

SOUTHERN COPPER CORP/
Form 10-Q
August 08, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2011

or

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)

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Delaware
(State or other jurisdiction of incorporation or organization)

13-3849074
(I.R.S. Employer Identification No.)

1440 East Missouri Avenue Suite C-175 Phoenix,
AZ
(Address of principal executive offices)

85014
(Zip Code)

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

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 No

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 No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of July 30, 2011 there were outstanding 845,432,480 shares of Southern Copper Corporation common stock, par value \$0.01 per share.

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Southern Copper Corporation (SCC)

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Exhibit 101	Financial statements for the three and six months ended June 30, 2011 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

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands, except per share amounts)			
Net sales	\$ 1,801,498	\$ 1,173,240	\$ 3,403,517	\$ 2,392,645
Operating costs and expenses:				
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	695,977	531,484	1,432,837	1,042,467
Selling, general and administrative	25,744	21,964	50,316	43,682
Depreciation, amortization and depletion	72,898	69,304	143,542	138,772
Exploration	8,147	10,065	15,365	18,530
Total operating costs and expenses	802,766	632,817	1,642,060	1,243,451
Operating income	998,732	540,423	1,761,457	1,149,194
Interest expense	(48,297)	(45,050)	(95,861)	(68,838)
Capitalized interest	1,357		2,293	
Gain on sale of property	6,410		6,410	
Other income (expense)	318	(6,489)	(262)	(5,056)
Interest income	3,534	1,328	6,245	3,380
Income before income taxes	962,054	490,212	1,680,282	1,078,680
Income taxes	301,935	174,901	540,016	378,142
Net income	660,119	315,311	1,140,266	700,538
Less: Net income attributable to the non-controlling interest	2,082	1,924	3,853	3,907
Net income attributable to SCC	\$ 658,037	\$ 313,387	\$ 1,136,413	\$ 696,631
Per common share amounts attributable to SCC:				
Net income - basic and diluted	\$ 0.78	\$ 0.37	\$ 1.34	\$ 0.82
Dividends paid	\$ 0.56	\$ 0.45	\$ 1.14	\$ 0.88

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Weighted average common shares outstanding - basic and diluted	848,937	850,000	849,465	850,000
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income	\$ 660,119	\$ 315,311	\$ 1,140,266	\$ 700,538
Other comprehensive income (loss) net of tax:				
Derivative instruments classified as cash flow hedge:				
Decrease in accumulated unrealized loss in the period	18,049		61,829	
Add:				
Reclassification adjustment for losses included in net income	5,264		27,211	
Unrealized loss on derivative instruments classified as cash flow hedges	23,313		89,040	
Comprehensive income	\$ 683,432	\$ 315,311	\$ 1,229,306	\$ 700,538
Comprehensive income attributable to the non-controlling interest	\$ 2,155	\$ 1,924	\$ 4,104	\$ 3,907
Comprehensive income attributable to SCC	\$ 681,277	\$ 313,387	\$ 1,225,202	\$ 696,631

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30, 2011	December 31, 2010
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,453,841	\$ 2,192,677
Short-term investments	225,396	76,209
Accounts receivable trade	767,235	671,745
Accounts receivable other (including related parties 2011 - \$4,390 and 2010 - \$32,700)	112,755	76,284
Inventories	609,436	540,988
Deferred income tax	61,679	63,935
Other current assets	41,191	117,170
Total current assets	3,271,533	3,739,008
Property, net	4,130,116	4,094,993
Long-term leach stockpiles	59,964	29,668
Intangible assets, net	111,328	112,352
Deferred income tax	71,000	43,900
Other assets	150,204	108,098
Total assets	\$ 7,794,145	\$ 8,128,019
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Accounts payable	342,124	558,661
Accrued income taxes	120,941	266,241
Due to affiliated companies	5,599	4,665
Accrued workers participation	133,313	222,432
Accrued interest	58,924	60,062
Other accrued liabilities	26,905	16,957
Total current liabilities	697,806	1,139,018
Long-term debt	2,740,438	2,750,401
Deferred income taxes	149,754	113,232
Non-current taxes payable	45,250	77,830
Other liabilities and reserves	79,389	78,070
Asset retirement obligation	60,782	59,059
Total non-current liabilities	3,075,613	3,078,592
Commitments and contingencies (Note 13)		
STOCKHOLDERS EQUITY		
Common stock	8,846	8,846
Additional paid-in capital	1,050,305	1,034,764
Retained earnings	3,763,391	3,595,983

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Accumulated other comprehensive loss	(37,383)	(126,423)
Treasury stock	(784,481)	(622,722)
Total SCC stockholders' equity	4,000,678	3,890,448
Non-controlling interest	20,048	19,961
Total equity	4,020,726	3,910,409
Total liabilities and equity	\$ 7,794,145	\$ 8,128,019

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
OPERATING ACTIVITIES				
Net income	\$ 660,119	\$ 315,311	\$ 1,140,266	\$ 700,538
Adjustments to reconcile net earnings to net cash provided from operating activities:				
Depreciation, amortization and depletion	72,898	69,304	143,542	138,772
Remeasurement loss (income)	(2,526)	(758)	5,653	7,606
Provision (benefit) for deferred income taxes	21,241	(20,365)	(16,502)	(14,512)
Gain on sale of property	(6,410)		(6,410)	
Cash provided from (used for) operating assets and liabilities:				
Accounts receivable	(206,335)	76,301	(131,961)	18,948
Inventories	19,554	20,565	(68,448)	9,689
Accounts payable and accrued liabilities	(382,981)	53,851	(351,174)	(52,755)
Other operating assets and liabilities	27,154	13,546	2,820	26,708
Net cash provided from operating activities	202,714	527,755	717,786	834,994
INVESTING ACTIVITIES				
Capital expenditures	(110,655)	(92,925)	(183,644)	(168,288)
Purchase of short-term investments, net	(4,877)	(30,131)	(149,506)	(26,744)
Payments to development stage properties accounted for as equity method investments	(4,593)		(15,911)	
Sale of property	8,132	538	8,855	5,347
Other	143		143	
Net cash used for investing activities	(111,850)	(122,518)	(340,063)	(189,685)
FINANCING ACTIVITIES				
Debt incurred		1,489,674		1,489,674
Debt repaid	(5,000)	(5,000)	(10,250)	(5,000)
Capitalized debt issuance cost		(8,155)		(8,155)
Dividends paid to common stockholders	(476,000)	(382,500)	(969,004)	(747,998)
Distributions to non-controlling interest	(1,412)	(1,822)	(3,605)	(2,971)
Repurchase of common shares	(148,068)	(380)	(148,068)	(380)
Other	714	292	(504)	367
Net cash (used for) provided from financing activities	(629,766)	1,092,109	(1,131,431)	725,537
Effect of exchange rate changes on cash and cash equivalents	19,446	(4,687)	14,872	1,471
Increase (decrease) in cash and cash equivalents	(519,456)	1,492,659	(738,836)	1,372,317
Cash and cash equivalents, at beginning of period	1,973,297	651,964	2,192,677	772,306

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Cash and cash equivalents, at end of period	\$	1,453,841	\$	2,144,623	\$	1,453,841	\$	2,144,623
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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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, Southern Copper 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 June 30, 2011 and the results of operations, comprehensive income and cash flows for the three and six months ended June 30, 2011 and 2010. The results of operations for the three and six months ended June 30, 2011 and 2010 are not necessarily indicative of the results to be expected for the full year. The December 31, 2010 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 (USGAAP). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2010 and notes included in the Company's 2010 annual report on Form 10-K.

