SOUTHERN COPPER CORP/
Form 10-Q
October 25, 2012
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2012

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-14066

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-3849074**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1440 East Missouri Avenue, Suite 160, Phoenix, AZ	**85014**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(602) 264-1375**

(Former name, former address and former fiscal year, if change since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

As of October 25, 2012 there were outstanding 845,550,550 shares of Southern Copper Corporation common stock, par value $0.01 per share.

Table of Contents

Southern Copper Corporation (SCC)

INDEX TO FORM 10-Q

		Page No.
Part I. Financial Information:		
Item. 1	Condensed Consolidated Financial Statements (Unaudited)	
	Condensed Consolidated Statement of Earnings for the three and nine months ended September 30, 2012 and 2011	3
	Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011	4
	Condensed Consolidated Balance Sheet as of September 30, 2012 and December 31, 2011	5
	Condensed Consolidated Statement of Cash Flows for the three and nine months ended September 30, 2012 and 2011	6
	Notes to Condensed Consolidated Financial Statements	7-26
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	27-42
Item 3.	Quantitative and Qualitative Disclosure about Market Risk	43-44
Item 4.	Controls and procedures	45
	Report of Independent Registered Public Accounting Firm	46
Part II. Other Information:		
Item 1.	Legal Proceedings	47
Item 1A.	Risk factors	47
Item 2.	Unregistered Sale of Equity Securities and Use of Proceeds	47
Item 4.	Mine Safety Disclosures	47
Item 6.	Exhibits	48-49
	Signatures	50
	List of Exhibits	51-52
Exhibit 15	Independent Accountants Awareness Letter	53

Exhibit 31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	54
Exhibit 31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	55
Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	56
Exhibit 32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	57
Exhibit 101	Financial statements for the three and nine months ended September 30, 2012 Formatted in XBRL: (i) the Condensed Consolidated Statement of Earnings, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheet, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements, tagged in detail.	Submitted electronically with this report

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended September 30,		9 Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands, except per share amounts)			
Net sales (including sales to related parties, see note 9)	$ 1,552,379	$ 1,745,906	$ 5,018,191	$ 5,149,423
Operating costs and expenses:				
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	670,861	677,258	2,060,664	2,110,095
Selling, general and administrative	23,758	24,376	74,551	74,692
Legal fees related to damage award (Note 2)	316,233		316,233	
Depreciation, amortization and depletion	81,283	72,506	236,655	216,048
Exploration	12,470	9,675	33,795	25,040
Total operating costs and expenses	1,104,605	783,815	2,721,898	2,425,875
Operating income	447,774	962,091	2,296,293	2,723,548
Interest expense	(48,458)	(48,506)	(143,042)	(144,367)
Capitalized interest	18,827	1,742	24,889	4,035
Gain on short-term investment	4,435		9,918	
Gain on sale of investment			18,200	
Other income (expense)	(908)	(1,374)	968	4,774
Interest income	3,828	3,614	11,238	9,859
Income before income taxes	425,498	917,567	2,218,464	2,597,849
Income taxes	219,802	252,507	848,544	792,523
Net income before equity earnings of affiliate	205,696	665,060	1,369,920	1,805,326
Equity earnings of affiliate	13,565		38,239	
Net income	219,261	665,060	1,408,159	1,805,326
Less: Net income attributable to the non-controlling interest	1,395	2,021	5,316	5,874
Net income attributable to SCC	$ 217,866	$ 663,039	$ 1,402,843	$ 1,799,452
Per common share amounts attributable to SCC:				
Net income - basic and diluted	$ 0.26	$ 0.78	$ 1.65	$ 2.10
Dividends paid	$ 0.24	$ 0.61	$ 1.31	$ 1.74
Weighted average common shares outstanding - basic and diluted	848,419	852,250	849,283	856,222

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

Table of Contents

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	3 Months Ended September 30,		9 Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
Net income	$ 219,261	$ 665,060	$ 1,408,159	$ 1,805,326
Other comprehensive income (loss) net of tax:				
Derivative instruments classified as cash flow hedge:				
Decrease in accumulated unrealized loss (gain) in prior period		49,172	(5,447)	111,000
Unrealized gain in the period		41,375		41,375
Add:				
Realized (gain) loss included in net income		(12,684)		14,528
Unrealized net gain (loss) on derivative instruments classified as cash flow hedges		77,863	(5,447)	166,903
Total comprehensive income	$ 219,261	$ 742,923	$ 1,402,712	$ 1,972,229
Comprehensive income attributable to the non-controlling interest	$ 1,395	$ 2,346	$ 5,338	$ 6,451
Comprehensive income attributable to SCC	$ 217,866	$ 740,577	$ 1,397,374	$ 1,965,778

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

Table of Contents

Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

	September 30, 2012	December 31, 2011
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,157,805	$ 848,118
Short-term investments	379,702	521,955
Accounts receivable trade	529,786	695,104
Accounts receivable other	50,739	30,176
Accounts receivable related parties	179,988	158,301
Damage award receivable (Note 2)	2,108,221	
Inventories	646,419	651,896
Deferred income tax	83,796	88,797
Other current assets	153,079	107,156
Total current assets	5,289,535	3,101,503
Property, net	4,856,167	4,419,885
Leachable material, net	217,943	122,985
Intangible assets, net	109,444	110,436
Deferred income tax	168,874	145,251
Other assets	199,808	162,641
Total assets	$ 10,841,771	$ 8,062,701
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable (including related parties 2012 -$10,047 and 2011 - $4,392)	427,479	443,132
Accrued legal fees related to damage award (Note 2)	316,233	
Accrued income taxes		182,491
Deferred income tax	39,860	39,860
Accrued workers participation	213,910	245,139
Accrued interest	63,009	59,906
Other accrued liabilities	33,392	12,349
Total current liabilities	1,103,883	992,877
Long-term debt	2,731,195	2,735,732
Deferred income taxes	219,097	125,191
Non-current taxes payable	67,524	66,982
Other liabilities and reserves	54,436	43,665
Asset retirement obligation	64,554	61,971
Total non-current liabilities	3,136,806	3,033,541
Commitments and contingencies (Note 11)		
STOCKHOLDERS EQUITY		

Common stock		8,846		8,846
Additional paid-in capital		3,319,058		1,039,382
Retained earnings		4,144,424		3,852,054
Accumulated other comprehensive income		7,427		12,874
Treasury stock, at cost, common shares		(902,612)		(897,852)
Total Southern Copper Corporation stockholders equity		6,577,143		4,015,304
Non-controlling interest		23,939		20,979
Total equity		6,601,082		4,036,283
Total liabilities and equity	$	10,841,771	$	8,062,701

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

Table of Contents

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	3 Months Ended September 30,		9 Months Ended September 30,	
	2012	2011	2012	2011
	(in thousands)			
OPERATING ACTIVITIES				
Net income	$ 219,261	$ 665,060	$ 1,408,159	$ 1,805,326
Adjustments to reconcile net earnings to net cash provided from operating activities:				
Depreciation, amortization and depletion	81,283	72,506	236,655	216,048
Equity earnings of affiliate, net of dividends received	2,654		(14,285)	
Loss (income) on currency translation effect	3,358	(8,931)	(3,302)	(3,278)
Provision (benefit) for deferred income taxes	56,808	(81,687)	76,116	(98,189)
Gain on sale of investment			(18,200)	
Gain on sale of property	5,108	(305)	4,050	(6,715)
Cash provided from (used for) operating assets and liabilities:				
Accounts receivable	60,008	72,194	123,068	(59,767)
Inventories	(56,581)	(4,718)	(89,481)	(73,166)
Accounts payable and accrued liabilities	345,506	189,075	111,006	(252,137)
Other operating assets and liabilities	(55,285)	(25,213)	(74,192)	67,645
Net cash provided from operating activities	662,120	877,981	1,759,594	1,595,767
INVESTING ACTIVITIES				
Capital expenditures	(258,224)	(153,394)	(665,944)	(337,038)
Proceeds from (purchase of) short-term investments, net	(5,946)	(310,280)	142,253	(459,643)
Payments to development stage properties accounted for as equity method investments		(8,504)		(24,415)
Sale of investment			18,200	
Sale of property	93	1,424	5,373	10,279
Other		(9,741)		(9,741)
Net cash used for investing activities	(264,077)	(480,495)	(500,118)	(820,558)
FINANCING ACTIVITIES				
Debt repaid			(5,000)	(10,250)
Dividends paid to common stockholders	(203,723)	(522,649)	(813,883)	(1,491,653)
Distributions to non-controlling interest	(533)	(1,350)	(2,253)	(4,955)
Repurchase of common shares	(99,185)	(110,290)	(132,369)	(258,358)
Other	154	1,505	758	1,001
Net cash used for financing activities	(303,287)	(632,784)	(952,747)	(1,764,215)
Effect of exchange rate changes on cash and cash equivalents	(16,322)	24,592	2,958	39,464
Increase (decrease) in cash and cash equivalents	78,434	(210,706)	309,687	(949,542)
Cash and cash equivalents, at beginning of period	1,079,371	1,453,841	848,118	2,192,677
Cash and cash equivalents, at end of period	$ 1,157,805	$ 1,243,135	$ 1,157,805	$ 1,243,135

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

Table of Contents

Southern Copper Corporation

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 DESCRIPTION OF THE BUSINESS:

In the opinion of Southern Copper Corporation, (the Company or SCC), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to state fairly the Company s financial position as of September 30, 2012 and the results of operations, comprehensive income and cash flows for the three and nine months ended September 30, 2012 and 2011. The results of operations for the three and nine months ended September 30, 2012 and 2011 are not necessarily indicative of the results to be expected for the full year. The December 31, 2011 balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2011 and notes included in the Company s 2011 annual report on Form 10-K.

NOTE 2 SCC SHAREHOLDER DERIVATIVE LAWSUIT:

Three purported class action derivative lawsuits were filed in the Delaware Court of Chancery (New Castle County) late in December 2004 and early January 2005 relating to the proposed merger transaction between the Company and Minera Mexico, S.A. de C.V. (the Transaction), which was completed effective April 1, 2005. On January 31, 2005, the three actions were consolidated into one action and the complaint filed by Lemon Bay was designated as the operative complaint in the consolidated lawsuit. The consolidated action purports to be brought on behalf of the Company and its common stockholders. The defendants in the consolidated action were Americas Mining Corporation (AMC) and SCC s directors. The Company was a nominal defendant. The consolidated complaint alleges, among other things, that the Transaction was the result of breaches of fiduciary duties by the Company s directors and was entirely unfair to the Company and its minority stockholders.

On October 14, 2011, the Court issued an opinion on this action finding that SCC had paid AMC too much stock consideration in the Transaction. The Court issued a revised final order and judgment on December 29, 2011. The Court decided that the Award, in the amount of $1,347 million plus $684.6 million of pre-judgment interest, was payable by AMC with cash, or with the return of a number of shares of SCC equal in value to award, or by SCC cancelling an equivalent number of shares owned by AMC, or by any combination thereof, so long as the total was equivalent to the amount of the judgment plus accrued post-judgment interest (post-judgment interest accrued from October 15, 2011). The Court also awarded attorneys fees and expenses in the amount of $304.7 million, or 15% of the judgment, plus post-judgment interest, payable by SCC out of the award and not from existing SCC s cash.

On January 20, 2012, AMC and the other defendants appealed the Court s decisions. On the same date, SCC appealed the Court s decision related to the award of attorneys fees and expenses. On May 3, 2012, the Court accepted the security provided by AMC and granted a stay of the judgment pending final resolution of the appeal. On August 27, 2012, the Delaware Supreme Court affirmed the lower court s decision. On September 21, 2012, the Delaware Supreme Court rejected the rehearing motion filed by AMC and ordered AMC to follow the Court s decision.

On October 9, 2012, AMC paid to the Company $2,108.2 million and the Company paid $316.2 million of legal fees and expenses to the plaintiff s attorneys. The effect of this award has been recorded in the Company s third quarter 2012 results. The $2,108.2 million awarded to the Company has been included in the capital accounts with a corresponding receivable recorded on the balance sheet. Additionally, the Company has recorded an expense of $316.2 million in its 2012 third quarter results for the legal fees related to this award and has recorded a liability on its balance sheet for this obligation.

Table of Contents

NOTE 3 SHORT-TERM INVESTMENTS:

Short-term investments were as follows ($ in millions):

	At September 30, 2012	At December 31, 2011
Trading securities	$ 373.0	$ 514.6
Weighted average interest rate	1.00%	1.37%
Available for sale	$ 6.7	$ 7.3
Weighted average interest rate	0.51%	0.58%
Total	$ 379.7	$ 521.9

Trading securities: consist of bonds issued by public companies. Each financial instrument is independent of the others. The Company has the intention to sell these bonds in the short-term.

Available for sale investments consist of securities issued by public companies. Each security is independent of the others and at September 30, 2012 and December 31, 2011, included corporate bonds and asset and mortgage backed obligations. As of September 30, 2012 and December 31, 2011, gross unrealized gains and losses on available for sale securities were not material.

Related to these investments the Company earned interest, which was recorded as interest income in the condensed consolidated statement of earnings. Also the Company redeemed some of these securities and recognized gains (losses) due to changes in fair value, which were recorded as gain on short-term investment in the condensed consolidated statement of earnings.

The following table summarizes the activity of these investments by category (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Trading securities:				
Interest earned	$ 0.9	$ 1.2	$ 2.5	$ 2.9
Unrealized gain (loss)	3.7	(1.1)	8.8	(1.9)
Available for sale:				
Interest earned	(*)	(*)	(*)	(*)
Investment redeemed	$ 0.2	$ 0.9	$ 1.4	$ 1.7

(*) Less than $0.1 million

NOTE 4 - INVENTORIES:

Inventories were as follows:

(in millions)	At September 30, 2012	At December 31, 2011
Inventory, current:		
Metals at lower of average cost or market:		
Finished goods	$ 97.6	$ 93.3
Work-in-process	276.7	296.1
Supplies at average cost	272.1	262.5
Total current inventory	$ 646.4	$ 651.9
Inventory, long-term		
Long-term leach stockpiles	$ 217.9	$ 123.0

During the nine months ended September 30, 2012 and 2011 total leaching costs capitalized as long-term inventory of leachable material amounted to $157.3 million and $87.1 million, respectively. Long-term leaching inventories recognized as cost of sales amounted to $52.5 million and $33.6 million for the nine months ended September 30, 2012 and 2011, respectively.

Table of Contents

NOTE 5 INCOME TAXES:

The income tax provision and the effective income tax rate for the nine months of 2012 and 2011 were as follows ($ in millions):

	2012	2011
Income tax provision	$ 848.5	$ 792.5
Effective income tax rate	38.2%	30.5%

These provisions include income taxes for Peru, Mexico and the United States. The increase in the effective tax rate in the nine months of 2012 from the tax rate in the 2011 period is principally caused by the legal fees related to the AMC damage award, which increased the effective rate for the nine month 2012 period by 4.7%, see Note 2. In addition, the rate was also increased by the new special mining tax in Peru, see below.

For United States federal income tax reporting the operating results of SCC are included in the AMC U.S. federal income tax return. In accordance with paragraph 30-27 of ASC 740-10-30, current and deferred taxes are allocated to members of the AMC group as if each were a separate taxpayer. SCC provides current and deferred income taxes as if it was a separate filer.

Special Mining Tax

In September 2011, the Peruvian government enacted a new tax for the mining industry. This tax is based on operating income and its rate ranges from 2% to 8.4%. It begins at 2% for operating income of up to 10% of sales and increases by 0.4% of operating income for each additional 5% of operating income until 85% of operating income is reached. The Company has accrued $40.5 million for the special mining tax and is included as part of the income tax provision for the nine months of 2012.

Accounting for Uncertainty in Income Taxes:

The Company files tax returns in Peru, the United States and in Mexico. These tax returns are examined by the tax authorities of those countries. It is reasonably possible that during the next 12 months there could be an increase of approximately $30 to $50 million in the Company s unrecognized tax benefits due to expected activity from tax examinations and audits by the tax authorities.

