date of the contracts. As part of the commercial policy, 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, 2006, said operations generated a net lower income of ThUS\$220,784, which is 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, from January to December 2006, the Company has carried out operations in futures market, which represent 198,150 metric tons of fine copper. These hedging operations are part of the commercial policy of the Company and mature until June 2008.

The outstanding contracts at December 31, 2006 show a positive exposure of ThUS\$47,147, 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, 2006 generated a net positive effect on income of ThUS\$34,513 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\$8,079 for purchases and ThUS\$26,434 for sales).

c.2 Commercial operations for outstanding gold and silver contracts

At December 31, 2006, the Company has silver pricing hedging operations for 2,217,700 troy ounces.

At that date, the positive exposure amounted to ThUS\$48.

The operations that ended between January 1 and December 31, 2006 generated a negative effect on income of ThUS\$293, 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.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c.3 Operations based on future production

In order to protect its future cash flows by guaranteeing levels of selling prices of project production, futures operations related to said projects have been carried out for MTF1,143,296. These hedging contracts mature until March 2013.

Outstanding futures operations at December 31, 2006 show a negative exposure of ThUS\$2,971,649, 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 futures whose operations ended between January 1 and December 31, 2006, related to the production sold related to said projects, generated a lower income of ThUS\$255,004, 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.

c.4 Asian options

At December 31, 2006, the Company keeps Min/Max option agreements (put purchases and call sales) in order to protect their future cash flows by means of ensuring a minimum sale price of TMF 33,600, related with Sewell production. These operations record at December 31, 2006, a negative exposure of ThUS\$976. These hedging operations mature on March 2009.

Note 19 - Contingencies and Commitments

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

In the Company management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all legal and proceeding resources available.

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

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

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other commitments

a) In July 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.

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 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, 2006 is operating and the monthly shipments began in June 2006, the contract in operation.

Nonetheless, on December 20, 2005, the Board of Directors decided to contract price hedging transactions for the equivalent of 27,850 tons in relation to this contract and fixed the hedging criteria operations for the first five years of the contract.

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 the joint venture, which were completed during January and February 2006.

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) Law N°19,993 dated December 17, 2004 that authorized the purchase of the assets of Fundación 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.

d) 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 Ltd.

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.

The Company has obligations with the Chilean Treasury according to Law 18,634 on deferred customs rights for ThUS\$801 (2005: ThUS\$3,675). In addition, the Company records documents delivered as guarantee for ThUS\$40,628 in 2006 (2005: ThUS\$ 41,442).

Note 20 – Indirect guarantees

At December 31, 2006 and 2005, the Company records and indirect debt for ThUS\$30,038 from guarantees to its investee Electroandina S.A.

Note 21 - 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\$314,256 in 2006 and ThUS\$254,989 in 2005.

Note 22 - Assets and liabilities in local and foreign currency

At December 31, 2006, the Company has assets traded in local currency for ThUS\$495,600 (2005: ThUS\$334,388) and liabilities for ThUS\$1,396,259 (2005: ThUS\$1,305,772).

CORPORACIÓN NACIONAL DEL COBRE DE CHILE

SIMPLIFIED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23 - Sanctions

In exempt resolution No.317 dated August 1, 2006, 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, 2006, and 2005, Codelco-Chile, its Directors and Management have not been subject to other sanctions applied by the Superintendence or other administrative authorities.

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

Note 24 - 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, 2006, Codelco Norte, formed by Chuquicamata and Radomiro Tomic Divisions, Andina, El Salvador and Teniente Divisions, and the head office received ISO 14001 certification.

Also, the subsidiary, Exploraciones Mineras Andinas S.A., received ISO 14001 certification.

In accordance with this policy, in 2006 the Company has made investments, related to environment issues, which amount to ThUS\$60,826 (2005: ThUS\$30,883).

Note 25 - Subsequent events

On January, 22, 2007, Codelco Chile took part, jointly with Honeywell Chile S.A., in the incorporation of Sociedad Kairos Mining S.A., which has an initial equity of ThUS\$100.

On January 31, 2007, Codelco Chile took part, jointly with Sociedad de Inversiones Copperfield Ltda., in the incorporation of Sociedad GNL Mejillones S.A., which has an initial equity of ThCh\$1,000 (Ch\$1 million).

On January 31, 2007, the Company paid an amount of ThUS\$300,000 for fiscal surpluses, on account of surplus for 2006.

CORPORACIÓN 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, 2006 and the date of issuance of these financial statements (February 07, 2007) which might affect them.

José Pablo Arellano
Executive President

Francisco Tomic Errázuriz
Corporate Vice-President
Human Development and Finance

Daniel Barría I.
Corporate Vice-President for
Shared Services

Mario Allende Gallardo
Chief Accountant