NOTE 2 ADOPTION OF NEW ACCOUNTING STANDARDS:

In the first six months of 2011 the Company adopted the following Accounting Standard Updates (ASU) to the FASB Accounting Standards Codification (the ASC) issued by the Financial Accounting Standard Board (FASB).

ASU No. 2010-06: In January 2010, the FASB issued ASU No. 2010-06 Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements, an update of ASC Subtopic 820-10 Fair Value Measurements and Disclosures - Overall.

With the adoption of this ASU in 2011, the Company has expanded its financial instruments disclosures to include those related to purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Please see disclosures required in Note 17 Financial instruments.

NOTE 3 AMC's BUSINESS COMBINATION PROPOSAL:

On July 22, 2010, the Company received a non-binding proposal from its parent company, Americas Mining Corporation (AMC), offering to effect an all-stock business combination of Southern Copper and AMC, the parent company of ASARCO LLC (Asarco), in which all stockholders of Southern Copper would receive 1.237 common shares of AMC in exchange for each share of SCC. Under the proposal

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presented by AMC, the stock of AMC would be registered and listed on the New York, Mexico and the Lima Stock Exchanges. Once the listing and registration of the AMC shares are completed, SCC's shares would be delisted from the exchanges.

In August 2010, the Company formed a special committee of independent directors to evaluate AMC's proposal. The special committee has engaged independent legal, financial and technical advisors to assist in the evaluation. There is no specific deadline to complete this evaluation.

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

	At June 30, 2011		At December 31, 2010	
Trading securities	\$	216.4	\$	66.9
Weighted average interest rate		2.02%		1.14%
Available for sale	\$	9.0	\$	9.3
Weighted average interest rate		0.37%		1.01%
Total	\$	225.4	\$	76.2

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 June 30, 2011 and December 31, 2010, included corporate bonds and asset and mortgage backed obligations. As of June 30, 2011 and December 31, 2010, 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 other income (expense) in the condensed consolidated statement of earnings.

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

	Three months ended June 30,		Six months ended June 30,					
	2011	2010	2011	2010				
Trading securities:								
Interest earned	\$	1.0	\$	0.1	\$	1.4	\$	0.1
Available for sale:								
Interest earned		(*)		(*)		(*)		0.1
Investment redeemed	\$	0.4	\$	7.7	\$	0.8	\$	11.2

(*) Less than \$0.1 million

NOTE 5 - INVENTORIES:

Inventories were as follows:

(in millions)	At June 30, 2011	At December 31, 2010
Inventory, current:		
Metals at lower of average cost or market:		
Finished goods	\$ 101.3	\$ 67.9
Work-in-process	248.0	227.6
Supplies at average cost	260.1	245.5
Total current inventory	\$ 609.4	\$ 541.0
Inventory, long-term		
Long-term leach stockpiles	\$ 60.0	\$ 29.7

Table of Contents**LONG-TERM INVENTORY:**

In prior years the Company capitalized the production cost of leachable material with low copper content at the Buenavista mine in Mexico. In 2011, the Company extended this practice of recognizing inventories for costs associated with leaching activities at the La Caridad mine in Mexico and the Toquepala and Cuajone mines in Peru in order to conform to evolving mine production plans at these mines. As a result of changing market conditions and mining processes, mineral extraction through leaching has become integral to the mining operations carried out at La Caridad, Toquepala and Cuajone. Accordingly, the process and sale of mineral content in leaching dumps is reasonably assured and the costs associated with leaching activities at such mines are now recognized as inventories. As the production cycle of the leaching process is significantly longer than the conventional process of concentrating, smelting and electrolytic refining, the Company includes on its balance sheet, current leach inventory (included in work-in-process inventories) and long-term leach inventory. The cost attributed to the leach material is charged to cost of sales generally over a five-year period (the average estimated recovery period based on the recovery percentages of each mine).

During the six months ended June 30, 2011 total leaching costs capitalized as long-term inventory of leachable material amounted to \$54.1 million. There was no capitalization during the six months ended June 30, 2010. Long-term leaching inventories recognized as cost of sales amounted to \$23.6 million and \$21.0 million for the six months ended June 30, 2011 and 2010, respectively.

NOTE 6 INCOME TAXES:

The income tax provision and the effective income tax rate for the first six months of 2011 and 2010 were as follows (\$ in millions):

	2011		2010	
Income tax provision	\$	540.0	\$	378.1
Effective income tax rate		32.1%		35.1%

These provisions include income taxes for Peru, Mexico and the United States. The provision for income taxes was based on the effective tax rate of 32.1% for the first six months of 2011 as compared to 35.1% in the first six months of 2010. The decrease in the effective tax rate for the first six months of 2011 is due to an increase in earnings from the Mexican operations, as a result of the restart of the Buenavista mine, that are taxed at 30% as compared to the Peruvian earnings that are taxed at 35%.

In March 2009, Grupo Mexico, S.A.B. de C.V. (Grupo Mexico), through its wholly-owned subsidiary, AMC, became the beneficial owner of 80% of SCC's common stock. As a result of this new level of ownership, beginning in March 2009 SCC no longer files a separate U.S. federal income tax return and its operating results are included in the AMC consolidated U.S. federal income tax return. In addition to its interest in SCC, AMC also owns 100% of Asarco and its subsidiaries. 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. The Company has initiated discussions with AMC to put in place a tax sharing agreement in order to establish this allocation as well as other procedures and policies necessary for an equitable management of U.S. federal income tax matters. SCC provides current and deferred income taxes as if it was a separate filer.

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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.