NOTE 6 PROVISIONALLY PRICED SALES:

At September 30, 2012, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the September 30, 2012 market price per pound. These sales are subject to final pricing based on the average monthly London Metal Exchange (LME) or New York Commodities Exchange (COMEX) copper prices and Dealer Oxide molybdenum prices in the future month of settlement.

Following are the provisionally priced copper and molybdenum sales outstanding at September 30, 2012:

Copper (million lbs.)		Priced at (per pound)	Month of Settlement
11.2	$	3.727	October 2012
3.3		3.724	November 2012
14.5	$	3.727	

Molybdenum (million lbs.)		Priced at (per pound)	Month of Settlement
3.3	$	11.65	October 2012
3.1		11.65	November 2012
2.3		11.65	December 2012
8.7	$	11.65	

Management believes that the final pricing of these sales will not have a material effect on the Company s financial position or results of operations.

Table of Contents

NOTE 7 DERIVATIVE INSTRUMENTS:

As part of its risk management policy, the Company occasionally uses derivative instruments to (i) safeguard the corporate assets, (ii) insure the value of its future revenue stream, and (iii) lessen the impact of unforeseen market swings of its sales revenues. To comply with these objectives the Company, from time to time, enters into commodity price derivatives, interest rate derivatives, exchange rate derivatives and other instruments. The Company does not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing the Company to market risk.

Copper hedges:

In 2011, the Company entered into copper swaps and zero cost collar derivative contracts to reduce price volatility and to protect its sales value as shown below. These transactions meet the requirements of hedge accounting. The realized gains and losses from these derivatives were recorded in net sales on the condensed consolidated statement of earnings and included in operating activities on the condensed consolidated statement of cash flow.

The following table summarizes the copper derivative activity related to copper sales transactions realized in the third quarter and nine months of 2012 and 2011, respectively:

	Third quarter		Nine months	
	2012	2011	2012	2011
Zero cost collar contracts:				
Pounds (in millions)		105.8	46.3	317.5
Average LME cap price	$	4.84	$ 5.18	$ 4.84
Average LME floor price	$	3.02	$ 3.50	$ 3.02
Swap contracts:				
Pounds (in millions)		99.2		331.2
Weighted average COMEX price	$	4.08		$ 4.08
Realized gain (loss) on copper derivatives (in millions) (*)	$	20.7		$ (23.7)

(*) Realized gains and losses in 2011 include a gain of $23.9 million recognized in the third quarter resulting from the unwinding of copper swap positions.

The hedge instruments are based on LME copper prices. The Company performed statistical analysis on the difference between the average monthly copper price on the LME and the COMEX exchanges and determined that the correlation coefficient is greater than 0.999. Based on this analysis, the Company considers that the LME underlying price matches its sales priced at COMEX prices. These cash flow hedge relationships qualify as critical matched terms hedge relationships and as a result have no ineffectiveness. The Company performs periodic quantitative assessments to confirm that the relationship was highly effective and that the ineffectiveness was de minimis.

During the third quarter of 2012 and as of September 30, 2012, the Company did not hold copper derivative contracts.

Transactions under these metal price protection programs are accounted for as cash flow hedges under ASC 815-30 Derivatives and Hedging-Cash Flow Hedges as they meet the requirements for this treatment and are adjusted to fair market value based on the metal prices as of the last day of the respective reporting period with the gain or loss recorded in other comprehensive income until settlement, at which time the gain or loss, if realized, is reclassified to net sales in the condensed consolidated statements of earnings.

NOTE 8 - ASSET RETIREMENT OBLIGATION:

The Company maintains an estimated asset retirement obligation for its mining properties in Peru, as required by the Peruvian Mine Closure Law. In accordance with the requirements of this law the Company s closure plans were approved by the Peruvian Ministry of Energy and Mines (MINEM). As part of the closure plans, commencing in January 2010 the Company is required to provide annual guarantees of $2.6 million over a 34 year period to furnish the funds for the asset retirement obligation. In the near-term future the Company has pledged the value of its Lima office complex as support for this obligation. The accepted value of the

Table of Contents

Lima office building, for this purpose, is $17 million. The closure cost recognized for this liability includes the cost, as outlined in its closure plans, of dismantling the Toquepala and Cuajone concentrators, the smelter and refinery in Ilo, and the shops and auxiliary facilities at the three units, including the Ilo marine trestle.

The following table summarizes the asset retirement obligation activity for the nine months ended September 30, 2012 and 2011 (in millions):

	2012	2011
Balance as of January 1	$ 62.0	$ 59.1
Changes in estimates		
Additions		
Accretion expense	2.6	2.5
Balance as of September 30,	$ 64.6	$ 61.6

NOTE 9 RELATED PARTY TRANSACTIONS:

Receivable and payable balances with related parties are shown below (in millions):

	As of	
	September 30, 2012	December 31, 2011
Affiliate receivable:		
Grupo Mexico, S.A.B de C.V. (Grupo Mexico) and affiliates	$ 0.8	$ 0.7
Mexico Generadora de Energia S.A. de C.V.	178.2	156.3
Asarco LLC (Asarco)		0.2
Compania Perforadora Mexico, S.A.P.I. de C.V.	0.5	0.1
Mexico Proyectos y Desarrollos, S.A de C.V. and affiliates	0.5	1.0
	$ 180.0	$ 158.3
Affiliate payable:		
Grupo Mexico and affiliates	$ 1.5	$ 2.0
Asarco	6.0	
Higher Technology S.A.C.	0.2	0.1
Breaker S.A. de C.V	0.1	0.2
Exploraciones Mineras del Peru S.A.C.		0.3
Mexico Transportes Aereos, S.A. de C.V. (Mextransport)	0.2	0.5
Ferrocarril Mexicano, S.A. de C.V.	2.1	1.3
	$ 10.1	$ 4.4

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders or their affiliates. These transactions include the lease of office space, air transportation and construction services and products and services related to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest and are subject to review and approval by senior management, as are all related party transactions. It is the Company s policy that the Audit Committee of the Board of Directors shall review all related party transactions. The Company is prohibited from entering or continuing a material related party transaction that has not been reviewed and approved or ratified by the Audit Committee.

11

Table of Contents

Purchase Activity:

The following table summarizes the purchase activity with related parties in the nine months ended September 30, 2012 and 2011 (in millions):

	Nine months ended September 30,	
	2012	**2011**
Grupo Mexico and affiliates:		
Grupo Mexico	$ 10.5	$ 10.4
Asarco	33.0	17.2
Ferrocarril Mexicano, S.A de C.V.	10.7	8.9
Compania Perforadora Mexico, S.A.P.I. de C.V and affiliates	2.2	0.5
Consorcio Tricobre		0.5
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	37.2	23.7
Other Larrea family companies:		
Mexico Compania de Productos Automotrices, S.A. de C.V.		0.2
Mextransport	2.0	1.9
Companies with relationships to SCC executive officers families:		
Higher Technology S.A.C.	2.3	1.6
Servicios y Fabricaciones Mecanicas S.A.C.	0.1	0.5
Sempertrans France Belting Technology	0.1	0.2
PIGOBA, S.A. de C.V.	0.5	0.2
Breaker, S.A. de C.V.	1.8	4.4
Total purchased	$ 100.4	$ 70.2

Grupo Mexico, the Company s ultimate parent and the majority indirect stockholder of the Company, and its affiliates provide various services to the Company. These services are primarily related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. The Company pays Grupo Mexico for these services. The Company expects to continue to pay for these services in the future.

The Company s Mexican operations paid fees for freight services provided by Ferrocarril Mexicano S.A de C.V., for construction services provided by Mexico Constructora Industrial and its affiliates and for drilling services provided by Compania Perforadora Mexico S.A.P.I. de C.V. These three companies are subsidiaries of Grupo Mexico.

In the nine months of 2012, the Company s Peruvian operations paid fees for engineering and consulting services provided by Exploraciones Mineras del Peru S.A.C., a Peruvian company in which Grupo Mexico Servicios de Ingenieria, S.A. de C.V and Mexico Proyectos y Desarrollos, S.A. de C. V. has 99.97% and 0.03% participation, respectively. Both companies are subsidiaries of Grupo Mexico.

In May 2010, the Company s Mexican operations granted a $350 million line of Credit to Mexico Generadora de Energia S.A. de C.V., a power generating subsidiary of Grupo Mexico, for the construction of a power plant. Conditions and balance at September 30, 2012 are as follows (dollars in millions):

		Loan Open
Line of credit	$	350.0
Maturity		December 31, 2012
Average interest rate		4.18%
Remaining balance at September 30, 2012	$	178.2

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including aviation and real estate. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the Larrea family relating to the lease of office space and air transportation. In connection with this, the Company paid fees for maintenance services and sale of vehicles provided by Mexico Compania de Productos Automotrices, S.A. de C.V., a company controlled by the Larrea family and which is currently in liquidation.

Additionally, in 2007, the Company s Mexican subsidiaries provided guaranties for two loans obtained by Mextransport, a company controlled by the Larrea family, from Bank of Nova Scotia in Mexico. One of these loans has been repaid and the remaining loan requires semi-annual repayments. Conditions and balance as of September 30, 2012 are as follows:

		Loan Open
Original loan balance (in millions)	$	8.5
Maturity		August 2013
Interest rate		Libor + 0.15%
Remaining balance at September 30, 2012 (in millions)	$	1.3

Mextransport provides aviation services to the Company s Mexican operations. The guaranty provided to Mextransport is backed up by the transport services provided by Mextransport to the Company s Mexican subsidiaries.

The Company purchased industrial materials from Higher Technology S.A.C. and paid fees for maintenance services provided by Servicios y Fabricaciones Mecanicas S.A.C. Mr. Carlos Gonzalez, the son of SCC s Chief Executive Officer, has a proprietary interest in these companies.

Table of Contents

The Company purchased industrial material from Sempertrans France Belting Technology, in which Mr. Alejandro Gonzalez is employed as a sales representative. Also, the Company purchased industrial material from PIGOBA, S.A. de C.V., a company in which Mr. Alejandro Gonzalez has a proprietary interest. Mr. Alejandro Gonzalez is the son of SCC s Chief Executive Officer.

The Company purchased industrial material and services from Breaker, S.A. de C.V., a company in which Mr. Jorge Gonzalez, son-in-law of SCC s Chief Executive Officer, has a proprietary interest.

Sales Activity:

The Company sold copper cathodes, rod and anodes, as well as sulfuric acid, silver, gold and lime to Asarco. In addition, the Company received fees for building rental and maintenance services provided to Mexico Proyectos y Desarrollos, S.A. de C.V. and its affiliates, a subsidiary of Grupo Mexico, and from Mextransport, a company of the Larrea family.

The following table summarizes the sales and other revenue activity in the three and nine months ended September 30, 2012 and 2011 (in millions):

	3 Months Ended September 30,		9 Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Asarco	$ 11.5	$ 16.3	$ 22.9	$ 68.8
Mexico Proyectos y Desarrollos, S.A. de C.V.	0.1	0.1	0.3	0.4
Compania Perforadora Mexico, S.A.P.I. de C.V and affiliates	0.2	(*)	0.2	0.1
Mextransport	0.1		0.9	
Total	$ 11.9	$ 16.4	$ 24.3	$ 69.3

(*) amount is lower than $0.1 million

It is anticipated that in the future the Company will enter into similar transactions with these same parties.

NOTE 10- BENEFIT PLANS:

SCC Defined Benefit Pension Plans

The components of the net periodic benefit costs for the nine months ended September 30, 2012 and 2011 are as follows (in millions):

	2012	2011
Interest cost	$ 0.4	$ 0.4
Expected return on plan assets	(0.5)	(0.5)
Amortization of net loss (gain)	0.1	0.1
Net periodic benefit costs	$	$

SCC Post-retirement Health Care Plan

The components of the net periodic benefit costs for the post-retirement health care plan for the nine months ended September 30, 2012 and 2011 are individually, and in total, less than $0.1 million.

Minera Mexico Pension Plans

The components of the net periodic benefit costs for the nine months ended September 30, 2012 and 2011 are as follows (in millions):

	2012	2011
Interest cost	$ 0.5	$ 0.5
Service cost	0.7	0.8
Expected return on plan assets	(2.2)	(2.5)
Amortization of transition assets, net		(0.1)
Amortization of net actuarial loss	(0.6)	(1.1)
Amortization of prior services cost		
Net periodic benefit cost	$ (1.6)	$ (2.4)

Table of Contents

Minera Mexico Post-retirement Health Care Plan

The components of the net periodic cost for the nine months ended September 30, 2012 and 2011 are as follows (in millions):

	2012	2011
Interest cost	$ 1.1	$ 2.8
Service cost		
Amortization of net loss (gain)	(0.2)	
Amortization of transition obligation		1.1
Net periodic benefit cost	$ 0.9	$ 3.9

NOTE 11 COMMITMENTS AND CONTINGENCIES:

Environmental matters:

The Company has instituted extensive environmental conservation programs at its mining facilities in Peru and Mexico. The Company s environmental programs include, among other features, water recovery systems to conserve water and minimize impact on nearby streams, reforestation programs to stabilize the surface of the tailings dams and the implementation of scrubbing technology in the mines to reduce dust emissions.

Environmental capital expenditures in the nine months ended September 30, 2012 and 2011 were as follows (in millions):

	2012	2011
Peruvian operations	$ 3.0	$ 1.7
Mexican operations	13.8	7.7
	$ 16.8	$ 9.4

Peruvian operations: The Company s operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through the Environmental Ministry conducts annual audits of the Company s Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental commitments, compliance with legal requirements, atmospheric emissions, and effluent monitoring are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

Peruvian law requires that companies in the mining industry provide for future closure and remediation. In accordance with the requirements of this law the Company s closure plans were approved by MINEM. As part of the closure plans, the Company is providing guarantees to ensure that sufficient funds will be available for the asset retirement obligation. See Note 8, Asset retirement obligation, for further discussion of this

matter.

Mexican operations: The Company s operations are subject to applicable Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water quality, air quality, noise levels and hazardous and solid waste.

The principal legislation applicable to the Company s Mexican operations is the Federal General Law of Ecological Balance and Environmental Protection (the General Law), which is enforced by the Federal Bureau of Environmental Protection (PROFEPA). PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards. PROFEPA may initiate administrative proceedings against companies that violate environmental laws, which in the most extreme cases may result in the temporary or permanent closing of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines. Also, according to the federal criminal code, PROFEPA must inform corresponding authorities regarding environmental non-compliance.

On January 28, 2011, Article 180 of the General Law was amended. This amendment, gives an individual or entity the ability to contest administrative acts, including environmental authorizations, permits or concessions granted, without the need to demonstrate the actual existence of harm to the environment, natural resources, flora, fauna or human health, because it will be sufficient to argue that the harm may be caused.

In addition, on August 30, 2011, amendments to the Civil Federal Procedures Code (CFPC) were published in the Official Gazette and are now in force. These amendments establish three categories of collective actions, by means of which 30 or more people

Table of Contents

claiming injury derived from environmental, consumer protection, financial services and economic competition issues will be considered to be sufficient in order to have a legitimate interest to seek through a civil procedure restitution or economic compensation or suspension of the activities from which the alleged injury derived. The amendments to the CFPC may result in more litigation, with plaintiffs seeking remedies, including suspension of the activities alleged to cause harm.

On December 5, 2011, the Mexican Senate Chamber approved the Environmental Liability Federal Law, which establishes general guidelines in order to determine which environmental actions will be considered to cause environmental harm that will give rise to administrative responsibilities (remediation or compensations) and criminal responsibilities. Also economic fines could be established. This initiative has been returned to lower chamber for discussion and voting. The law will be in force once approved by the lower chamber and signed by the President.

In March 2010, the Company announced to the Mexican federal environmental authorities the closure of the copper smelter plant at San Luis Potosi. The Company has initiated a program for plant demolition and soil remediation with a budget of $35.7 million, of which the Company has spent $30.9 million through September 30, 2012. The program is expected to be completed by the end of 2013. The Company expects that once the site is remediated, the Company will be able to promote an urban development to generate a net gain on the disposal of the property.