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During the second quarter of 2011 the Company and the Internal Revenue Service concluded the United States federal income tax audit of the years 2005, 2006 and 2007. As a result the Company considers all uncertain tax positions from this audit to be effectively settled. The decrease in the unrecognized tax benefit from the amount reported at December 31, 2010, as a result of this event, is approximately \$26.0 million and is recorded in the second quarter of 2011.

NOTE 7 PROVISIONALLY PRICED SALES:

At June 30, 2011, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the June 30, 2011 market price 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.

Following are the provisionally priced copper and molybdenum sales outstanding at June 30, 2011:

Copper (million lbs.)		Priced at (per pound)	Month of Settlement
50.1	\$	4.27	July 2011
25.4		4.28	August 2011
75.5	\$	4.27	

Molybdenum (million lbs.)		Priced at (per pound)	Month of Settlement
2.9	\$	15.55	July 2011
3.4		15.55	August 2011
2.4		15.55	September 2011
0.3		15.55	October 2011
9.0	\$	15.55	

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.

NOTE 8 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 future revenue streams, and (iii) lessen the impact of unforeseen market swings on 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 swaps:

In the last quarter of 2010 and in 2011, the Company entered into copper swaps and zero cost collar derivative contracts to reduce price volatility and to protect the sales value of a portion of its 2011 and first quarter 2012 copper sales 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 flows. The unrealized gains and losses are recorded in other comprehensive income on the condensed consolidated financial statements until settlement.

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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 minimus*.

The following table summarizes the copper derivative activity related to copper sales transactions realized in the second quarter and in the first six months of 2011 (the Company held no copper derivatives in the first six months of 2010):

	Second quarter 2011	First six months of 2011
Zero cost collar contracts:		
Pounds (in millions)	105.8	211.6
Average LME cap price	\$ 4.84	\$ 4.84
Average LME floor price	\$ 3.02	\$ 3.02
Swap contracts:		
Pounds (in millions)	112.4	232.0
Weighted average COMEX price	\$ 4.08	\$ 4.08
Realized loss on copper derivatives (pre-tax)(in millions)	\$ 8.6	\$ 44.3

As of June 30, 2011 the Company held copper derivative contracts to protect a portion of its copper sales for the remaining six months of 2011 and the first quarter 2012, as follows:

	2011	1st Quarter 2012
Zero cost collar contracts:		
Pounds (in millions)	211.6	46.3
Average LME cap price	\$ 4.84	\$ 5.18
Average LME floor price	\$ 3.02	\$ 3.50
Estimated % of copper sales covered	30%	13%
Accumulated unrealized loss recognized in other comprehensive income (net of taxes of \$5.4 million and \$- million, respectively) (in millions)	\$ 8.5	\$
Swap contracts:		
Pounds (in millions)	224.9	
Weighted average COMEX price	4.08	
Estimated % of copper sales covered	32%	
Accumulated unrealized loss recognized in other comprehensive income net of taxes of \$17.6 million (in millions)	\$ 28.0	\$

Transactions under these metal price protection programs are accounted for as cash flow hedges under ASC 815-30 Derivatives and Hedging-Cash Flow Hedges (formerly SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities) 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.

Table of Contents**NOTE 9 - 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 have been approved by the Peruvian Ministry of Energy and Mines (MINEM). As part of the closure plans, commencing in January 2010 the Company provides annual installments of \$2.6 million over a 34 year period to guarantee the availability of funds to meet this obligation. Therefore, as of January 2011 the Company has made installments on the guarantee of \$5.2 million, in the form of a lien on its Lima office building. The accepted value of the 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, which includes the physical, geochemical and hydrological stabilization of the mine pits and dumps as well as the tailings facility, the dismantling and demolition of the Toquepala and Cujajone concentrators, the smelter and refinery in Ilo, and the shops and auxiliary facilities at the three operating areas.

The following table summarizes the asset retirement obligation activity for the six months ended June 30, 2011 and 2010 (in millions):

	2011		2010	
Balance as of January 1	\$	59.1	\$	48.9
Changes in estimates				8.7
Additions				
Accretion expense		1.7		1.6
Balance as of June 30,	\$	60.8	\$	59.2

NOTE 10 RELATED PARTY TRANSACTIONS:

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

	As of	
	June 30, 2011	December 31, 2010
Affiliate receivable:		
Grupo Mexico, S.A.B de C.V. and affiliates	\$ 0.8	\$ 32.7
Mexico Proyectos y Desarrollos S.A de C.V. and affiliates	3.3	
Asarco LLC	0.3	
	\$ 4.4	\$ 32.7
Affiliate payable:		
Grupo Mexico S.A.B. de C.V. and affiliates	\$ 2.6	\$ 2.3
Ferrocarril Mexicano S.A. de C.V.	1.3	0.1
Mexico Transportes Aereos S.A de C.V. (Mextransport)	0.5	0.4
Mexico Productos Automotrices S.A. de C.V.	0.3	
Mexico Proyectos y Desarrollos S.A de C.V. and affiliates		0.9
Consorcio Tricobre		0.5

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Higher Technology S.A.C.			0.1
Breaker S.A. de C.V		0.9	0.3
Pigoba S.A. de C.V			0.1
Other			
	\$	5.6	\$ 4.7

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 relating 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

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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.

Purchase Activity:

The following table summarizes the purchase activity with related parties in the six months ended June 30, 2011 and 2010 (in millions):

	Six months ended June 30,	
	2011	2010
Grupo Mexico and affiliates:		
Grupo Mexico Servicios, S.A de C.V	\$ 7.0	\$ 6.9
Asarco LLC	7.7	
Ferrocarril Mexicano, S.A de C.V.	4.1	1.6
Mexico Constructora Industrial S.A. de C.V.	14.1	
Compania Perforadora Mexico S.A.P.I. de C.V and affiliates	0.4	
Consorcio Tricobre	0.5	1.4
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	1.8	8.8
Other Larrea family companies:		
Mexico Compania de Productos Automotrices, S.A. de C.V.	0.2	1.1
Mextranport	1.3	1.0
Companies with relationships to SCC executive officers families:		
Higher Technology S.A.C.	0.9	1.5
Servicios y Fabricaciones Mecanicas S.A.C.	0.2	0.2
Sempertrans France Belting Technology	0.2	0.4
PIGOBA, S.A. de C.V.	0.1	0.1
Breaker, S.A. de C.V.	2.9	0.3
Total purchased	\$ 41.4	\$ 23.3

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 Servicios S.A de C.V., a subsidiary of 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.

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The Company's Peruvian operations paid fees for engineering and consulting services provided by Consorcio Tricobre, a Peruvian company in which Servicios de Ingenieria Consutec, S.A. de C. V., an indirect subsidiary of Grupo Mexico, has 42.7% participation.

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including oil drilling services,

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construction, 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 mining and refining services, the lease of office space and air transportation and construction services. In connection with this, the Company paid fees for maintenance services and sale of vehicles provided by México 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 June 30, 2011 are as follows:

	Loan Open	
Original loan balance (in millions)	\$	8.5
Maturity		August 2013
Interest rate		Libor + 0.15%
Remaining balance at June 30, 2011 (in millions)	\$	3.2

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. If MexTransport defaults on the loan, SCC's subsidiaries would have to satisfy the guaranty and repay to the bank the remaining balances, plus interest. The Company paid fees to MexTransport for aviation services.

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.

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.

In 2011, the Company paid fees to Asarco, a subsidiary of Grupo Mexico, for tolling services provided to the Company's Mexican operations. Also, in the second quarter of 2010 the Company recovered from Asarco \$7.7 million related to a previously written-off net accounts receivable position. This recovery was recorded in the condensed consolidated statement of earnings as follows: \$5.0 million in cost of sales, \$1.6 million in other income and \$1.1 million as interest income.

Sales Activity:

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The Company sold copper cathodes, rod and anodes, as well as sulfuric acid and lime to Asarco. The following table summarizes the sales activity in the three and six months ended June 30, 2011 (in millions):

	2011		2010	
First quarter	\$	17.9	\$	
Second quarter		34.6		5.1
Total	\$	52.5	\$	5.1

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

NOTE 11 - FINANCING:

In February 2011, the Company repurchased \$5.2 million of the Series B Yankee bonds and paid a premium of \$1.4 million which is included in the condensed consolidated statement of earnings in other income (expense).

NOTE 12 BENEFIT PLANS:

SCC Defined Benefit Pension Plans

The components of the net periodic benefit costs for the six months ended June 30, 2011 and 2010 are as follows (in millions):

	2011		2010	
Interest cost	\$	0.3	\$	0.3
Expected return on plan assets		(0.3)		(0.3)
Amortization of net loss (gain)		*		*
Net periodic benefit costs	\$		\$	

(*) amount is lower than \$0.1 million

SCC Post-retirement Health Care Plan

The components of the net periodic benefit costs for the post-retirement health care plan for the six months ended June 30, 2011 and 2010 are individually, and in total, less than \$0.1 million.

Minera Mexico Pension Plans

The components of the net periodic benefit costs for the six months ended June 30, 2011 and 2010 are as follows (in millions):

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	2011		2010	
Interest cost	\$	0.3	\$	0.8
Service cost		0.5		1.0
Expected return on plan assets		(1.7)		(1.4)
Amortization of transition assets, net		(*)		(*)
Amortization of net actuarial loss		(0.8)		(0.5)
Amortization of prior services cost		(*)		0.1
Net periodic benefit cost	\$	(1.7)	\$	

(*) amount is lower than \$0.1 million

Minera Mexico Post-retirement Health Care Plan

The components of the net periodic cost for the six months ended June 30, 2011 and 2010 are as follows (in millions):

	2011		2010	
Interest cost	\$	1.9	\$	2.1
Service cost		(*)		0.2
Amortization of net loss (gain)		(*)		(*)
Amortization of transition obligation		0.8		(0.7)
Net periodic benefit cost	\$	2.7	\$	1.6

(*) amount is lower than \$0.1 million

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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 six months ended June 30, 2011 and 2010 were as follows (in millions):

	2011		2010	
Peruvian operations	\$	1.1	\$	3.8
Mexican operations		3.7		5.5
	\$	4.8	\$	9.3

Peruvian operations

The Company's operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through MINEM 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 9, 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.

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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.

Mexican environmental regulations have become increasingly stringent in recent years, and this trend is likely to continue and has been influenced by the environmental treaty entered into by Mexico, the United States and Canada in connection with NAFTA in 1999.

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In relation the aforementioned, 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.

As a result of the amendment, more legal actions supported or sponsored by non-governmental groups, interested in halting projects, and not necessarily in protecting the rights of affected communities may be filed against companies operating in all industrial sectors, including the mining sector.

Another initiative that has been approved by the Mexican Congress is the one related to amendments to the Civil Federal Procedures Code (CFPC). These amendments consist of establishing three categories of collective actions, by means of which 30 or more people 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. It is expected that these amendments will enter into force six months after the publication in the Official Gazette. The amendments to the CFPC may result in more litigation with plaintiffs seeking remedies, including suspension of the activities alleged to cause harm.

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 initiated a program for plant demolition and soil remediation with a budget of \$35.7 million, of which the Company has spent \$13.2 million through June 30, 2011. The Company expects to remediate the site and promote an urban development to generate a net gain in the disposal of the property.

Although 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 cannot assure that the above mentioned or future laws and regulations would not have a material adverse effect on the Company's business, properties, result of operations, financial condition or prospects. However, the Company's management does not believe that continued compliance with the federal environmental law or Mexican state environmental laws will have a material adverse effect on the Company's business, properties, result of operations, financial condition or prospects or will 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 approximately 800 former employees seeking the delivery of a substantial number of its labor shares (acciones laborales) plus dividends on such shares, to be issued in a proportional way to each former employee in accordance with their time of employment with SCC's Peruvian Branch.

The labor share litigation is based on claims of former employees for ownership of labor shares issued 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

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to the mining industry organization, was set at 5.5% of pre-tax profits and was delivered in the form of labor shares to individual workers. The cash portion was set at 4.0% of pre-tax earnings and continued to be delivered to individual employees. In 1992 the workers participation was set at 8%, with 100% payable in cash and the equity participation was eliminated from the law.

In 1995, the labor shares were exchanged for common stock of the Company and approximately 80.8% of the issued labor shares were exchanged. After that, from time to time the Company has purchased labor shares on the open market. The remaining net 0.71% is included in the condensed consolidated balance sheet under the caption Non-controlling interest.

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

1) The Garcia Ataucuri litigation seeks the delivery of 38,763,806.80 labor shares (acciones laborales), now investment shares (acciones de inversion) (or nuevos soles (S/.) 3,876,380,679.56), plus dividends on such shares. After lengthy proceedings before the civil courts in Peru on September 19, 2001, on appeal from the Branch, 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.

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.

On June 9, 2009, SCC's Peruvian Branch filed an extraordinary appeal before a civil court in Peru seeking the nullity of the 2009 Supreme Court decision and other protective measures. The civil court has now rendered a favorable decision suspending the enforcement of the Supreme Court decision, for the reasons indicated above and other reasons. 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 which seek the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and dividends: 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 García Ataucuri, in representation of 216 SCC's Peruvian Branch former workers, v. SCC's Peruvian Branch (filed May 2011); and Silvestre Macedo Condori v. SCC's Peruvian Branch (filed June 2011). SCC's Branch has answered the complaints and denied the validity of the claims.