The Company believes that all of its facilities in Peru and Mexico are in material compliance with applicable environmental, mining and other laws and regulations.

The Company also believes that continued compliance with environmental laws of Mexico and Peru will not have a material adverse effect on the Company s business, properties, result of operations, financial condition or prospects and will not result in material capital expenditures.

Litigation matters:

Peruvian operations

Garcia Ataucuri and Others against SCC s Peruvian Branch:

In April 1996, the Branch was served with a complaint filed in Peru by Mr. Garcia Ataucuri and approximately 900 former employees seeking the delivery of a substantial number of labor shares (acciones laborales) plus dividends on such shares, to be issued to each former employee in proportion to their time of employment with SCC s Peruvian Branch.

The labor share litigation is based on claims of former employees for ownership of a portion of the labor shares that the plaintiffs state that the Branch did not issue during the 1970s until 1979 under a former Peruvian mandated profit sharing system. In 1971, the Peruvian government enacted legislation providing that mining workers would have a 10% participation in the pre-tax profits of their employing enterprises. This

participation was distributed 40% in cash and 60% in an equity interest of the enterprise. In 1978, the equity portion, which was originally delivered to a mining industry workers organization, was set at 5.5% of pre-tax profits and was delivered, mainly in the form of labor shares to individual workers. The cash portion was set at 4.0% of pre-tax earnings and was delivered to individual employees also in proportion to their time of employment with the Branch. In 1992, the workers participation was set at 8%, with 100% payable in cash and the equity participation was eliminated from the law.

In relation to the issuance of labor shares by the Branch in Peru, the Branch is a defendant in the following lawsuits:

1) Mr. Garcia Ataucuri seeks delivery, to himself and each of the approximately 900 former employees of the Peruvian Branch, of the 3,876,380,679.65 old soles or 38,763,806.80 labor shares (acciones laborales), as required by Decree Law 22333 (a former profit sharing law), to be issued proportionally to each former employee in accordance with the time of employment of such employee with SCC s Branch in Peru, plus dividends on such shares. The 38,763,806.80 labor shares sought in the complaint, with a face value of 100.00 old soles each, represent 100% of the labor shares issued by the Branch during the 1970s until 1979 for all of its employees during that period. The plaintiffs do not represent 100% of the Branch´s eligible employees during that period.

It should be noted that the lawsuit refers to a prior Peruvian currency called sol de oro or old soles, which was later changed to the inti , and then into today´s nuevo sol . One billion of old soles is equivalent to today s one nuevo sol.

After lengthy proceedings before the civil courts in Peru on September 19, 2001, on appeal from the Branch (the 2000 appeal), the Peruvian Supreme Court annulled the proceedings noting that the civil courts lacked jurisdiction and that the matter had to be decided by a labor court.

Table of Contents

In October 2007, in a separate proceeding initiated by the plaintiffs, the Peruvian Constitutional Court nullified the September 19, 2001 Peruvian Supreme Court decision and ordered the Supreme Court to decide again on the merits of the case accepting or denying the Branch s 2000 appeal.

In May 2009, the Supreme Court rejected the 2000 appeal of the Branch affirming the adverse decision of the appellate civil court and lower civil court. While the Supreme Court has ordered SCC s Peruvian Branch to deliver the labor shares and dividends, it has clearly stated that SCC s Peruvian Branch may prove, by all legal means, its assertion that the labor shares and dividends were distributed to the former employees in accordance with the profit sharing law then in effect, an assertion which SCC s Peruvian Branch continues to make. None of the court decisions state the manner by which the Branch must comply with the delivery of such labor shares or make a liquidation of the amount to be paid for past dividends and interest, if any.

On June 9, 2009, SCC s Peruvian Branch filed a proceeding of relief before a civil court in Peru seeking the nullity of the 2009 Supreme Court decision and, in a separate proceeding, a request for a precautionary measure. The civil court rendered a favorable decision on the nullity and the precautionary measure, suspending the enforcement of the Supreme Court decision, for the reasons indicated above and other reasons. In February 2012, the Branch was notified that the civil court had reversed its decision regarding the nullity. The precautionary measure is still in effect. The Peruvian Branch has appealed the unfavorable decision before the superior court. In view of this, and the recent civil court decision, SCC´s Peruvian Branch continues to analyze the manner in which the Supreme Court decision may be enforced and what financial impact, if any, said decision may have.

2) In addition, there are filed against SCC s Branch the following lawsuits, involving approximately 800 plaintiffs, which seek the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and dividends: Armando Cornejo Flores and others v. SCC s Peruvian Branch (filed May 10, 2006); Alejandro Zapata Mamani and others v. SCC s Peruvian Branch (filed June 27, 2008); Arenas Rodriguez and others, represented by Mr. Cornejo Flores, v. SCC s Peruvian Branch (filed January 2009); Eduardo Chujutalli v. SCC s Peruvian Branch (filed May 2011); Edgardo Garcia Ataucuri, in representation of 216 of SCC s Peruvian Branch former workers, v. SCC s Peruvian Branch (filed May 2011); Silvestre Macedo Condori v. SCC s Peruvian Branch (filed June 2011); Juan Guillermo Oporto Carpio v. SCC s Peruvian Branch (filed August 2011); Rene Mercado Caballero v. SCC s Peruvian Branch (filed November 2011); Enrique Salazar Alvarez and others v. SCC s Peruvian Branch (filed December 2011); Indalecio Carlos Perez Cano and others v. SCC Peruvian Branch (filed March 2012); Jesús Mamani Chura and others v. SCC s Peruvian Branch (filed March, 2012); Armando Cornejo Flores, in representation of 37 of SCC s Peruvian Branch former workers v. SCC s Peruvian Branch (filed March, 2012) and Porfirio Ochochoque Mamani and others v. SCC´s Peruvian Branch (filed July, 2012). SCC s Peruvian Branch has answered the complaints and denied the validity of the claims.

SCC s Peruvian Branch asserts that the labor shares were distributed to the former employees in accordance with the profit sharing law then in effect. The Peruvian Branch has not made a provision for these lawsuits because it believes that it has meritorious defenses to the claims asserted in the complaints. Additionally, the amount of this contingency cannot be reasonably estimated by management at this time.

Exploraciones de Concesiones Metalicas S.A.C. (Excomet):

In August 2009, a lawsuit was filed against SCC s Branch by the former stockholders of Excomet. The plaintiffs allege that the acquisition of Excomet s shares by the Branch is null and void because the $2 million purchase price paid by the Branch for the shares of Excomet was not fairly negotiated by the plaintiffs and the Branch. In 2005, the Branch acquired the shares of Excomet after lengthy negotiations with the plaintiffs, and after the plaintiffs, which were all of the stockholders of Excomet, approved the transaction in a general stockholders meeting. Excomet was at the time owner of a mining concession which forms part of the Tia Maria project. In October 2011, the civil court dismissed the

case on the grounds that the claim had been barred by the statute of limitations. The plaintiff has appealed this decision before the superior court. At September 30, 2012, resolution of the appeal was pending.

Sociedad Minera de Responsabilidad Limitada Virgen Maria de Arequipa (SMRL Virgen Maria):

In August 2010, a lawsuit was filed against SCC s Branch and others by SMRL Virgen Maria, a company which until July 2003 owned the mining concession Virgen Maria, which forms part of the Tia Maria project. SMRL Virgen Maria sold this mining concession in July 2003 to Excomet (see above noted case).

The plaintiff alleges that the sale of the mining concession Virgen Maria to Excomet is null and void because the persons who attended the shareholders meeting of SMRL Virgen Maria, at which the purchase was agreed upon, were not the real owners of the shares. The plaintiff is also pursuing the nullity of all the subsequent acts regarding the mining property (acquisition of the

Table of Contents

shares of Excomet by SCC s Branch, noted above, and the sale of the concession to SCC s Branch by Excomet). On October, 2011, the civil court dismissed the case on the grounds that the claim had been barred by the statute of limitations. The plaintiff has appealed this decision before the superior court. At September 30, 2012, resolution of the appeal was pending.

Omar Nunez Melgar:

In May 2011, Mr. Omar Nunez Melgar commenced a lawsuit against the Peruvian Mining and Metallurgical Institute (INGEMMET) and the MINEM challenging the denial of Mr. Nunez s concession request that conflicted with SCC s Branch s Virgen Maria concession, which forms part of the Tia Maria concession. SCC s Branch has been made a party to the proceedings as the owner of the Virgen Maria concession. SCC s Branch has answered the complaint and denied the validity of the claim. As of September 30, 2012, this case remains open with no further developments.

The Company asserts that the lawsuits are without merit and is vigorously defending against these lawsuits.

Mexican Operations

Pasta de Conchos Accident:

On February 19, 2010, three widows of miners, who perished in the 2006 Pasta de Conchos accident, filed a complaint for damages in the United States District Court for the District of Arizona against the defendants, Grupo Mexico, AMC and SCC. The plaintiffs allege that the defendants purported failure to maintain a safe working environment at the mine amounted to a violation of several laws and treaties. The Company considers that the court does not have subject-matter jurisdiction over the plaintiffs claims and will defend itself vigorously. On April 13, 2010, the Company filed a motion to dismiss the plaintiffs complaint. On March 29, 2011, the District Court for the District of Arizona dismissed the case for lack of subject-matter jurisdiction. On April 5, 2011, the plaintiffs filed a notice of appeal in this case. At September 30, 2012, resolution of the appeal was pending.

Labor matters:

In recent years the Company has experienced a number of strikes or other labor disruptions that have had an adverse impact on its operations and operating results.

The San Martin and Taxco mines in Mexico have been on strike since July 2007. On December 10, 2009, a federal court confirmed the legality of the San Martin strike. In order to recover the control of the San Martin mine and resume operations, on January 27, 2011, the Company filed a court petition requesting that the court, among other things, define the termination payment for each unionized worker. The court denied the

petition alleging that according to federal labor law, the union was the only legitimate party to file such petition. On appeal by the Company, on May 13, 2011, the Mexican federal tribunal accepted the petition of the Company. In July 2011, the union appealed the favorable court decision before the Supreme Court. At September 30, 2012, resolution of the appeal was pending.

In July 2012, Minera Krypton, a Mexican mining company, not affiliated with Grupo Mexico or the Company, hired 130 workers for the rehabilitation of its mining unit at Chalchihuites, Zacatecas. Most of those workers are or were workers of the San Martin mine who in order to work for Minera Krypton joined a new union called, Confederación Revolucionaria de Obreros y Campesinos , which on August 31, 2012 filed a petition with the labor authorities to replace the existing union at the San Martin mine. On September 1, 2012, the workers affiliated with this new union took over the San Martin mine evicting the workers on strike. Several hearings have taken place during September 2012 with the federal labor authorities and it is expected than in October 2012 there will be a recount of workers to establish which union will hold the collective agreement through a free and legal vote of the workers. The Company expects that with the resolution of which union represents the workers, the Company will then be able to resolve the strike and to restore operations at the mine.

In the case of the Taxco mine, following the workers refusal to allow exploration of new reserves, the Company commenced litigation seeking to terminate the labor relationship with workers of the Taxco mine (including the related collective bargaining agreement). On September 1, 2010, the federal labor court issued a ruling approving the termination of the collective bargaining agreement and all the individual labor contracts of the workers affiliated with the Mexican mining union at the Taxco mine. The ruling was based upon the resistance of the mining union to allow the Company to search for reserves at the Taxco mine. If sustained, this ruling will also have the effect of terminating the protracted strike at the Taxco unit. The mining union appealed the labor court ruling before a federal court. In September 2011, the federal court accepted the union s appeal and requested that the federal labor court review the procedure and take into account all the evidence to issue a new resolution. On January 3, 2012, the federal labor court again issued a new resolution, approving the termination of the collective bargaining agreement and

Table of Contents

all the individual labor contracts of the workers affiliated with the Mexican mining union at the Taxco mine. On January 25, 2012, the mining union appealed the resolution before the federal court. On June 14, 2012, the federal court accepted the union s appeal and requested the federal labor court to issue a new resolution, taking into account all evidence submitted by the parties. On August 6, 2012, the federal labor court issued a new decision disapproving the termination of the collective bargaining agreement and the individual labor contracts of the workers affiliated with the Mexican mining union at the Taxco mine. On August 29, 2012, the Company filed a proceeding seeking relief from the decision before a federal court. At September 30, 2012, resolution of the relief proceeding was pending.

Other legal matters:

Class actions:

For the resolution of the three purported class action derivative lawsuits filed in the Delaware Court of Chancery (New Castle County) late in December 2004 and early January 2005 relating to the proposed merger transaction between the Company and Minera Mexico, S.A. de C.V., which was completed effective April 1, 2005, see Note 2- SCC Shareholder Derivative Lawsuit.

The Company is involved in various other legal proceedings incidental to its operations, but the Company does not believe that decisions adverse to it in any such proceedings, individually or in the aggregate, would have a material effect on its financial position or results of operations.

Other Contingencies:

Tia Maria:

Tia Maria, an over $1.0 billion Peruvian investment project, was suspended by governmental action in April 2011 in light of protests and disruptions carried out by a small group of activists who alleged, among other things, that the project would result in severe environmental contamination and the diversion of agricultural water resources.

The Company has decided to prepare a new environmental impact assessment (EIA) study that we believe will take into account local community concerns, new government guidance and observations from the United Nations agency hired by MINEM for this purpose. The Company considers that this new EIA process will alleviate all the concerns previously raised by the Tia Maria project s neighboring communities, provide them with an independent source of information and reaffirm the validity of the Company s assessment of the project. The Company is confident that this initiative will have a positive effect on its stakeholders and will allow the Company to obtain the approval for the development of the 120,000 ton annual production copper project. As a consequence, and contingent upon receiving all required governmental approvals in the time frame provided for in the law, the mining operations for the project have been rescheduled to start-up in 2015. No assurances can be given as to the specific timing of each such approval.

The Company has legal and valid title to the Tia Maria mining concessions and the over-lapping surface land in the area. None of above noted activities have in any way challenged, revoked, impaired or annulled the Company´s legal rights to the Tia Maria mining concessions and/or the over-lapping surface land titles acquired in the past. All the Company s property rights on these areas are in full force.

In view of the suspension of this project, the Company has reviewed the carrying value of this asset to ascertain whether impairment exists. Total spending on the project, through September 30, 2012, is $487.6 million. As the project is currently on hold, some of the equipment has been transferred to other Company operations in Mexico and Peru. Should the Tia Maria project not be restarted, the Company is confident that most of the project equipment will continue to be used productively, through reassignment to other mine locations operated by the Company. At September 30, 2012, equipment transferred to other Company operations totaled $175.8 million. The Company believes that an impairment loss, if any, will not be material.

Other commitments:

Power purchase agreement

In 1997, SCC sold its Ilo power plant to an independent power company, Enersur S.A. (Enersur). In connection with the sale, a power purchase agreement (PPA) was also completed under which SCC agreed to purchase all of its power needs for its current Peruvian operations from Enersur for twenty years, commencing in 1997.

Table of Contents

The Company signed in 2009 a Memorandum of Understanding (MOU) with Enersur regarding its PPA. The MOU contains new economic terms that the Company believes better reflects current economic conditions of the power industry in Peru. The new economic conditions agreed to in the MOU have been applied by Enersur to its invoices to the Company since May 2009. Additionally, the MOU includes an option for providing power for the Tia Maria project. However, due to the delay at the Tia Maria project the final agreement was put on hold, see caption Tia Maria above.

Tax contingency matters:

Tax contingencies are provided for under ASC 740-10-50-15 Uncertain tax position (see Note 4, Income taxes).

NOTE 12 SEGMENT AND RELATED INFORMATION:

Company management views Southern Copper as having three reportable segments and manages on the basis of these segments. The reportable segments identified by the Company are: the Peruvian operations, the Mexican open-pit operations and the Mexican underground mining operations segment identified as the IMMSA unit.

The three reportable segments identified are groups of mines, each of which constitute an operating segment, with similar economic characteristics, type of products, processes and support facilities, similar regulatory environments, similar employee bargaining contracts and similar currency risks. In addition, each mine within the individual group earns revenues from similar type of customers for their products and services and each group incurs expenses independently, including commercial transactions between groups.

Financial information is regularly prepared for each of the three segments and the results of the Company s operations are regularly reported to the Chief Operating Officer on the segment basis. The Chief Operating Officer of the Company focuses on operating income and on total assets as measures of performance to evaluate different segments and to make decisions to allocate resources to the reported segments. These are common measures in the mining industry.

Financial information relating to Southern Copper s segments is as follows:

	Three Months Ended September 30, 2012 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 784.7	$ 86.6	$ 681.1		$ 1,552.4
Intersegment sales		22.4		$ (22.4)	
	294.5	60.7	341.4	(25.7)	670.9

Cost of sales (exclusive of depreciation, amortization and depletion)										
Selling, general and administrative		8.4		3.6		11.0		0.7		23.7
Legal fees related to damage award								316.2		316.2
Depreciation, amortization and depletion		36.9		6.3		40.1		(2.0)		81.3
Exploration		1.0		8.3		3.2				12.5
Operating income	$	443.9	$	30.1	$	285.4	$	(311.6)		447.8
Less:										
Interest, net										(25.8)
Gain (loss) on short term investment										4.4
Gain on sale of investment										
Other income (expense)										(0.9)
Income taxes										(219.8)
Equity earnings of affiliate										13.6
Non-controlling interest										(1.4)
Net income attributable to SCC									$	217.9
Capital expenditure	$	133.7	$	12.4	$	70.1	$	42.0	$	258.2
Property, net	$	2,244.6	$	341.2	$	2,146.8	$	123.6	$	4,856.2
Total assets	$	4,082.3	$	807.5	$	3,184.3	$	2,767.7	$	10,841.8

Table of Contents

	Three Months Ended September 30, 2011 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 858.5	$ 107.9	$ 779.5		$ 1,745.9
Intersegment sales		31.9		$ (31.9)	
Cost of sales (exclusive of depreciation, amortization and depletion)	307.5	87.3	334.4	(52.0)	677.2
Selling, general and administrative	8.3	3.6	11.6	0.9	24.4
Depreciation, amortization and depletion	37.7	6.3	35.0	(6.5)	72.5
Exploration	0.9	5.5	3.3		9.7
Operating income	$ 504.1	$ 37.1	$ 395.2	$ 25.7	962.1
Less:					
Interest, net					(43.2)
Other income (expense)					(1.4)
Income taxes					(252.5)
Non-controlling interest					(2.0)
Net income attributable to SCC					$ 663.0
Capital expenditure	$ 112.0	$ 10.0	$ 31.4	$	$ 153.4
Property, net	$ 1,711.7	$ 309.9	$ 2,145.9	$ 52.3	$ 4,219.8
Total assets	$ 3,125.5	$ 746.9	$ 2,970.2	$ 1,157.0	$ 7,999.6

	Nine Months Ended September 30, 2012 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 2,483.3	$ 281.3	$ 2,253.6		$ 5,018.2
Intersegment sales		97.8		$ (97.8)	
Cost of sales (exclusive of depreciation, amortization and depletion)	926.2	206.1	1,033.3	(104.9)	2,060.7
Selling, general and administrative	25.5	10.8	35.6	2.6	74.5
Legal fees related to damage award				316.2	316.2
Depreciation, amortization and depletion	106.2	18.9	118.1	(6.5)	236.7
Exploration	4.2	21.2	8.4		33.8
Operating income	$ 1,421.2	$ 122.1	$ 1,058.2	$ (305.2)	2,296.3
Less:					
Interest, net					(106.9)
Gain on short term investment					9.9
Gain on sale of investment					18.2
Other income (expense)					0.9
Income taxes					(848.5)
Equity earnings of affiliate					38.2
Non-controlling interest					(5.3)
Net income attributable to SCC					$ 1,402.8

Capital expenditure	$ 537.0	$ 40.5	$ 158.3	$ (69.8)	$ 666.0
Property, net	$ 2,244.6	$ 341.2	$ 2,146.8	$ 123.6	$ 4,856.2
Total assets	$ 4,082.3	$ 807.5	$ 3,184.3	$ 2,767.7	$ 10,841.8

Table of Contents

	Nine Months Ended September 30, 2011 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 2,429.1	$ 327.0	$ 2,393.3		$ 5,149.4
Intersegment sales		98.8		$ (98.8)	
Cost of sales (exclusive of depreciation, amortization and depletion)	835.1	230.9	1,134.7	(90.6)	2,110.1
Selling, general and administrative	25.1	10.8	35.7	3.1	74.7
Depreciation, amortization and depletion	101.2	18.5	104.0	(7.7)	216.0
Exploration	2.3	14.1	8.6		25.0
Operating income	$ 1,465.4	$ 151.5	$ 1,110.3	$ (3.6)	2,723.6
Less:					
Interest, net					(130.5)
Other income (expense)					4.8
Income taxes					(792.5)
Non-controlling interest					(5.9)
Net income attributable to SCC					$ 1,799.5
Capital expenditure	$ 217.5	$ 26.3	$ 92.1	$ 1.1	$ 337.0
Property, net	$ 1,711.7	$ 309.9	$ 2,145.9	$ 52.3	$ 4,219.8
Total assets	$ 3,125.5	$ 746.9	$ 2,970.2	$ 1,157.0	$ 7,999.6

NOTE 13 STOCKHOLDERS´EQUITY:

Treasury Stock:

Activity in treasury stock in the nine-month period ended September 30, 2012 and 2011 is as follows (in millions):

	2012	2011
Southern Copper common shares		
Balance as of January 1,	$ 734.1	$ 461.0
Purchase of shares	132.4	258.3
Stock dividend	(151.4)	
Used for corporate purposes	(0.3)	(0.5)
Balance as of September 30,	714.8	718.8
Parent Company (Grupo Mexico) common shares		
Balance as of January 1,	163.7	161.7
Other activity, including dividend, interest and currency translation effect	24.1	3.2
Balance as of September 30,	187.8	164.9
Treasury stock balance as of September 30,	$ 902.6	$ 883.7

The following table summarizes share distributions in the nine months of 2012 and 2011:

	2012	2011
Southern Copper common shares		
Directors Stock Award Plan	14,400	14,400
Parent Company (Grupo Mexico) common shares		
Employee stock purchase plan (shares in millions)	7.0	7.5

Additional paid-in capital:

Activity in additional paid-in capital in the 2012 third quarter and nine-month period includes $2,108.2 million received from AMC on October 9, 2012, in complete satisfaction of the judgment issued pursuant to the decisions of the Court of Chancery of Delaware which found that the Company paid AMC too much stock consideration in the 2005 merger between the Company and Minera Mexico, S.A. de C.V. see Note 2.

Southern Copper Common Shares:

At September 30, 2012 and 2011, there were in treasury 38,615,536 and 42,996,086 SCC s common shares, respectively.

Table of Contents

SCC share repurchase program:

In 2008, the Company´s Board of Directors authorized a $500 million share repurchase program. On July 28, 2011, the Company´s Board of Directors approved an increase of the SCC share repurchase program from $500 million to $1.0 billion. Pursuant to this program, the Company purchased common stock as shown in the table below. These shares are available for general corporate purposes. The Company may purchase additional shares of its common stock from time to time, based on market conditions and other factors. This repurchase program has no expiration date and may be modified or discontinued at any time.

Period		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan @ $34.36	Total Cost ($ in millions)
From	**To**					
2008:						
08/11/08	12/31/08	28,510,150	$ 13.49	28,510,150		$ 384.7
2009:						
01/12/09	09/30/09	4,912,000	14.64	33,422,150		71.9
2010:						
05/05/10	10/14/10	15,600	29.69	33,437,750		0.5
2011:						
05/02/11	12/31/11	9,034,400	30.29	42,472,150		273.7
2012:						
04/10/12	04/23/12	278,486	30.23	42,750,636		8.4
05/30/12	05/31/12	500,000	28.57	43,250,636		14.3
06/01/12	06/30/12	370,000	28.33	43,620,636		10.5
Total second quarter		1,148,486	28.89			33.2
08/01/12	08/31/12	100,000	32.47	43,720,636		3.2
09/01/12	09/30/12	2,763,850	34.71	46,484,486		95.9
Total third quarter		2,863,850	34.63			99.1
Total purchased		46,484,486	$ 18.57		3,984,848	$ 863.1

As a result of this repurchase of shares of SCC s common stock, Grupo Mexico s direct and indirect ownership is 81.2% as of September 30, 2012.

Directors Stock Award Plan:

The Company established a stock award compensation plan for certain directors who are not compensated as employees of the Company. Under this plan, participants will receive 1,200 shares of common stock upon election and 1,200 additional shares following each annual meeting of stockholders thereafter. 600,000 shares of Southern Copper common stock have been reserved for this plan. The fair value of the award is measured each year at the date of the grant.

The activity of the plan in the nine-month period ended September 30, 2012 and 2011 is as follows:

	2012	2011
Total SCC shares reserved for the plan	600,000	600,000
Total shares granted at January 1,	(271,200)	(256,800)
Granted in the period	(14,400)	(14,400)
Total shares granted at September 30,	(285,600)	(271,200)
Remaining shares reserved	314,400	328,800

Parent Company common shares:

At September 30, 2012 and 2011 there were in treasury 81,377,369 and 84,806,533 of Grupo Mexico s common shares, respectively.

Employee Stock Purchase Plan:

In January 2007, the Company offered to eligible employees a stock purchase plan (the Employee Stock Purchase Plan) through a trust that acquires shares of Grupo Mexico stock for sale to its employees, employees of subsidiaries, and certain

Table of Contents

affiliated companies. The purchase price is established at the approximate fair market value on the grant date. Every two years employees will be able to acquire title to 50% of the shares paid for the previous two years. The employees will pay for shares purchased through monthly payroll deductions over the eight year period of the plan. At the end of the eight year period, the Company will grant the participant a bonus of 1 share for every 10 shares purchased by the employee.

If Grupo Mexico pays dividends on shares during the eight year period, the participants will be entitled to receive the dividend in cash for all shares that have been fully purchased and paid as of the date that the dividend is paid. If the participant has only partially paid for shares, the entitled dividends will be used to reduce the remaining liability owed for purchased shares.

In the case of voluntary resignation of the employee, the Company will pay to the employee the fair market sales price at the date of resignation of the fully paid shares, net of costs and taxes. When the fair market sales value of the shares is higher than the purchase price, the Company will apply a deduction over the amount to be paid to the employee based on the following schedule:

If the resignation occurs during:	**% Deducted**
1st year after the grant date	90%
2nd year after the grant date	80%
3rd year after the grant date	70%
4th year after the grant date	60%
5th year after the grant date	50%
6th year after the grant date	40%
7th year after the grant date	20%

In the case of involuntary termination of the employee, the Company will pay to the employee the fair market sales price at the date of termination of employment of the fully paid shares, net of costs and taxes. When the fair market value of the shares is higher than the purchase price, the Company will apply a deduction over the amount to be paid to the employee based on the following schedule:

If the termination occurs during:	**% Deducted**
1st year after the grant date	100%
2nd year after the grant date	95%
3rd year after the grant date	90%
4th year after the grant date	80%
5th year after the grant date	70%
6th year after the grant date	60%
7th year after the grant date	50%

In case of retirement or death of the employee, the Company will render the buyer or his legal beneficiary, the fair market sales value as of the date of retirement or death of the shares effectively paid, net of costs and taxes.

The stock based compensation expense for the nine months ended September 30, 2012 and 2011 and the unrecognized compensation expense as of September 30, 2012 and 2011 under this plan were as follows (in millions):

	2012	2011
Stock based compensation expense	$ 1.6	$ 1.6
Unrecognized compensation expense	$ 4.8	$ 6.9

The unrecognized compensation expense under this plan is expected to be recognized over the remaining two year and three months period. The following table presents the stock award activity of the Employee Stock Purchase Plan for the nine months ended September 30, 2012 and 2011:

	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2012	7,270,341	$ 1.16
Granted		
Exercised	(208,199)	1.16
Forfeited	(94,339)	1.16
Outstanding shares at September 30, 2012	6,967,803	$ 1.16
Outstanding shares at January 1, 2011	10,920,693	$ 1.16
Granted		
Exercised	(3,338,992)	1.16
Forfeited	(128,986)	1.16
Outstanding shares at September 30, 2011	7,452,715	$ 1.16

Table of Contents

During 2010, the Company offered to eligible employees a new stock purchase plan (the New Employee Stock Purchase Plan) through a trust that acquires series B shares of Grupo Mexico stock for sale to its employees, employees of subsidiaries, and certain affiliated companies. The purchase price was established at 26.51 Mexican pesos (approximately $2.05) for the initial subscription. The terms of the New Employee Stock Purchase Plan are similar to the terms of the Employee Stock Purchase Plan.

The stock based compensation expense for the nine months ended September 30, 2012 and 2011 and the unrecognized compensation expense as of September 30, 2012 and 2011 under this plan were as follows (in millions):

	2012	2011
Stock based compensation expense	$ 0.4	$ 0.4
Unrecognized compensation expense	$ 3.4	$ 3.9

The unrecognized compensation expense under this plan is expected to be recognized over the remaining six year and three months period.

The following table presents the stock award activity of the New Employee Stock Purchase Plan for the nine months ended September 30, 2012:

	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2012	3,807,146	$ 2.05
Granted		
Exercised	(727,134)	2.05
Forfeited	(89,554)	2.05
Outstanding shares at September 30, 2012	2,990,458	$ 2.05
Outstanding shares at January 1, 2011	3,901,901	$ 2.05
Granted		
Exercised		
Forfeited		
Outstanding shares at September 30, 2011	3,901,901	$ 2.05

NOTE 14 NON-CONTROLLING INTEREST:

The following table presents the non-controlling interest activity for the nine months ended September 30, 2012 and 2011 (in millions):

	2012	2011
Balance as of January 1,	$ 21.0	$ 20.0

Net earnings		5.3		6.4
Dividend paid		(2.3)		(5.0)
Other		(0.1)		(0.7)
Balance as of September 30,	$	23.9	$	20.7

NOTE 15 FINANCIAL INSTRUMENTS:

Subtopic 810-10 of ASC Fair value measurement and disclosures Overall establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in

Table of Contents

active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Subtopic 810-10 are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable (other than accounts receivable associated with provisionally priced sales) and accounts payable approximate fair value due to their short maturities. Consequently, such financial instruments are not included in the following table that provides information about the carrying amounts and estimated fair values of other financial instruments that are not measured at fair value in the condensed consolidated balance sheet as of September 30, 2012 and December 31, 2011 (in millions):

	As of September 30, 2012		As of December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Long-term debt	$ 2,741.2	$ 3,283.9	$ 2,745.7	$ 2,974.9

Long-term debt is carried at amortized cost and its estimated fair value is based on quoted market prices classified as Level 1 in the fair value hierarchy. The Mitsui loan is based on the present value of the cash flow discounted at 10%, which is the Company s weighted average cost of capital.

Fair values of assets and liabilities measured at fair value on a recurring basis were calculated as follows as of September 30, 2012 and December 31, 2011:

	Fair Value at September 30, 2012 Using:				Fair Value at December 31, 2011 Using:			
Description	Fair Value as of September 30, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair Value as of December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:								

Short term investment:												
- Trading securities	$	373.0	$	373.0			$	514.6	$	514.6		
- Available for sale debt securities:												
Corporate bonds		0.5			$	0.5		0.5			$	0.5
Asset backed obligations		0.1				0.1						
Mortgage backed securities		6.1				6.1		6.8				6.8
Accounts receivable:												
-Derivatives Classified as cash flow hedges:												
Zero cost collar								8.9				8.9
- Derivatives Not classified as hedges:												
Provisionally priced sales:												
Copper		54.3		54.3				221.5		221.5		
Molybdenum		101.0		101.0				138.1		138.1		
Total	$	535.0	$	528.3	$	6.7	$	$ 890.4	$	874.2	$	16.2 $

Table of Contents

The Company s short-term trading securities investments are classified as Level 1 because they are valued using quoted prices of the same securities. The Company s short-term available-for-sale investments are classified as Level 2 because they are valued using quoted prices for similar investments.