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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.

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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. As of June 30, 2011, this case remained open with no new developments.

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 shares of Excomet by SCC's Branch, noted above, and the sale of the concession to SCC's Branch by Excomet). As of June 30, 2011, the case remained open with no new developments.

Omar Nunez Melgar:

In May 2011, Mr. Omar Nunez Melgar commenced a lawsuit against the Peruvian Mining and Metallurgical Institute 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.

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

Mexican operations

Pasta de Conchos Accident:

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On February 19, 2010 three widows of miners, who perished in the 2006 Pasta the Conchos accident, filed a complaint for damages in the United States District Court for the District of Arizona against the defendants, Grupo México, AMC and SCC. Plaintiffs allege that 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 June 25, 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. As of June 30, 2011, the decision of the appeal is 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.

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Peruvian Operations

Approximately 79% of the Company's Peruvian labor force was unionized at June 30, 2011, represented by eight separate unions. Three of these unions, one at each major production area, represent the majority of the Company's workers. In September 2010, the Company reached a new three-year collective bargaining agreement with these three unions. This agreement includes, among other things, a 5% annual salary increase and a signing bonus of approximately \$6,700 for each of the workers (approximately 2,000). In addition, this agreement provides for a productivity bonus program for the departments that reach certain goals. Also, there are five smaller unions, representing the balance of workers. Collective bargaining agreements for these smaller unions are in force through November 2012.

There were no strikes during the first six months of 2011 and 2010.

Mexican operations

Approximately 73% of the Mexican labor force was unionized at June 30, 2011, represented by three separate unions. Under Mexican law, the terms of employment for unionized workers is set forth in collective bargaining agreements. Mexican companies negotiate the salary provisions of collective bargaining agreements with the labor unions annually and negotiate other benefits every two years. The Company conducts negotiations separately at each mining complex and each processing plant.

In recent years the Buenavista mine experienced several labor stoppages. The latest labor stoppage started in July 2007 and finished in June 2010. The Company began the rehabilitation of the Buenavista mine during the second half of 2010 and is now operating the facility at full capacity. Through June 30, 2011, the Company has spent \$135.3 million on repairs, of this \$78.7 million were capitalized and \$56.6 million were charged to operating cost. At June 30, 2011 the total estimated cost of repairs is \$174.0 million, including amounts already spent. The additional \$38.7 million are related to major mechanical and electrical maintenance to be performed through the rest of 2011.

Currently, the Buenavista operations have a work force of 4,800 workers that are operating the mine and plants as well as developing the \$3.7 billion growth program, which is expected to increase its production capacity from 180,000 tons of copper per year to over 450,000 tons. On June 6, 2011, the Confederation of Mexican Workers (CTM) was awarded the collective bargaining agreement of the Buenavista del Cobre union by the Federal Board of Conciliation and Arbitration. CTM now represents around 780 workers of this mine.

Additionally, the San Martin and Taxco mines have been on strike since July 2007. On December 10, 2009, a federal tribunal confirmed the legality of the San Martin strike. 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 has presented an appeal of the labor court ruling before federal tribunals. As of June 30, 2011 the resolution of this appeal was pending.

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Other legal matters:

Class actions:

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 - Lemon Bay, LLP v. American Mining-Corporation, et al., Civil Action No. 961-N, Therault Trust v. Luis Palomino Bonilla, et al., and Southern Peru Copper Corporation et al., Civil Action No. 969-N, and James Sousa v. Southern Peru Copper Corporation, et al., Civil Action No. 978-N were consolidated into one action, captioned In re Southern Peru Copper Corporation Shareholder Derivative Litigation, Consol. Civil Action No. 961-N; 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 are AMC, German Larrea Mota-Velasco, Genaro Larrea Mota-Velasco, Oscar Gonzalez Rocha, Emilio Carrillo Gamboa, Jaime Fernando Collazo Gonzalez, Xavier Garcia de Quevedo Topete, Armando Ortega Gomez and Juan Rebolledo Gout (together, the AMC Defendants), Carlos Ruiz Sacristan, Harold S. Handelsman, Gilberto Perezalonso Cifuentes, and Luis Miguel Palomino Bonilla (together, the Special Committee Defendants). 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 not entirely fair to the Company and its minority stockholders. Fact discovery closed in early 2010 and expert discovery closed on June 18, 2010. On June 30, 2010, the plaintiff moved for partial summary judgment. On August 10, 2010, the AMC Defendants and the Special Committee Defendants filed separate cross-motions for summary judgment. On December 21, 2010, the Court denied the plaintiff's motion and the AMC Defendants' cross-motion, but granted the Special Committee Defendants' motion, dismissing the Special Committee Defendants from the action. A four day trial was held on June 21-24, 2011. Post-trial argument took place on July 12, 2011. A decision by the Court is pending.

Plaintiff seeks, among other things, an award of damages to the Company's stockholders, and such other relief that the court deems equitable, including interest, attorneys' and experts' fees and costs. The defendants believe that the lawsuit is without merit and are vigorously defending against the action.

Four purported class action derivative lawsuits have been filed in the Delaware Court of Chancery (Oklahoma Firefighters Pension & Retirement System et al. v. SCC et al., Gary Martin et al. v. SCC et al., Thomas Griffin et al. v. SCC et al., and Sheet Metal Workers Pension Plan of Northern California et al. v. SCC et al.) from August 2010 to October 2010 relating to the proposed combination of the Company with AMC, the parent company of Asarco. The complaints name SCC, its current and certain former directors, AMC and Grupo Mexico as defendants. Two of the actions also name Asarco as a defendant. The actions purport to be brought on behalf of the Company's common stockholders. A previously reported complaint filed in the Superior Court of Arizona, City of North Miami Beach Police Officers and Firefighters Retirement Plan et al. v. SCC et al., has been voluntarily dismissed.

The complaints allege, among other things, that the proposed transaction would result in breaches of fiduciary duties by the defendants and is not entirely fair to the Company and its minority stockholders. The complaints seek, among other things, a preliminary and permanent injunction to enjoin the transaction, the award of damages to the plaintiffs and the class, and such other relief that the court deems equitable, including interest, attorneys' and experts' fees and costs. On January 25, 2011, the Oklahoma Firefighters and Sheet Metal Workers plaintiffs filed an amended and joint motion to consolidate and have Firefighters counsel appointed lead counsel. Plaintiffs also moved to stay the Martin and Griffin actions. The Sheet Metal plaintiffs have withdrawn their prior motion to consolidate in connection with the new motion. Oral argument on all plaintiffs' motions and cross-motions to stay or consolidate and appoint lead counsel is pending.