Derivatives are valued using financial models that use as their basis readily observable market inputs, such as time value, forward interest rates, volatility factors, and current and forward market prices for foreign exchange rates and a set of probabilities. The Company generally classifies these instruments within Level 2 of the valuation hierarchy. Such derivatives at December 31, 2011, include zero cost collars.

The Company s accounts receivables associated with provisionally priced copper sales are valued using quoted market prices based on the forward price on the LME or on the COMEX. Such value is classified within Level 1 of the fair value hierarchy. Molybdenum prices are established by reference to the publication Platt s Metals Week and are considered Level 1 in the fair value hierarchy.

The table below sets forth a summary of changes in the fair value of the Company s Level 3 short-term investments (corporate bond, asset backed obligations, and mortgage backed securities) for the nine months of 2011.

	Nine months ended September 30, 2011 Available for sale debt securities:		
	Corporate bonds	**Mortgage backed securities**	**Total**
Balance as of January 1,	$	$ 1.2	$ 1.2
Unrealized gain (loss)			
Purchases			
Sales			
Issuance			
Settlements			
Transfers in/out of Level 3		(1.2)	(1.2)
Balance as of September 30,	$	$	$

NOTE 16 SUBSEQUENT EVENTS:

Dividends:

On October 18, 2012 the Board of Directors authorized a quarterly dividend of $2.75 per share payable on November 21, 2012 to SCC shareholders of record at the close of business on November 8, 2012.

Table of Contents

Part I

Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Southern Copper Corporation and its subsidiaries (collectively, SCC the Company our and we). This item should be read in conjunction with our interim unaudited Condensed Consolidated Financial Statements and the notes thereto included in this quarterly report. Additionally, the following discussion and analysis should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included in Part II of our annual report on Form 10-K for the year ended December 31, 2011.

EXECUTIVE OVERVIEW

Business: Our business is primarily the production and sale of copper. In the process of producing copper, a number of valuable metallurgical by-products are recovered, which we also produce and sell. Market forces outside of our control largely determine the sale prices for our products. Our management, therefore, focuses on value creation through copper production, cost control, production enhancement and maintaining a prudent capital structure to remain profitable. We endeavor to achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our aim is to remain profitable during periods of low copper prices and to maximize financial performance in periods of high copper prices.

We are one of the world s largest copper mining companies in terms of production and sales with our principal operations in Peru and Mexico. We also have an active ongoing exploration program in Chile and in 2011 we have started exploration activities in Argentina and Ecuador. In addition to copper we produce significant amounts of other metals, either as a by-product of the copper process or in a number of dedicated mining facilities in Mexico.

Outlook: Various key factors will affect our outcome. These include, but are not limited to, some of the following:

- Changes in copper and molybdenum prices. The average LME copper price was $3.61 per pound in the nine months of 2012, 14% lower than in the nine months of 2011. Average molybdenum, silver and zinc prices in the nine months of 2012 also decreased 18.1%, 15.3% and 15.4%, respectively, over average prices in the nine months of 2011.

- Sales structure. In the nine months of 2012 approximately 77% of our revenue came from the sale of copper, 7% from molybdenum, 7% from silver and 9% from various other products, including zinc, gold and other materials.

- Metals market. During the third quarter of 2012 metal markets continued to be driven by negative macroeconomic events that disturbed consumer expectations, the most important ones being Europe s debt crisis and the possibility of a slowdown of the Chinese economy. 2012 is also a transition year, with changes in administration or elections in several key economies, as in the case of China and the United States. Even though we believe copper fundamentals are sound, demand has been repeatedly affected by the macro outlook for Europe and China and the economic slowdown that characterize elections and administration changes.

At present, we perceive a different situation between the Asian and the developed markets. In China, several sources point to a growth in copper demand of approximately 6% for this year that should give support to the copper market in the next few months, particularly if a stimulus program is set for the Chinese economy. In the Western world, the United States end demand is stronger as its economy is recuperating. However, European demand is decreasing and with no signs of recovery in the short-term.

It is estimated that there will be a total refined copper demand growth of 2.5% for 2012. On the supply side, a production increase of 2.4% is estimated for the year due to lower than expected labor unrest and ore grade declines. Even though this combination of weak demand with better than expected supply is easing the copper market tightness, we believe copper fundamentals are strong as is shown by copper inventory reductions. Over the past twelve months, copper inventories in public warehouses (the sum of the LME, Shanghai and Comex) have decreased 34.4%, which we believe demonstrates solid market fundamentals. We think that several structural factors are still affecting copper supply, making it

Table of Contents

very likely to have weak growth in the coming years. We believe we are positioned to take advantage of this situation, through our aggressive investment program of organic growth.

Regarding molybdenum, our main by-product, even though we saw a 4% molybdenum demand growth in 2011, analysts estimate that the market still shows a 12% supply surplus, mainly related to the slowdown of the steel industry. We expect that in 2013 the balance between supply and demand will decrease the current market surplus, thereby improving market prices in the near future. Molybdenum is mainly used for the production of special alloys of stainless steel that require significant hardness, corrosion and heat resistance. Another relatively new usage of this metal is in lubricants and sulfur filtering of heavy oils.

Regarding silver and zinc, we believe that silver prices have strong support, due to its industrial uses as well as being perceived as a value shelter in times of economic uncertainty. Also, we think that zinc has very good long term fundamentals due to its significant industrial consumption. However, zinc inventories are currently at a relatively high level which tends to maintain a weak zinc market.

- Production. We maintain our 2012 production guidance of 640,000 tons of copper, which includes 2.5% of copper purchased from third parties. We expect molybdenum production in 2012 to be about 17,200 tons, while zinc and silver production should be around the same level as 2011.

- Capital Expenditures. In the nine months of 2012, we spent $665.9 million on capital expenditures and we will continue with our capital investment projects at the Buenavista mine, as well as at the Toquepala and Cuajone expansions. In addition, in the nine months of 2012 we spent $33.8 million on our exploration programs. Currently, we expect to spend $1.0 billion in capital expenditures for 2012.

AMC Damage Award. On October 9, 2012, we received from AMC, our majority shareholder, $2.1 billion in complete satisfaction of the judgment issued pursuant to the decisions of October 14, 2011 and December 29, 2011 of the Court of Chancery of Delaware which found that we paid an excessive price to AMC in the 2005 merger between the Company and Minera Mexico, S.A. de C.V. From the aforementioned sum received from AMC, we paid $316.2 million to the plaintiff s attorneys to satisfy the award of attorneys fees and expenses. The effect of these transactions was recorded in our third quarter results.

Tantahuatay mine: This mine, in which we hold a 44.2% interest, is located in Cajamarca, in northern Peru. In the nine months of 2012, we have recognized $38.2 million in earnings (see Equity earnings of affiliate , in our Statement of Earnings) for our share of the net income of the mine.

Peruvian Labor matters: Approximately 60% of the 4,519 Company s Peruvian workers were unionized at September 30, 2012, represented by eight separate unions. Three of these unions, one at each major production area, represent the majority of the Company s workers. Collective bargaining agreements with these unions expired during 2012. During the third quarter 2012 the Company continued negotiations with these unions and expects that they will likely continue throughout the first quarter of 2013.

KEY MATTERS:

We discuss below several matters that we believe are important to understand our results of operations and financial condition. These matters include (i) our earnings, (ii) our production, (iii) our operating cash costs as a measure of our performance, (iv) metal prices, (v) business segments, (vi) the effect of inflation and other local currency issues, and (vii) our capital investment and exploration program.

Net Income: Net income attributable to SCC in the nine months of 2012 was $1,402.8 million a decrease of 396.7 million from earning in the first nine months of 2011. This decrease includes the deduction of the $316.2 million of legal fees we paid related to the AMC damage award, see above, and was also attributable to lower metal prices in the 2012 period. The lower metal prices were partially offset by higher production and sales volumes.

We continued showing our strong operating and financial position, which is reflected in an increase of 11% in copper production in the nine months of 2012, as well as increases in our main by-product production, molybdenum (+2%), silver (+10%) and zinc (+6%).

Additionally, we continue our focus on value creation and investing in our organic growth through expansion projects in Mexico and Peru, especially at the Buenavista mine in Mexico. We have spent $665.9 million in the nine months of 2012 on our capital projects which includes $410.4 million invested on our Buenavista projects.

Table of Contents

The table below highlights key financial and operational data for our Company for the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,			Nine months ended September 30,		
	2012	2011	Variance	2012	2011	Variance
Net sales (in millions)	$ 1,552	$ 1,746	$ (194)	$ 5,018	$ 5,149	$ (131)
Net income attributable to SCC (in millions)	$ 218	$ 663	$ (445)	$ 1,403	$ 1,799	$ (396)
Earnings per share	$ 0.26	$ 0.78	$ (0.52)	$ 1.65	$ 2.10	$ (0.45)
Dividends per share	$ 0.24	$ 0.61	$ (0.37)	$ 1.31	$ 1.74	$ (0.43)
Average LME copper price	$ 3.50	$ 4.08	$ (0.58)	$ 3.61	$ 4.20	$ (0.59)
Pounds of copper sold (in millions)	343	343		1,059	963	96

Production: The table below highlights key mine production data for our Company for the three and nine months ended September 30, 2012 and 2011:

	Three months ended September 30,				Nine months ended September 30,			
	2012	2011	Variance Volume	%	2012	2011	Variance Volume	%
Copper (in million pounds)	353.6	343.2	10.4	3.0%	1,044.7	939.4	105.3	11.2%
Molybdenum (in million pounds)	9.8	10.5	(0.7)	(6.8)%	30.4	29.9	0.5	1.5%
Zinc (in million pounds)	48.0	47.5	0.5	1.1%	146.8	138.7	8.1	5.9%
Silver (in million ounces)	3.3	3.2	0.1	2.3%	10.3	9.4	0.9	9.6%

The table below highlights mined copper production data for our mines for the three and nine months ended September 30, 2012 and 2011:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012	2011	Variance Volume	%	2012	2011	Variance Volume	%
Copper (in million pounds)								
Toquepala	64.7	68.7	(4.0)	(5.8)%	200.5	196.4	4.1	2.1%
Cuajone	90.3	79.0	11.3	14.3%	259.6	215.3	44.3	20.6%
La Caridad	52.6	50.0	2.6	5.2%	161.4	147.8	13.6	9.2%
Buenavista	74.6	74.3	0.3	0.4%	215.1	169.2	45.9	27.1%
IMMSA	3.2	3.0	0.2	5.1%	9.5	9.4	0.1	0.8%
	285.4	275.0	10.4	3.8%	846.1	738.1	108.0	14.6%
SX-EW Toquepala	18.2	19.2	(1.0)	(5.2)%	53.9	59.6	(5.7)	(9.5)%
SX-EW La Caridad	11.8	13.4	(1.6)	(11.8)%	37.5	39.7	(2.2)	(5.4)%
SX-EW Buenavista	38.2	35.6	2.6	7.2%	107.2	102.0	5.2	5.1%
	68.2	68.2		(0.1)%	198.6	201.3	(2.7)	(1.3)%

Total mined copper	353.6	343.2	10.4	3.0%	1,044.7	939.4	105.3	11.2%

Third quarter:

Copper mined production in the third quarter of 2012 increased 3% compared with the same period of 2011 as a result of higher production at our Cuajone, La Caridad and Buenavista mines, which increased their production by 14.3%, 1.6% and 2.6%, respectively, due to higher ore grades and recoveries. These increases were partially offset by 5.7% of lower production at our Toquepala mine.

Molybdenum production in the third quarter of 2012 decreased 6.8% compared with the same period of 2011 due to lower production at the Toquepala mine as a result of lower grade and recovery.

Silver mine production increased 2.3% in the third quarter of 2012, compared with the same period of 2011, principally as a result of higher production at our Cuajone, Buenavista and La Caridad mines which increased production by 23.7%, 14.6% and 9.1%, respectively, partially offset by a 15.3% decrease in production at our Toquepala mine.

Zinc production increased 1.1% in the third quarter of 2012, compared with the same period of 2011, mainly as a result of production recovery at the Santa Eulalia mine as the flooding problems of prior years were being resolved.

Table of Contents

Nine months:

Copper mined production in the nine months of 2012 increased 11.2%, compared with the same period of 2011, as a result of higher production at our Cuajone, La Caridad and Buenavista mines, which increased their production by 20.6%, 6.1% and 18.8%, respectively, due to higher ore grades and recoveries.

Molybdenum production increased 1.5% in the nine months of 2012, compared with the same period of 2011, due to higher production at our Cuajone and La Caridad mines as a result of higher grades and recoveries. This increase was partially offset by a lower production at our Toquepala mine due to lower recovery.

Silver mine production increased 9.6% in the nine months of 2012, compared with the same period of 2011, principally as a result of higher production at our Cuajone and Buenavista mines which increased production by 18.5% and 45.5%, respectively.

Zinc production increased 5.9% in the nine months of 2012, compared with the same period of 2011, mainly as a result of production recovery at the Santa Eulalia mine as the flooding problems of prior years were being resolved.

Operating Cash Costs: An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our operating cash cost per pound to the cost of sales (exclusive of depreciation, amortization and depletion) as presented in the condensed consolidated statement of earnings is presented under the subheading Non-GAAP Information Reconciliation on page 41.

We have defined operating cash cost per pound as cost of sales (exclusive of depreciation, amortization and depletion), less the cost of purchased concentrates, plus selling, general and administrative charges, treatment and refining charges, net revenue (loss) on sale of metal purchased from third parties and by-product revenues, and sales premiums; less workers participation and other miscellaneous charges, including the Peruvian royalty charge, the special mining tax and the change in inventory levels; divided by total pounds of copper produced by our own mines. In our calculation of operating cash cost per pound of copper produced, we credit against our costs the revenues from the sale of by-products: molybdenum, zinc, silver, gold and other minor by-products and the premium over market price that we receive on copper sales. We account for the by-product revenues in this way because we consider our principal business to be the production and sale of copper. We believe that our Company is viewed by the investment community as a copper company, and is valued, in large part, by the investment community s view of the copper market and our ability to produce copper at a reasonable cost. The variation in recent years in the price of molybdenum, as well as variations in the prices of silver and zinc, have had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs with and without crediting the by-product revenues against our costs.

In conjunction with the review of our operating cash costs, please also see our annual report on Form 10-K for the year ended December 31, 2011, where in Part II (Item 7, Key matters), we discuss our rationale for calculating operating cash costs.

Our operating cash costs per pound, as defined, are presented in the table below, for the three and nine months ended September 30, 2012 and 2011.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(dollars per pound)	**2012**	**2011**	**Variance**	**2012**	**2011**	**Variance**
Operating cash cost per pound of copper produced without by product revenues	$ 1.78	$ 1.72	0.06	$ 1.77	$ 1.74	0.03
Add: by-product revenues	(0.96)	(1.17)	0.21	(1.12)	(1.29)	0.17
Operating cash cost per pound of copper produced	$ 0.82	$ 0.55	0.27	$ 0.65	$ 0.45	0.20

Our per pound operating cash cost without by-product revenues for the third quarter and nine months of 2012 was 6 cents and 3 cents higher than in the same periods of 2011. These increases were mainly due to higher production cost in those periods which were partially offset by higher production. In the third quarter of 2012 production cost increased 8.1% while production only increased 4.3%. In the nine month period production cost increased 13.6% while production increased 11.9%.

Our per pound cash cost for the third quarter and nine months of 2012 when calculated with by-product revenues was 27 cents and 20 cents, respectively, higher than in the comparable periods of 2011. These increases were primarily due to lower by-product credits as a result of lower market prices of all our main by-products and also the dilutive effect resulting from dividing it

Table of Contents

by higher copper production volume, both partially offset by a proportionately smaller increase in the production of our three main by-products.

Metal Prices: The profitability of our operations is dependent on, and our financial performance is significantly affected by, the international market prices for the products we produce, especially for copper, molybdenum, zinc and silver. Metal prices historically have been subject to wide fluctuations and are affected by numerous factors beyond our control. These factors, which affect each commodity to varying degrees, include international economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and others and, to a lesser degree, inventory carrying costs and currency exchange rates. In addition, the market prices of certain metals have on occasion been subject to rapid short-term changes due to economic concerns and financial investments.

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, giving no effect to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated 2012 net income attributable to SCC resulting from metal price changes:

	Copper	Molybdenum	Zinc	Silver
Change in metal prices (per pound, except silver per ounce)	$ 0.01	$ 1.00	$ 0.01	$ 1.00
Annual change in net income attributable to SCC (in millions)	$ 8.0	$ 23.6	$ 1.2	$ 9.3

Business Segments: We view our Company as having three operating segments and manage on the basis of these segments. These segments are our (1) Peruvian operations, (2) our Mexican open-pit operations and (3) our Mexican underground operations, known as our IMMSA unit. Our Peruvian operations include the Toquepala and Cuajone mine complexes and the smelting and refining plants, industrial railroad and port facilities which service both mines. The Peruvian operations produce copper, with significant by-product production of molybdenum, silver and other material. Our Mexican open-pit operations include La Caridad and Buenavista mine complexes, the smelting and refining plants and support facilities which service both mines. The Mexican open-pit operations produce copper, with significant by-product production of molybdenum, silver and other material. Our IMMSA unit includes five underground mines that produce zinc, lead, copper, silver and gold, a coal mine which produces coal and coke, and several industrial processing facilities for zinc, copper and silver.

Segment information is included in our review of Results of Operations and also in Note 12 - Segment and Related Information of our condensed consolidated financial statements.

Inflation and Exchange Rate Effect of the Peruvian Nuevo Sol and the Mexican Peso: Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the nuevo sol or the peso to the dollar, our financial position, results of operations and cash flows could be adversely affected to the extent that the inflation/devaluation effects are passed onto us by our suppliers or reflected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the nuevo sol or the peso, resulting in a remeasurement loss in our financial statements. Recent inflation and devaluation rates are provided in the table below for the three and nine month periods ended September 30, 2012 and 2011:

	Three Months Ended September 30,	Nine Months Ended September 30,

	2012	2011	2012	2011
Peru:				
Peruvian inflation rate	1.2%	1.4%	2.7%	3.7%
Nuevo sol/dollar devaluation / (appreciation) rate	(2.7)%	0.8%	(3.7)%	(1.3)%
Mexico:				
Mexican inflation rate	1.3%	0.9%	2.1%	1.2%
Peso/dollar devaluation / (appreciation) rate	(5.9)%	13.4%	(8.1)%	8.6%

Capital Investment and Exploration Programs: We made capital expenditures of $258.2 million and $665.9 million for the three and nine months ended September 30, 2012, compared with $153.4 million and $337.0 million in the comparable periods of 2011, respectively. In general, the capital expenditures and projects described below are intended to increase production and/or decrease costs.

Table of Contents

Set forth below are descriptions of some of our current expected capital expenditure programs. We expect to meet the cash requirements for these projects from cash on hand, internally generated funds and from additional external financing, if required. All capital spending plans will continue to be reviewed and adjusted to respond to changes in the economy or market conditions.

Peruvian Operations:

Toquepala projects: Through September 30, 2012, we have spent $220.0 million. These expenditures include a new crusher and a conveyor belt system to replace rail hauling and other costs, which will allow for future savings. This project will increase annual production by 100,000 tons of copper and 3,100 tons of molybdenum.

Cuajone expansion: As of September 30, 2012, the Company has spent $122.2 million on two projects related to this unit s expansion: the Variable Cut Ore Grade project and the High Pressure Grinding Rolls (HPGR) project. Current production is showing the initial benefits of the variable cut project, which we anticipate will be at full capacity by the third quarter of 2013, adding 22,000 tons of copper and 700 tons of molybdenum to Cuajone s annual production.

Tailings disposal at Quebrada Honda: This project increases the height of the existing Quebrada Honda dam to impound future tailings from the Toquepala and Cuajone mills and will extend the expected life of this tailings facility by 25 years. The project has a total budgeted cost of $66.0 million, with $48.8 million expended through September 30, 2012.

Tia Maria project: We continue to work on a new EIA study that we anticipate will address recent government guidance on these studies an assist us to reach an agreement that is fair and mutually satisfactory to all parties. Please see Tia Maria in note 11 Commitments and contingencies Other contingencies.

Mexican Operations:

Crushing, conveying and spreading system at Buenavista (Quebalix): This facility has an overall progress of 98.9%. In October 2012 the Company has started the final testing as part of the project commissioning and expects to start operations by November 2012. Through September 30, 2012 we have invested $71 million of a total cost of $77 million budgeted. This investment consists of a crushing, conveying and spreading system that improves the SXEW copper production by increasing recovery and reducing the required time to extract copper from mineral.

Molybdenum plant at Buenavista: The construction of a molybdenum plant for the current concentrator is at 65.9% of progress and through September 30, 2012, we have spent $9.2 million of the $38.2 million of total budget cost. The project is expected to begin operations in the first quarter of 2013. It is expected to produce 2,000 tons of molybdenum contained in concentrate.

SXEW III at the Buenavista mine: The project is moving forward. Plant equipment from Tia Maria will allow us to increase the annual plant capacity from 88,000 tons to 120,000 tons. Overall progress of the project at the end of September 2012 is 32.8%. The new plant should begin operating in the first half of 2014 and has a total budget cost of $444 million. Through September 30, 2012, the Company has spent $126.3 million.

The Buenavista mining expansion project includes mine equipment acquisitions, a second molybdenum plant and a new concentrator with an estimated annual production capacity of 188,000 tons of copper and 2,600 tons of molybdenum. This project has a total capital budget of $1.4 billion and it is expected to begin operation by the first half of 2015. Regarding mine equipment, through September 30, 2012, we have received 2 of the ordered 5 shovels, 27 of the ordered 41 trucks and 5 drills. Basic engineering for the new concentrator is completed and detailed engineering and equipment acquisition are moving forward as scheduled. The bidding process for the steel structure and earthmoving equipment was conducted. Overall progress of the project at September 30, 2012 is 27.7%.

Angangueo: Basic and detailed engineering are moving forward as scheduled to develop this underground polymetallic deposit in Michoacan, Mexico. With an estimated investment of $131 million, Angangueo will have a potential annual production of 10,400 tons of copper, 9,700 tons of zinc, 3 million ounces of silver and 3,900 tons of lead. The project is scheduled to begin production in the first half of 2015.

Potential projects:

El Arco: El Arco is a world class copper deposit in the central part of the Baja California peninsula, with estimated mineralized material of over 1.0 billion tons with an ore grade of 0.51% and 14 grams of gold per ton. This project is expected to produce 190,000 tons of copper and 105,000 ounces of gold annually. We continue to invest in land acquisition required for the project. In 2010, the project feasibility study was completed at a cost of $15.0 million.

Table of Contents

Los Chancas: This project, located in the department of Apurimac in southern Peru, is a copper and molybdenum porphyry deposit. As a result of the complementary drilling works and the preliminary design of the pit, estimates show 545 million tons of mineralized material with a copper content of 0.59%, molybdenum content of 0.04% and 0.039 grams of gold per ton. During the first quarter of 2012, we completed the pre-feasibility study and we initiated the bidding process for the feasibility study which we expect to complete in the first quarter of 2013.

We have a number of other projects that we may develop in the future. We evaluate new projects on the basis of our long-term corporate objectives, expected return on investment, environmental concerns, required investment and estimated production, among other considerations. All capital spending plans will continue to be reviewed and adjusted to respond to changes in the economy or market conditions.

The above information is based on estimates only. We cannot make any assurances that we will undertake any of these projects or that the information noted is accurate.

Exploration:

In 2011, we began exploration activities in Ecuador and Argentina. Besides these new efforts, we continue with our exploration activities in Mexico, Peru and Chile.

Catanave: We are in the exploration stage for this gold project located in the highlands of Arica, in northern Chile, close to the Bolivian border. We concluded the drilling program and started new exploration works to define the viability of the project.

ACCOUNTING ESTIMATES

Our discussion and analysis of financial condition and results of operations are based on our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: ore reserves, revenue recognition, estimated mine stripping ratios, leachable material and related amortization, the estimated useful lives of fixed assets, asset retirement obligations, litigation and contingencies, valuation allowances for deferred tax assets, tax positions, fair value of financial instruments and inventory obsolescence. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

The following highlights key financial results for the three and nine month periods ended September 30, 2012 and 2011 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	$ 1,552.4	$ 1,745.9	$ 5,018.2	$ 5,149.4
Operating costs and expenses	(1,104.6)	(783.8)	(2,721.9)	(2,425.8)
Operating income	447.8	962.1	2,296.3	2,723.6
Non-operating income (expense)	(22.3)	(44.6)	(77.9)	(125.7)
Income before income taxes	425.5	917.5	2,218.4	2,597.9
Income taxes	(219.8)	(252.5)	(848.5)	(792.5)
Equity earnings of affiliate	13.6		38.2	
Net income attributable to non-controlling interest	(1.4)	(2.0)	(5.3)	(5.9)
Net income attributable to SCC	$ 217.9	$ 663.0	$ 1,402.8	$ 1,799.5

Table of Contents

Average Metal Prices:

The table below outlines the average metal prices during the three and nine month periods ended September 30, 2012 and 2011:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	2012	2011	% Change
Copper ($ per pound LME)	$ 3.50	$ 4.08	(14.2)%	$ 3.61	$ 4.20	(14.0)%
Copper ($ per pound COMEX)	$ 3.53	$ 4.07	(13.3)%	$ 3.62	$ 4.20	(13.8)%
Molybdenum ($ per pound)	$ 11.67	$ 14.44	(19.2)%	$ 13.14	$ 16.04	(18.1)%
Zinc ($ per pound LME)	$ 0.86	$ 1.01	(14.9)%	$ 0.88	$ 1.04	(15.4)%
Silver ($ per ounce COMEX)	$ 30.05	$ 38.76	(22.5)%	$ 30.73	$ 36.30	(15.3)%

Net Sales: Net sales for the third quarter and in the nine months of 2012 decreased by $193.5 million and $131.2 million, respectively compared with the same periods of 2011. The 11.1% and 2.5% decrease in sales were principally due to lower copper prices, as well as lower market prices for all our main by-products, partially offset by higher sales volume resulting from higher production.

Net sales for the three months ended September 30, 2011 include gains on copper hedges of $20.7 million; however net sales for the nine months ended September 30, 2011 include losses on copper hedges of $23.7 million.

The table below presents information regarding the volume of our copper sales by segment for the three and nine month periods ended September 30, 2012 and 2011:

Copper Sales (million pounds):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	Variance	2012	2011	Variance
Peruvian operations	170.2	175.0	(4.8)	529.9	508.4	21.5
Mexican open-pit	172.7	168.4	4.3	529.1	455.0	74.1
Mexican IMMSA unit	3.9	3.8	0.1	14.4	11.7	2.7
Other and intersegment elimination	(3.9)	(3.8)	(0.1)	(14.4)	(11.8)	(2.6)
Total	342.9	343.4	(0.5)	1,059.0	963.3	95.7

The table below presents information regarding the volume of sales by segment of our significant by-products for the three and nine month periods ended September 30, 2012 and 2011:

By-product Sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in million pounds except silver in million ounces)	**2012**	**2011**	**2012**	**2011**
Peruvian operations				
Molybdenum contained in concentrates	3.8	5.0	12.3	13.0
Silver	1.0	0.9	3.1	2.5
Mexican open-pit				
Molybdenum contained in concentrates	6.1	5.5	17.9	17.0
Silver	2.3	1.8	6.6	5.1
Mexican IMMSA unit				
Zinc refined and in concentrate	40.7	43.7	147.4	150.5
Silver	1.4	1.5	4.3	3.8
Other and intersegment elimination				
Zinc refined and in concentrate				
Silver	(0.4)	(0.4)	(1.6)	(1.2)
Total by-product sales				
Molybdenum contained in concentrates	9.9	10.5	30.2	30.0
Zinc refined and in concentrate	40.7	43.7	147.4	150.5
Silver	4.3	3.8	12.4	10.2

Table of Contents

Sales Value per Segment:

Three Months Ended September 30, 2012

(in millions)

	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 618.3	$ 10.3	$ 587.4	$ (10.3)	$ 1,205.7
Molybdenum	57.9		35.0		92.9
Zinc		37.4		(0.1)	37.3
Silver	68.8	38.7	29.1	(10.1)	126.5
Other	39.7	22.6	29.6	(1.9)	90.0
Total	$ 784.7	$ 109.0	$ 681.1	$ (22.4)	$ 1,552.4

Three Months Ended September 30, 2011

(in millions)

	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 693.1	$ 14.2	$ 652.8	$ (14.2)	$ 1,345.9
Molybdenum	64.3		60.5		124.8
Zinc		46.3		(0.2)	46.1
Silver	68.4	55.2	34.6	(15.4)	142.8
Other	32.7	24.1	31.6	(2.1)	86.3
Total	$ 858.5	$ 139.8	$ 779.5	$ (31.9)	$ 1,745.9

Nine Months Ended September 30, 2012

(in millions)

	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 1,940.5	$ 43.9	$ 1,920.4	$ (43.9)	$ 3,860.9
Molybdenum	207.7		142.1		349.8
Zinc		140.1		0.3	140.4
Silver	200.8	124.2	93.6	(45.2)	373.4
Other	134.3	70.9	97.5	(9.0)	293.7
Total	$ 2,483.3	$ 379.1	$ 2,253.6	$ (97.8)	$ 5,018.2

Nine Months Ended September 30, 2011

(in millions)

	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 1,906.5	$ 48.1	$ 2,043.9	$ (48.2)	$ 3,950.3
Molybdenum	241.9		178.7		420.6
Zinc		164.1		(0.2)	163.9
Silver	184.4	141.0	88.2	(45.4)	368.2
Other	96.3	72.6	82.5	(5.0)	246.4
Total	$ 2,429.1	$ 425.8	$ 2,393.3	$ (98.8)	$ 5,149.4

The geographic breakdown of the Company s sales is as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
United States	$ 345.1	$ 503.0	$ 1,231.9	$ 1,668.8
Europe	365.9	298.2	1,119.4	937.2
Mexico	415.2	408.2	1,254.1	950.8
Peru	68.7	70.0	221.0	200.8
Chile	91.7	120.5	337.3	389.6
Brazil	112.6	148.8	344.6	482.4
Other Latin America	20.0	22.5	84.3	73.6
Asia	133.2	154.0	425.6	469.9
Copper hedges		20.7		(23.7)
Total	$ 1,552.4	$ 1,745.9	$ 5,018.2	$ 5,149.4

Table of Contents

Operating Costs and Expenses:

Third quarter: Operating costs and expenses were $1,104.6 million in the third quarter 2012, compared with $783.8 million in the comparable period of 2011. The increase of $320.8 million was primarily due to:

- $8.8 million of higher depreciation and amortization at our Peruvian and Mexican operations mainly as result of the acquisition of mine equipment and the start-up of some projects, including the Quebalix project in Mexico,
- $316.2 million of legal fees related to AMC damage award, and
- $2.8 million of higher exploration expense, mainly at the Santa Barbara mine and other IMMSA mines in Mexico partially, offset by
- $6.3 million of lower cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) in the third quarter of 2012 was $670.9 million, compared with $677.2 million in the same period of 2011. The decrease of $6.3 million was primarily due to:

- $21.6 million of lower cost of material purchased from third parties, which was replaced by our own production,
- $22.9 million of lower workers participation, and
- $21.4 million of restoration cost at the Buenavista mine incurred in 2011 partially, offset by
- $59.5 million of higher production cost: $12.6 million of higher labor cost and $46.9 million of higher operating material and repair costs.