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The Firefighters plaintiffs also moved for leave to file an amended complaint to add or supplement factual allegations concerning the summary judgment ruling in the Lemon Bay action described above. On April 1, 2011, the plaintiffs' motion was granted.

The defendants believe that these lawsuits are without merit and are vigorously defending against the actions.

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 adverse effect on its financial position or results of operations. Additionally, the Company does not believe that the outcome of the purported class action derivative lawsuits would have a material adverse effect on its financial position or results of operations. While the defendants, including Grupo Mexico and its affiliates, believe that the claims in the purported class action derivative lawsuits are without merit, the Company cannot assure you that these or future claims, if successful, will not have an adverse effect on Grupo Mexico, AMC or the Company.

Other Contingencies:

Tia Maria:

In 2009, the Company submitted to MINEM its Tia Maria Environmental Impact Assessment (EIA) for evaluation and approval. On March 28, 2011, according to the regular procedure, remarks and observations to the EIA were submitted by some concerned parties as part of the EIA approval process, and were delivered to the Company, in order to be addressed. On April 5, 2011, in light of protests and disruptions carried out by a small group of activists who allege, among other things, that the Tia Maria project will result in severe environmental contamination and the diversion of water resources that are for agricultural use, MINEM issued a resolution suspending the approval process of the Tia Maria EIA for a period of 180 days. Later, on April 8, 2011, in light of further protests MINEM issued a new resolution annulling such decision, and declaring the EIA inadmissible. This resolution was appealed by the Company to the Mining Council, a government appointed board that resolves mining administrative disputes. Even though the EIA process is suspended, the Company has provided to MINEM its answers to all the observations submitted by the concerned parties as part of the EIA approval process. The Company believes that the government's action is without legal merit and was motivated to a large extent by political considerations, as the presidential election process was taking place at that time in Peru. The Company is willing to readdress the status of the Tia Maria project with the new government as soon as practical. The new president-elect took office on July 28, 2011.

The Company has legal and valid title to the Tía 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.

The Tia Maria project comprises an investment of over \$1,000 million, which will generate 4,000 new jobs during the construction phase and 4,100 direct and indirect permanent jobs. The estimated annual production of the project is 120,000 tons of copper cathodes, all obtained through a leaching process (SXEW). The project would significantly increase Peruvian exports and generate important contributions to the Peruvian economy through income taxes and mining royalties, as well as payroll taxes, custom duties, mining rights and other levies. In addition, the Company plans to invest in social responsibility programs in the Arequipa region similar to those established in the communities nearby the current Peruvian operations of Toquepala, Cuajone and Ilo.

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The Company is confident that it will complete the Tia Maria project and will begin copper mining and production activities at Tia Maria once the necessary approvals are received. The SXEW leaching technologies and processes to be employed at the Tia Maria facility have been widely developed in Peru and other countries and have been demonstrated to comply with environmental regulations with no adverse impact on the air, soil or water.

However, 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 June 30, 2011, is \$442 million. As the project is currently suspended much of the equipment is being used at the Company's mining operations in Toquepala and Cuajone. Should the Tia Maria project not restart, the Company is confident that the project equipment will continue to be used in this manner. While the Company may incur additional costs due to the delay, it believes that an impairment loss, if any, will not be material.

Other commitments:

Royalty charge

The Company's Peruvian operations are subject to a 1% to 3% royalty charge based on sales and calculated on the value of the concentrates and SXEW copper produced at the Toquepala and Cuajone mines. The Company made provisions for this charge in the first six months of 2011 and 2010 of \$31.8 million and \$27.6 million, respectively. These provisions are included in Cost of sales (exclusive of depreciation, amortization and depletion) in the condensed consolidated statement of earnings.

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 was also completed under which SCC agreed to purchase all of its power needs for its Peruvian operations from Enersur for twenty years, commencing in 1997. In 2003 the agreement was amended, releasing Enersur from its obligation to construct additional capacity to meet the Company's increased electricity requirements and changing the power tariff as called for in the original agreement.

The Company has recently signed a Memorandum of Understanding (MOU) with Enersur regarding its power supply agreement. The MOU contains new economic terms that the Company believes better reflect current economic conditions in the power industry and 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. During 2011, the Company continued its negotiations with Enersur in order to obtain a final agreement for the Tia Maria project, see caption Tia Maria above.

Tax contingency matters:

Tax contingencies are provided for under ASC 740-10-50-15 Uncertain tax position (see Note 6, Income taxes).

NOTE 14 SEGMENT AND RELATED INFORMATION:

Company management views Southern Copper as having three operating segments and manages on the basis of these segments. The 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.

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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 June 30, 2011 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	\$ 900.8	\$ 108.0	\$ 792.7		\$ 1,801.5
Intersegment sales		35.5		\$ (35.5)	
Cost of sales (exclusive of depreciation, amortization and depletion)	296.5	76.0	362.8	(39.3)	696.0
Selling, general and administrative	8.6	3.7	11.8	1.7	25.8
Depreciation, amortization and depletion	32.8	5.9	34.8	(0.6)	72.9
Exploration	0.8	4.8	2.5		8.1
Operating income	\$ 562.1	\$ 53.1	\$ 380.8	\$ 2.7	998.7
Less:					
Interest, net					(43.4)
Gain on sale of property					6.4
Other income (expense)					0.3
Income taxes					(301.9)
Non-controlling interest					(2.1)
Net income attributable to SCC					\$ 658.0
Capital expenditure	\$ 61.5	\$ 8.5	\$ 41.1	\$ (0.4)	\$ 110.7
Property, net	\$ 1,627.8	\$ 301.6	\$ 2,150.3	\$ 50.4	\$ 4,130.1
Total assets	\$ 2,892.8	\$ 744.0	\$ 2,844.7	\$ 1,312.6	\$ 7,794.1

	Three Months Ended June 30, 2010 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	\$ 337.3	\$ 87.5	\$ 738.2	\$ 10.2	\$ 1,173.2
Intersegment sales	7.9	35.8		(43.7)	
Cost of sales (exclusive of depreciation, amortization and depletion)	186.4	78.8	303.0	(36.7)	531.5
Selling, general and administrative	7.7	3.4	9.4	1.4	21.9
Depreciation, amortization and depletion	30.2	5.4	32.6	1.1	69.3
Exploration	1.2	3.5	5.4		10.1
Operating income	\$ 119.7	\$ 32.2	\$ 387.8	\$ 0.7	540.4