Nine months: Operating costs and expenses were $2,721.9 million in the nine months ended September 30, 2012, compared with $2,425.8 million in the comparable period of 2011. The increase of $296.1 million was primarily due to:

- $316.2 million of legal fees related to AMC damage award, and
- $20.7 million of higher depreciation and amortization expenses, partially offset by
- $49.4 million of lower cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) in the nine months ended September 30, 2012 was $2,060.7 million, compared with $2,110.1 million in the same period of 2011. The decrease of $49.4 million was primarily due to the following:

• $298.3 million of lower cost of material purchased from third parties, principally at our Peruvian operations, which was replaced by our own production, partially offset by

• $46.0 million of higher fuel and power cost due to market prices, and

• $193.7 million of higher labor, material repair and other production cost, principally due to cost inflation.

Non-Operating Income (Expense):

Non-operating income and expense were an expense of $22.3 million and $77.9 million in the three and nine month periods ended September 30, 2012, respectively, compared to an expense of $44.6 million and $125.7 million in the comparable periods of 2011.

The $22.3 million decrease in the third quarter of 2012 is principally due to $17.1 million of higher capitalized interest due to increased capital expenditures, mainly at our Mexican operations.

The $47.8 million decrease in the nine months of 2012 is due to:

• $18.2 million of gain in the sale of our shares of Compania Internacional Minera, a mining company in which we had a minority participation,

• $20.9 million of higher capitalized interest due to increased capital expenditures mainly at our Mexican operations, and

• $9.9 million of gain on short-term investment.

Income taxes: The income tax provision for the nine months of 2012 and 2011 was $848.5 million and $792.5 million, respectively. These provisions include income taxes for Peru, Mexico and the United States. The provision for income taxes was based on our effective tax rate of 38.2% for the nine months of 2012 as compared to 30.5% in the nine months of 2011. The increase in the effective tax rate in the nine months of 2012 from the tax rate in the 2011 period is principally caused by the legal fees related to the AMC damage award which increased the effective rate for the nine month 2012 period by 4.7%, see Note 2. In addition, the rate was also increased by the new special mining tax in Peru, see Note 5.

Table of Contents

Segment Results Analysis:

Peruvian Operations

The following table sets forth net sales, operating cost and expenses and operating income for our Peruvian operations segment, for the third quarter and the nine months ended September 30, 2012 and 2011 (in millions):

	Third Quarter		Variance		Nine Months		Variance	
	2012	2011	Value	%	2012	2011	Value	%
Net sales	$ 681.1	$ 779.5	$ (98.4)	(12.6)%	$ 2,253.6	$ 2,393.3	$ (139.7)	(5.8)%
Operating costs and expenses	(395.7)	(384.3)	(11.4)	3.0%	(1,195.4)	(1,283.0)	87.6	(6.8)%
Operating income	$ 285.4	$ 395.2	$ (109.8)	(27.8)%	$ 1,058.2	$ 1,110.3	$ (52.1)	(4.7)%

Third quarter:

Net sales in the third quarter of 2012 were $681.1 million, compared with $779.5 million in the third quarter of 2011. The decrease of $98.4 million was primarily the result of lower copper and by-products market prices and lower copper and molybdenum sales volume. Copper and molybdenum price decreased by 14.2% and 19.2%, respectively and copper and molybdenum sales volume decreased by 2.7% and 24.5%, respectively. The third quarter 2011 period includes a realized gain on copper hedges of $10.5 million.

Operating costs and expenses in the third quarter of 2012 increased by $11.4 million to $395.7 million from $384.3 million in the third quarter of 2011, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) for the third quarter of 2012 was $341.4 million, compared to $334.4 million in the comparable 2011 period. The increase of $7.0 million in cost of sales was principally due to $36.1 million of higher labor and operating and repair costs, partially offset by $14.5 million of lower workers participation and $12.4 million of lower copper purchased from third parties.

Nine months:

Net sales in the nine months of 2012 were $2,253.6 million, compared with $2,393.3 million in the nine months of 2011. The decrease of $139.7 million was primarily the result of lower market prices, partially offset by an increase in metal sales volume. Copper sales volume increased by 21.5 million pounds and silver by 0.6 million ounces. The nine months of 2011 period includes a realized loss on copper hedges of $12.0 million.

Operating costs and expenses in the nine months of 2012 decreased by $87.6 million to $1,195.4 million from $1,283 million in the nine months of 2011, primarily due to lower cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) for the nine months of 2012 was $1,033.3 million, compared to $1,134.7 million in the comparable 2011 period, with a decrease of $101.4 million. The principal elements of cost of sales, causing this decrease, are the following:

- $243.9 million of lower cost of copper purchased from third parties,
- $13.4 million of lower workers participation and
- $12.1 million of lower mining royalties, partially offset by
- $34.7 million of higher fuel and power cost,
- $92.0 million of higher labor and operating and repair costs due to cost inflation, and
- $39.2 million of higher inventory consumption.

Mexican Open-pit Operations

The following table sets forth net sales, operating cost and expenses and operating income for our Mexican open-pit operations segment for the third quarter and the nine months ended September 30, 2012 and 2011 (in millions):

	Third Quarter		Variance		Nine Months		Variance	
	2012	2011	Value	%	2012	2011	Value	%
Net sales	$ 784.7	$ 858.5	$ (73.8)	(8.6)%	$ 2,483.3	$ 2,429.1	$ 54.2	2.2%
Operating costs and expenses	(340.8)	(354.4)	13.6	(3.8)%	(1,062.1)	(963.7)	(98.4)	10.2%
Operating income	$ 443.9	$ 504.1	$ (60.2)	(11.9)%	$ 1,421.2	$ 1,465.4	$ (44.2)	(3.0)%

Third quarter:

Net sales in the third quarter of 2012 were $784.7 million, compared to $858.5 million in the third quarter of 2011. The decrease of $73.8 million was due to lower metal prices, partially offset by higher metal sales volume due to the higher production from

Table of Contents

the Buenavista mine. Copper sales volume increased 4.3 million pounds. Molybdenum and silver sales volume also increased by 0.6 million pounds and 0.5 million ounces, respectively. The third quarter 2011 period includes a realized gain on copper hedges of $10.1 million.

Operating costs and expenses in the third quarter of 2012 decreased by $13.6 million to $340.8 million from $354.4 million in the comparable 2011 period, primarily due to lower cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) decreased $13 million to $294.5 million in the third quarter of 2012 from $307.5 million in the same period of 2011. The decrease in cost of sales included:

- $10.8 million of lower concentrates purchased replaced by our own production.
- $21.4 million of restoration cost at the Buenavista mine incurred in 2011, and
- $5.9 million of lower workers participation, partially offset by
- $24.9 million of higher production cost.

Nine months:

Net sales in the nine months of 2012 were $2,483.3 million, compared to $2,429.1 million in the nine months of 2011. The increase of $54.2 million was due to higher metal sales volumes as a result of higher copper production at the Buenavista and La Caridad mines, partially offset by lower metal prices. The nine months of 2011 period includes a realized loss on copper hedges of $11.6 million.

Operating costs and expenses in the nine months of 2012 increased by $98.4 million to $1,062.1 million from $963.7 million in the comparable 2011 period, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) increased $91.1 million to $926.2 million in the nine months of 2012 from $835.1 million in the same period of 2011. The increase in cost of sales included:

- $25.6 million of higher workers participation
- $13.3 million of higher fuel and power cost, and
- $96.4 million of higher labor and operating and repair cost partially offset by

• $44.3 million of lower purchased concentrates replaced by our own production.

Mexican Underground Operations (IMMSA)

The following table sets forth net sales, operating cost and expenses and operating income for our IMMSA segment, for the third quarter and the nine months ended September 30, 2012 and 2011 (in millions):

	Third Quarter		Variance		Nine Months		Variance	
	2012	2011	Value	%	2012	2011	Value	%
Net sales	$ 109.0	$ 139.8	$ (30.8)	(22.0)%	$ 379.1	$ 425.8	$ (46.7)	(11.0)%
Operating costs and expenses	(78.9)	(102.7)	23.8	(23.2)%	(257.0)	(274.3)	17.3	(6.3)%
Operating income	$ 30.1	$ 37.1	$ (7.0)	(18.9)%	$ 122.1	$ 151.5	$ (29.4)	(19.4)%

Third quarter:

Net sales decreased by $30.8 million to $109.0 million in the third quarter of 2012 from $139.8 million in the third quarter of 2011. The decrease of 22% was primarily due to lower metal prices and lower metal sales volume.

Operating costs and expenses in the third quarter of 2012 decreased by $23.8 million to $78.9 million from $102.7 million in the comparable 2011 period. This decrease was primarily due to $26.6 million of lower cost of sales (exclusive of depreciation, amortization and depletion), net of $2.8 million of higher exploration cost at Santa Barbara and other IMMSA properties.

Cost of sales (exclusive of depreciation, amortization and depletion) decreased by $26.6 million to $60.7 million in the third quarter of 2012 from $87.3 million in the third quarter of 2011. The decrease was principally due to:

• $13.3 million of currency translation effect of the 5.9% appreciation of Mexican peso and

• $9.6 million of lower inventory consumption.

Nine months:

Net sales in the nine months of 2012 were $379.1 million, compared to $425.8 million in the same period of 2011. This decrease of $46.7 million in net sales was primarily due to lower metal prices, partially offset by higher copper and silver sales volume.

Table of Contents

Operating costs and expenses in the nine months of 2012 decreased by $17.3 million to $257.0 million from $274.3 million in the comparable 2011 period. This decrease was primarily due to $24.8 million of lower cost of sales (exclusive of depreciation, amortization and depletion), net of $7.1 million of higher exploration cost at Santa Barbara and other IMMSA properties.

Cost of sales (exclusive of depreciation, amortization and depletion) decreased by $24.8 million to $206.1 million in the nine months of 2012 from $230.9 million in the nine months of 2011. The decrease was principally due to $21.1 million of currency translation effect of the 8.1% appreciation of the Mexican peso.

Intersegment Eliminations and Adjustments

The net sales, operating costs and expenses and operating income displayed above will not be directly equal to amounts in our condensed consolidated statement of earnings because the adjustments of intersegment operating revenues and expenses must be taken into account. Please see Note 12 Segments and related information of the condensed consolidated financial statements.

CASH FLOW

The following table shows the cash flow for the nine months ended September 30, 2012 and 2011 (in millions):

	2012	2011
Net cash provided from operating activities	$ 1,759.6	$ 1,595.8
Net cash used for investing activities	$ (500.1)	$ (820.6)
Net cash used for financing activities	$ (952.7)	$ (1,764.2)

Net cash provided from operating activities:

The nine months ended September 30, 2012 and 2011 change in working capital includes (in millions):

	2012	2011
Accounts receivable	$ 123.1	$ (59.8)
Inventories	(89.5)	(73.2)
Accounts payable and accrued liabilities	111.0	(252.1)
Other operating assets and liabilities	(74.2)	67.6
Total	$ 70.4	$ (317.5)

Nine months ended September 30, 2012:

In the nine months of 2012 net income was $1,408.2 million. Significant items (deducted from), or added, to arrive to operating cash flow included, depreciation, amortization and depletion of $236.7 million and $76.1 million for a deferred tax provision, which increased operating cash flow and $14.3 million of equity participation of affiliate, net of dividends received and $18.2 million of gain on sale of investment, which decreased operating cash flow.

In addition, in the nine months of 2012 a decrease in working capital increased operating cash flow by $70.4 million. The decrease in accounts receivable value was principally due to lower sales prices. The increase in inventory was primarily due to a $104.8 million increase in long-term leachable material inventory, mainly at our Buenavista mine, and an increase of $9.6 million of supplies inventory, also mainly at our Mexican operations, partially offset by a decrease of $25.0 million in copper inventory, mainly copper in process due to lower process and sale of copper from third parties at our Peruvian operations. The increase in accounts payable and accrued liabilities was primarily due to the $316.2 million of legal fees related to the AMC damage award and net of the income tax and workers participation payments. The net decrease in other operating assets and liabilities was primarily due to $45.9 million of higher prepaid income tax, net of the income tax liability.

Nine months ended September 30, 2011:

In the nine months of 2011 net income was $1,805.3 million. Significant items (deducted from), or added to arrive to operating cash flow included, depreciation, amortization and depletion of $216.0 million, which increased operating cash flow and $98.2 million of deferred income tax benefit, which decreased operating cash flow.

In addition, in the nine months of 2011 an increase in working capital decreased operating cash flow by $317.5 million. The increase in accounts receivable was principally due to higher sales in the period as a result of added production from Buenavista

Table of Contents

and higher metal prices. The increase in inventory was primarily due to a $12.4 million increase in copper in process and a $39.6 million increase in finished goods, principally anodes at our Mexican operations due to the restoration of production at the Buenavista mine and a temporary increase of $19.1 million in concentrates and anodes in process at the Ilo smelter at our Peruvian operations. The decrease in accounts payable and accrued liabilities was primarily due to the income tax and workers participation payments.

Net cash used for investing activities:

Nine months ended September 30, 2012:

Net cash used for investing activities in the nine months of 2012 included $665.9 million for capital expenditures. The capital expenditures included $158.3 million of investments at our Peruvian operations, $16.7 million for the Toquepala expansion project, $33.7 million for the Cuajone expansion project and $107.9 million for various other replacement expenditures. In addition, we spent $601.3 million for replacement assets at our Mexican operations, $467.2 million of which was at our Mexican open-pit operations and $40.5 million at our IMMSA unit. The nine months of 2012 investment activities also include a net redemption of short-term investments of $142.3 million, compared with an investment of $459.6 million in 2011. The 2012 period also includes $18.2 million from the sale of our minority participation in Compania Internacional Minera and $5.4 million from the sale of equipment.

Nine months ended September 30, 2011:

Net cash used for investing activities in the nine months of 2011 included $337.0 million for capital expenditures. The capital expenditures included $90.5 million of investments at our Peruvian operations, $1.8 million for the Tia Maria project, $19.4 million for the Toquepala expansion project, $7.2 million for the Cuajone expansion project and $62.1 million for various other replacement expenditures. In addition, we spent $246.5 million for replacement assets at our Mexican operations, $218.3 million of which was at our Mexican open-pit operations, $26.1 million at our IMMSA unit and $2.1 million at our administrative office in Mexico City. The nine months of 2011 investment activities also include a net purchase of short-term investments of $459.6 million, $24.4 million of our share of the investment in the development of the Tantahuatay gold project and $10.3 million of proceeds from the sale of non-operating properties.

Net cash used for financing activities:

Net cash used for financing activities in the nine months of 2012 was $952.7 million, compared with $1,764.2 million in the nine months of 2011. The nine months of 2012 included a dividend distribution of $813.9 million, compared with a distribution of $1,491.7 million in the 2011 period. Also, the nine months of 2012 included cash used to repurchase 4.0 million of our common shares at a cost of $132.4 million, compared with a repurchase of 8.4 million shares of our common shares at a cost of $258.4 million in the 2011 period.

LIQUIDITY AND CAPITAL RESOURCES

Dividends:

On August 28, 2012, we paid a quarterly dividend of 24 cents per share, totaling $813.9 million. On October 18, 2012, our Board of Directors authorized a quarterly dividend of $2.75 per share, expected to total $2,325.3 million, to be paid on November 21, 2012 to SCC shareholders of record at the close of business on November 8, 2012.

AMC Damage Award. On October 9, 2012, we received from AMC, our majority shareholder, $2.1 billion in complete satisfaction of the judgment issued pursuant to the decisions of October 14, 2011 and December 29, 2011 of the Court of Chancery of Delaware, which found that we paid an excessive price to AMC in the 2005 merger between the Company and Minera Mexico, S.A. de C.V. From the aforementioned sum received from AMC, we paid $316.2 million to the plaintiff s attorneys to satisfy the award of attorneys fees and expenses. The effect of these transactions was recorded in our third quarter results.

Capital Investments and Exploration Programs:

A discussion of our capital investment programs is an important part of understanding our liquidity and capital resources. We expect to meet the cash requirements for these capital expenditures from cash on hand, internally generated funds and from

Table of Contents

additional external financing if required. For information regarding our capital expenditure programs, please see the discussion under the caption Capital Investment and Exploration Program under this Item 2.