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Less:										
Interest, net						(43.7)				
Other income (expense)						(6.5)				
Income taxes						(174.9)				
Non-controlling interest						(1.9)				
Net income attributable to SCC					\$	313.4				
Capital expenditure	\$	10.7	\$	4.3	\$	77.3	\$	0.6	\$	92.9
Property, net	\$	1,567.4	\$	274.5	\$	2,108.2	\$	61.2	\$	4,011.3
Total assets	\$	2,295.8	\$	626.6	\$	2,912.3	\$	1,614.8	\$	7,449.5

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	Six Months Ended June 30, 2011 (in millions)					
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations		Consolidated
Net sales outside of segments	\$ 1,570.6	\$ 219.1	\$ 1,613.8			\$ 3,403.5
Intersegment sales		66.9		\$ (66.9)		
Cost of sales (exclusive of depreciation, amortization and depletion)	527.6	143.6	800.3	(38.7)		1,432.8
Selling, general and administrative	16.8	7.2	24.1	2.2		50.3
Depreciation, amortization and depletion	63.5	12.2	69.0	(1.2)		143.5
Exploration	1.4	8.6	5.3	0.1		15.4
Operating income	\$ 961.3	\$ 114.4	\$ 715.1	\$ (29.3)		1,761.5
Less:						
Interest, net						(87.3)
Gain on sale property						6.4
Other income (expense)						(0.3)
Income taxes						(540.0)
Non-controlling interest						(3.9)
Net income attributable to SCC						\$ 1,136.4
Capital expenditure	\$ 106.3	\$ 16.3	\$ 60.0	\$ 1.0		\$ 183.6
Property, net	\$ 1,627.8	\$ 301.6	\$ 2,150.3	\$ 50.4		\$ 4,130.1
Total assets	\$ 2,892.8	\$ 744.0	\$ 2,844.7	\$ 1,312.6		\$ 7,794.1

	Six Months Ended June 30, 2010 (in millions)					
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations		Consolidated
Net sales outside of segments	\$ 715.7	\$ 178.7	\$ 1,460.0	\$ 38.2		\$ 2,392.6
Intersegment sales	29.1	87.5		(116.6)		
Cost of sales (exclusive of depreciation, amortization and depletion)	364.3	170.1	586.4	(78.3)		1,042.5
Selling, general and administrative	15.2	6.6	19.9	2.0		43.7
Depreciation, amortization and depletion	60.0	11.3	65.5	1.9		138.7
Exploration	2.3	7.1	9.1			18.5
Operating income	\$ 303.0	\$ 71.1	\$ 779.1	\$ (4.0)		1,149.2
Less:						
Interest, net						(65.5)
Other income (expense)						(5.1)
Income taxes						(378.1)
Non-controlling interest						(3.9)
Net income attributable to SCC						\$ 696.6
Capital expenditure	\$ 22.9	\$ 10.2	\$ 134.5	\$ 0.7		\$ 168.3
Property, net	\$ 1,567.4	\$ 274.5	\$ 2,108.2	\$ 61.2		\$ 4,011.3
Total assets	\$ 2,295.8	\$ 626.6	\$ 2,912.3	\$ 1,614.8		\$ 7,449.5

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Activity in treasury stock in the six-month period ended June 30, 2011 and 2010 is as follows (in millions):

	2011		2010
Southern Copper common shares			
Balance as of January 1,	\$ 461.0	\$	460.7
Purchase of shares	148.0		0.4
Used for corporate purposes	(0.5)		(0.2)
Balance as of June 30,	608.5		460.9
Parent Company (Grupo Mexico) common shares			
Balance as of January 1,	161.7		142.7
Other activity, including dividend, interest and currency translation effect	14.3		9.7
Balance as of June 30,	176.0		152.4
Treasury stock balance as of June 30,	\$ 784.5	\$	613.3

The following table summarizes share distributions in the first six months of 2011 and 2010:

	2011	2010
Southern Copper common shares		
Directors' Stock Award Plan	14,400	13,200
Parent Company (Grupo Mexico) common shares		
Employee stock purchase plan (shares in millions)	3.5	0.6

*Southern Copper Common Shares:**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. The Board of directors also confirmed the Company's purchase of 4.6 million shares of its common shares at a cost of \$148.0 million in the second quarter of 2011. 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.

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From	Period	To	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 @ \$32.87	Total Cost (\$ in millions)
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:							
	05/01/11	05/31/11	14,400	37.06	33,452,150		0.5
	06/01/11	06/30/11	4,567,520	32.30	38,019,670	5,929,726	147.5
Total second quarter			4,581,920	32.32			148.0
Total purchased			38,019,670	\$ 15.92	38,019,670		\$ 605.1

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 80.4% as of June 30, 2011.

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 six-month period ended June 30, 2011 and 2010 is as follows:

	2011	2010
Total SCC shares reserved for the plan	600,000	600,000
Total shares granted at January 1,	(256,800)	(241,200)
Granted in the period	(14,400)	(13,200)
Total shares granted at June 30,	(271,200)	(254,400)
Remaining shares reserved	328,800	345,600

Parent Company common shares:

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 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.

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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 six months ended June 30, 2011 and 2010 and the unrecognized compensation expense as of June 30, 2011 and 2010 under this plan were as follows (in millions):

	2011		2010	
Stock based compensation expense	\$	1.1	\$	1.1
Unrecognized compensation expense	\$	7.4	\$	9.5

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

The following table presents the stock award activity of the Employee Stock Purchase Plan for the six months ended June 30, 2011 and 2010:

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	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2010	11,556,625	\$ 1.16
Granted		
Exercised		
Forfeited	(558,297)	1.16
Outstanding shares at June 30, 2010	10,998,328	\$ 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 June 30, 2011	7,452,715	\$ 1.16

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 six months ended June 30, 2011 and 2010 and the unrecognized compensation expense as of June 30, 2011 and 2010 under this plan were as follows (in millions):

	2011	2010
Stock based compensation expense	\$ 0.3	
Unrecognized compensation expense	\$ 4.0	

The unrecognized compensation expense under this plan is expected to be recognized over the remaining seven and one-half year period.

The following table presents the stock award activity of the New Employee Stock Purchase Plan for the six months ended June 30, 2011:

	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2011	3,901,901	\$ 2.05
Granted		
Exercised		
Forfeited		
Outstanding shares at June 30, 2011	3,901,901	\$ 2.05

Executive Stock Purchase Plan:

Grupo Mexico also offers a stock purchase plan for certain members of its executive management and the executive management of its subsidiaries and certain affiliated companies. Under this plan, participants will receive incentive cash bonuses which are used to purchase shares of Grupo Mexico which are deposited in a trust.