Contractual Obligations:

There was no material change in our contractual obligations in the nine months of 2012. Please refer to item 7 in our 2011 annual report on Form 10-K for further information regarding our contractual obligations.

NON-GAAP INFORMATION RECONCILIATION

Reconciliation of operating cash cost to GAAP cost of sales in millions of dollars and cents per pound.

	Third quarter 2012		Third quarter 2011	
	$ million	$ per pound	$ million	$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	$ 670.9	$ 1.913	$ 677.3	$ 2.015
Add:				
Selling, general and administrative	23.8	0.068	24.4	0.073
Treatment and refining charges	16.9	0.048	12.4	0.037
By-product revenues (1)	(334.5)	(0.954)	(386.2)	(1.149)
Net revenue on sale of metal purchased from third parties	(2.9)	(0.008)	(5.9)	(0.018)
Less:				
Workers participation	(51.9)	(0.148)	(74.9)	(0.223)
Cost of metal purchased from third parties	(71.5)	(0.204)	(93.1)	(0.277)
Royalty charge and other, net	(32.0)	(0.091)	(14.4)	(0.043)
Inventory change	68.7	0.196	46.6	0.139
Operating cash cost	**$ 287.5**	**$ 0.820**	**$ 186.2**	**$ 0.554**
Add: by-product revenues and net revenue on sale of metal purchased from third parties	337.4	0.962	392.1	1.167
Operating cash cost, without by-product revenues and net revenue on sale of metal purchased from third parties	$ 624.9	$ 1.782	$ 578.3	$ 1.721
Total pounds of copper produced (in millions)	350.7		336.1	

(1) Includes net by-product sales revenue and premiums on sales of refined products.

	Nine months 2012		Nine months 2011	
	$ million	$ per pound	$ million	$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	$ 2,060.7	$ 2.010	$ 2,110.1	$ 2.304

Add:				
Selling, general and administrative	74.6	0.073	74.7	0.082
Treatment and refining charges	39.4	0.038	36.8	0.040
By-product revenues (1)	(1,137.9)	(1.110)	(1,165.0)	(1.272)
Net revenue on sale of metal purchased from third parties	(11.1)	(0.011)	(16.2)	(0.018)
Less:				
Workers participation	(202.7)	(0.198)	(197.4)	(0.216)
Cost of metal purchased from third parties	(173.5)	(0.169)	(471.8)	(0.515)
Royalty charge and other, net	(64.7)	(0.063)	(86.7)	(0.095)
Inventory change	79.8	0.078	130.8	0.143
Operating cash cost	**$ 664.6**	**$ 0.648**	**$ 415.3**	**$ 0.453**
Add: by-product revenues and net revenue on sale of metal purchased from third parties	1,149.0	1.121	1,181.2	1.290
Operating cash cost, without by-product revenues and net revenue on sale of metal purchased from third parties	$ 1,813.6	$ 1.769	$ 1,596.5	$ 1.743
Total pounds of copper produced (in millions)	1,025.1		915.8	

(1)Includes net by-product sales revenue and premiums on sales of refined products

Table of Contents

IMPACT OF NEW ACCOUNTING STANDARDS

During the nine months of 2012, the FASB issued the following Accounting Standard Updates (ASU) to the FASB Accounting Standards Codification (the ASC).

ASU No. 2012-02: On July 27, 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2012-02, Intangibles Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment . This update simplifies the guidance for testing the impairment of indefinite-lived intangible assets other than goodwill. The amendments allow an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. If the Company elects to perform a qualitative assessment, it is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is more likely than not that the asset is impaired.

This update eliminates the prior requirement to test impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference.

The amendments in this update are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012 with early adoption permitted. We will adopt it for future impairment analysis.

Table of Contents

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Metal price sensitivity:

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, and giving no effects to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated 2012 net income attributable to SCC resulting from metal price changes:

	Copper	Molybdenum	Zinc	Silver
Change in metal prices (per pound except silver per ounce)	$ 0.01	$ 1.00	$ 0.01	$ 1.00
Annual change in net income attributable to SCC (in millions)	$ 8.0	$ 23.6	$ 1.2	$ 9.3

Foreign currency exchange risk:

Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the nuevo sol or the peso, respectively, to the dollar, our financial position, results of operations and cash flows could be adversely affected to the extent that the inflation/devaluation effects are passed on to us by our suppliers or reflected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the nuevo sol or the peso, resulting in a remeasurement loss in our financial statements. Recent inflation and devaluation rates are provided in the table below for the three and nine month periods ended September 30, 2012 and 2011:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Peru:				
Peruvian inflation rate	1.2%	1.4%	2.7%	3.7%
Nuevo sol/dollar devaluation/(appreciation) rate	(2.7)%	0.8%	(3.7)%	(1.3)%
Mexico:				
Mexican inflation rate	1.3%	0.9%	2.1%	1.2%
Peso / dollar devaluation/(appreciation) rate	(5.9)%	13.4%	(8.1)%	8.6%

Change in monetary position:

Assuming an exchange rate variance of 10% at September 30, 2012 we estimate our net monetary position in Peruvian nuevo sol and Mexican peso would increase (decrease) our net earnings as follows:

Variance	Effect in net earnings ($ in millions)
Appreciation of 10% in exchange rate of U.S. dollar vs. nuevo sol	$ (2.5)
Devaluation of 10% in exchange rate of U.S. dollar vs. nuevo sol	3.0
Appreciation of 10% in exchange rate of U.S. dollar vs. Mexican peso	4.8
Devaluation of 10% in exchange rate of U.S. dollar vs. Mexican peso	$ (3.9)

Interest rate risk:

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would also result in gains or losses in the market value of our fixed rate debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. There have been no material changes in our interest rate risk at September 30, 2012. As most of our debt is at fixed rates, a change in market interest rates of 1% would not have a material impact on our cash flows.

Provisionally priced sales:

At September 30, 2012, we have recorded provisionally priced sales of 14.5 million pounds of copper, at an average forward price of $3.727 per pound. Also we have recorded provisionally priced sales of 8.7 million pounds of molybdenum at the September 30, 2012 market price of $11.65 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future month of settlement. See Note 6 to our condensed consolidated financial statements.

Table of Contents

Derivative instruments:

As part of our risk management policy, we occasionally use derivative instruments to (i) safeguard the corporate assets, (ii) insure the value of our future revenue stream and (iii) lessen the impact of unforeseen market swings of our sales revenues. To comply with these objectives we, from time to time, enter into commodity price derivatives, interest rate derivatives, exchange rate derivatives and other instruments. We do not enter into derivative contracts unless we anticipate a future activity that is likely to occur that will result in exposing us to market risk.

Copper Hedges:

During the third quarter of 2012 and as of September 30, 2012 we did not hold copper derivative contracts.

Short-term Investment:

Short-term investments were as follows (in millions):

	At September 30, 2012	At December 31, 2011
Trading securities	$ 373.0	$ 514.6
Weighted average interest rate	1.00%	1.37%
Available for sale	$ 6.7	$ 7.3
Weighted average interest rate	0.51%	0.58%
Total	$ 379.7	$ 521.9

Trading securities: consist of bonds issued by public companies. Each financial instrument is independent of the others. We have the intention to sell these bonds in the short-term.

Available for sale investments consist of securities issued by public companies. Each security is independent of the others and at September 30, 2012 included corporate bonds and asset and mortgage backed obligations. As of September 30, 2012 and December 31, 2011, gross unrealized gains and losses on available for sale securities were not material.

Related to these investments we earned interest, which was recorded as interest income in the condensed consolidated statement of earnings. Also we redeemed some of these securities and recognized gains (losses) due to changes in fair value, which were recorded as gain on short-term investment in the condensed consolidated statement of earnings.

The following table summarizes the activity of these investments (in millions):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Trading securities:				
Interest earned	$ 0.9	$ 1.2	$ 2.5	$ 2.9
Unrealized gain (loss)	3.7	(1.1)	8.8	(1.9)
Available for sale:				
Interest earned	(*)	(*)	(*)	(*)
Investment redeemed	$ 0.2	$ 0.9	$ 1.4	$ 1.7

(*) Less than $0.1 million

Cautionary Statement:

Forward-looking statements in this report and in other Company statements include statements regarding expected commencement dates of mining or metal production operations, projected quantities of future metal production, anticipated production rates, operating efficiencies, costs and expenditures as well as projected demand or supply for the Company s products. Actual results could differ materially depending upon factors including the risks and uncertainties relating to general U.S. and international economic and political conditions, the cyclical and volatile prices of copper, other commodities and supplies, including fuel and electricity, availability of materials, insurance coverage, equipment, required permits or approvals and financing, the occurrence of unusual weather or operating conditions, lower than expected ore grades, water and geological problems, the failure of equipment or processes to operate in accordance with specifications, failure to obtain financial assurance to meet closure and remediation obligations, labor relations, litigation and environmental risks as well as political and economic risk associated with foreign operations. Results of operations are directly affected by metal prices on commodity exchanges that can be volatile.

Table of Contents

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of September 30, 2012, the Company conducted an evaluation under the supervision and with the participation of the Company s Disclosure Committee and the Company s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness and the design and operation of the Company s disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective as of September 30, 2012, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is:

1. recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and

2. accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company s internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company s internal controls over financial reporting.

Table of Contents

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Southern Copper Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of Southern Copper Corporation and subsidiaries (the Company) as of September 30, 2012, and the related condensed consolidated statements of earnings, comprehensive income and cash flows for the three-month and nine-month periods ended September 30, 2012 and 2011. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Southern Copper Corporation and subsidiaries as of December 31, 2011, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Galaz, Yamazaki, Ruiz Urquiza S.C.

Member of Deloitte Touche Tohmatsu Limited

C.P.C. Arturo Vargas Arellano

Mexico City, Mexico

October 25, 2012

46

Table of Contents

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The information provided in Note 11 Commitments and Contingencies to the condensed consolidated financial statements contained in Part I of this Form 10-Q, is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes to our risk factors during the nine months ended September 30, 2012. For additional information on risk factors, refer to Risk Factors included in Part I, Item 1A of our Annual report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 27, 2012.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

SCC share repurchase program:

In 2008, the Company´s Board of Directors authorized a $500 million share repurchase program. On July 28, 2011 the Company´s Board of Directors approved an increase of the SCC share repurchase program, from $500 million to $1.0 billion. Pursuant to this program, the Company purchased common stock as shown in the table below. These shares will be available for general corporate purposes. The Company may purchase additional shares of its common stock from time to time, based on market conditions and other factors. This repurchase program has no expiration date and may be modified or discontinued at any time.

Period		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan @ $34.36	Total Cost ($ in millions)
From	**To**					
2008:						
08/11/08	12/31/08	28,510,150	$ 13.49	28,510,150		$ 384.7
2009:						
01/12/09	09/30/09	4,912,000	14.64	33,422,150		71.9
2010:						
05/05/10	10/14/10	15,600	29.69	33,437,750		0.5
2011:						
05/02/11	12/31/11	9,034,400	30.29	42,472,150		273.7
2012:						

04/10/12	04/23/12	278,486	30.23	42,750,636		8.4
05/30/12	05/31/12	500,000	28.57	43,250,636		14.3
06/01/12	06/30/12	370,000	28.33	43,620,636		10.5
Total second quarter		1,148,486	28.89			33.2
08/01/12	08/31/12	100,000	32.47	43,720,636		3.2
09/01/12	09/30/12	2,763,850	34.71	46,484,486		95.9
Total third quarter		2,863,850	34.63			99.1
Total purchased		46,484,486	$ 18.57		3,984,848	$ 863.1

As a result of the repurchase of shares of SCC s common stock and AMC s purchase of shares of SCC s common stock, Grupo Mexico s direct and indirect ownership is 81.2% as of September 30, 2012.

Item 4.- Mine Safety Disclosures

Not applicable.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description of Exhibit
3.1	(a) Amended and Restated Certificate of Incorporation, filed on October 11, 2005. (Filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the third quarter of 2005 and incorporated herein by reference). (b) Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 2, 2006. (Filed as Exhibit 3.1 to Registration Statement on Form S-4, File No. 333-135170) filed on June 20, 2006 and incorporated herein by reference). (c) Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 28, 2008. (Filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the second quarter of 2008 and incorporated herein by reference).
3.2	By-Laws, as last amended on January 27, 2011. (Filed as Exhibit 3.2 to the Company s 2010 Annual Report on Form 10-K and incorporated herein by reference).
4.1	Indenture governing $200,000,000 6.375% Notes due 2015, by and among Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference.
4.2	(a) Indenture governing $600,000,000 7.500% Notes due 2035, by and among Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference). (b) Indenture governing $400,000,000 7.500% Notes due 2035, by and among Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference).
4.3	Form of 6.375% Note (included in Exhibit 4.1).
4.4	Form of New 7.500% Note (included in Exhibit 4.2(a)).
4.5	Form of New 7.500% Note (included in Exhibit 4.2(b)).
4.6	Indenture, dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which $400 million of 5.375% Notes due 2020 and $1.1 billion of 6.750% Notes due 2040 were issued (Filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on April 19, 2010 and incorporated herein by reference).
4.7	First Supplemental Indenture dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.375% Notes due 2020 were issued (Filed as an Exhibit to the Company s Current Report on Form 8-K, filed on April 19, 2010 and incorporated herein by reference).
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4.10	Form of 6.750% Notes due 2040 (Filed as an Exhibit to the Company s Current Report on Form 8-K, filed on April 19, 2010 and incorporated herein by reference).
10.1	Form of Directors Stock Award Plan of the Company (Filed as Exhibit 10.4 to the Company s 2005 Annual Report on Form 10-K/A and incorporated herein by reference).

10.2 Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A.B. de C. V., assigned upon the same terms and conditions to Grupo Mexico S.A.B. de C.V. in February 2004 (Filed as Exhibit 10.10 to the Company s 2002 Annual Report on Form 10-K and incorporated herein by reference).

10.3 Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub., Inc, Americas Sales Company, Inc., Americas Mining Corporation and Minera Mexico

Table of Contents

	S.A. de C.V., (Filed as an Exhibit to Current Report on Form 8-K, filed on October 22, 2004 and incorporated herein by reference).
14.0	Code of Business Conduct and Ethics adopted by the Board of Directors on May 8, 2003 and amended on October 21, 2004. (Filed as Exhibit 14 to the Company s Current Report on Form 8-K, filed October 22, 2004 and incorporated herein by reference).
15.0	Awareness letter of Registered Public Accounting Firm (Galaz, Yamazaki, Ruiz Urquiza, S.C. - Member of Deloitte Touche Tohmatsu, Limited) (filed herewith).
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
101.INS	XBRL Instance Document (submitted electronically with this report).
101.SCH	XBRL Taxonomy Extension Schema Document (submitted electronically with this report).
101.CAL	XBRL Taxonomy Calculation Linkbase Document (submitted electronically with this report).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (submitted electronically with this report).
101.LAB	XBRL Taxonomy Label Linkbase Document (submitted electronically with this report).
101.PRE	XBRL Taxonomy Presentation Linkbase Document (submitted electronically with this report).

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statement of Earnings for the three and nine months ended September 30, 2012 and 2011; (ii) the Condensed Consolidated Statement of Comprehensive Income for the three and nine months ended September 30, 2012 and 2011; (iii) the Condensed Consolidated Balance Sheet at September 30, 2012 and December 31, 2011; (iv) the Condensed Consolidated Statement of Cash Flows for the three and nine months ended September 30, 2012 and 2011; and (v) the Notes to Condensed Consolidated Financial Statements tagged in detail. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

Table of Contents

PART II OTHER INFORMATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN COPPER CORPORATION
(Registrant)

/s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha
President and Chief Executive Officer

October 25, 2012

/s/ Genaro Guerrero
Genaro Guerrero
Chief Financial Officer
Vice President, Finance and Chief Financial Officer

October 25, 2012

Table of Contents

SOUTHERN COPPER CORPORATION

List of Exhibits

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