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The following table presents the non-controlling interest activity for the six months ended June 30, 2011 and 2010:

	2011		2010	
Balance as of January 1,	\$	20.0	\$	18.0
Comprehensive income		4.1		3.9
Dividend paid		(3.6)		(3.0)
Other		(0.5)		(0.1)
Balance as of June 30,	\$	20.0	\$	18.8

NOTE 17 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 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 June 30, 2011 and December 31, 2010 (in millions):

As of June 30, 2011		As of December 31, 2010	
Carrying Value	Fair Value	Carrying Value	Fair Value

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Liabilities:

Long-term debt	\$	2,750.4	\$	2,854.1	\$	2,760.4	\$	2,982.7
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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 11.3%, 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 June 30, 2011 and December 31, 2010:

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Description	Fair Value at June 30, 2011 Using:				Fair Value at December 31, 2010 Using:			
	Fair Value as of June 30, 2011	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, 2010	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	\$ 216.4	\$ 216.4			\$ 66.9	\$ 66.9		
- Available for sale debt securities:								
Corporate bonds	0.5		0.5		0.4		\$ 0.4	
Asset backed obligations	0.2		0.2		0.3		0.3	
Mortgage backed securities	8.0		8.0		8.6		7.4	\$ 1.2
Accounts receivable:								
- Derivatives Not classified as hedges:								
Provisionally priced sales:								
Copper	322.9	322.9			60.7	60.7		
Molybdenum	139.4	139.4			149.5	149.5		
Liabilities:								
Other current liabilities:								
Liability derivatives Classified as cash flow hedges:								
Swap	(45.6)	(45.6)			(124.4)	(124.4)		
Zero cost collar	(13.9)	(13.9)			(72.6)	(72.6)		
Total	\$ 627.9	\$ 619.2	\$ 8.7	\$	\$ 89.4	\$ 80.1	\$ 8.1	\$ 1.2

The Company classifies investments within Level 3 of the valuation hierarchy in certain cases where there is limited activity or less observable inputs to the valuation. Investments classified within Level 3 as of December 31, 2010, include mortgage-backed securities. These investments are valued by the fund's management advisor taking into consideration different factors and methodologies considered appropriate in the circumstance. Factors can include the following or a combination of the following, observed transactions, broker quotes, cash flow analysis, vendor prices and other factors as appropriate.

Derivatives are valued using internal 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. The Company generally classifies these instruments within Level 1 of the valuation hierarchy. Such derivatives at June 30, 2011 and December 31, 2010, include copper swaps and zero cost collar.

The Company's accounts receivables associated with provisionally priced copper sales of copper are valued using quoted market prices based on the forward price on the London Metal Exchange (LME) or on the Commodities Exchange (COMEX) in New York. 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.

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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 first six months of 2011 and 2010.

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	6 months ended June 30, 2011 Available for sale debt securities:			6 months ended June 30, 2010 Available for sale debt securities:			
	Corporate bonds	Mortgage backed securities	Total	Corporate bonds	Asset backed obligations	Mortgage backed securities	Total
Balance as of January 1,	\$	1.2	\$ 1.2	\$	1.7	\$ 1.4	\$ 3.1
Unrealized gain (loss)							
Purchases							
Sales				(1.2)			(1.2)
Issuance							
Settlements							
Transfers in/out of Level 3		(1.2)	(1.2)	(0.3)		(1.4)	(1.7)
Balance as of June 30,	\$		\$	\$ 0.2		\$	\$ 0.2

NOTE 18 SUBSEQUENT EVENTS:

Dividends:

On July 28, 2011 the Board of Directors authorized a quarterly dividend of 62 cents per share payable on August 31, 2011 to the Company's shareholders of record at the close of business on August 17, 2011.

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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, 2010.

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 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. 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. In the first six months of 2011 approximately 77% of our revenues came from the sale of copper, 9% from molybdenum, 7% from silver and 7% from various other products, including zinc, gold and other materials.

We believe that our greatest strength lies in our copper ore reserves, which at December 31, 2010 totaled 59.7 million tons of contained copper, calculated at a copper price of \$1.80 per pound. In terms of copper reserves, we believe we hold the world's largest reserve position.

One of our other key strengths is our cost competitiveness and efficiency which is evidenced by our first six months of 2011 operating cash cost of 31.0 cents per pound; one of the lowest in the industry.

Our other significant strengths include our asset quality and our prudent financial policies, which are reflected in our financial performance.

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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. Copper and molybdenum represented 77% and 9%, respectively, of our sales in the first half of 2011. The average LME copper price was \$4.26 per pound in the first half of 2011 about 32% higher than in the first half of 2010. Average molybdenum, silver and zinc prices in the first half of

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2011 increased about 6%, 99% and 7%, respectively, over average prices in the first half of 2010.

- We maintain our 2011 production guidance of 630,000 tons of copper, but increasing the total share of third parties copper from 5.7% to 7.7% as a result of lower than expected Cuajone production.
- For the second half of 2011, we expect an increase in ore grade at the Cuajone mine, which could partially offset its lower production in the first half of 2011, which was due to lower ore grades.
- We expect a molybdenum production of 17,500 tons in 2011, a decrease from 2010 production due a decrease in production at our Peruvian mines because of a temporary decrease in ore grades.
- For 2011 we are estimating a zinc production of 85,500 tons and a silver production of 13.0 million ounces. Silver and zinc represented 7% and 3% of our sales in the first half of 2011.
- In the first half of 2011, we spent \$183.6 million on capital expenditures and for the entire year 2011 we are now estimating total capital expenditures of approximately \$700 million. See Capital Expansion and Exploration Programs below.

Metal markets and prices: Metal markets have been affected by different macroeconomic events that are delaying recovery of metal demand. The most important of these are the following:

- The US macroeconomic problems, reflected in the recent debate to increase the US debt ceiling. Since the US economy is about 25% of the total world economy, any of its macro problems creates concern in the rest of the world.
- The European debt crisis, which affects the confidence of investors in the Euro and the economic stability of this region.
- The Chinese and other emerging economies anti-inflation programs, which may reduce their expected growth.
- The Japanese production disruption, the third largest economy in the world, has also affected confidence in the economic recovery.

We believe these worldwide macro concerns will influence the markets confidence in demand for metals during the next twelve months. On the positive side, we think the Japanese recovery is underway and this will help the world economy and metal demand in the second half of 2011.

Copper Overview: Once again current international economic conditions are uneasy. Over the past few weeks the market has been focusing on global growth concerns and worries over the United States, European and Chinese economies. Even under these difficult circumstances, we believe that the copper market fundamentals are still excellent. We are confident that our low cost leadership and solid financial position will provide us an advantage to lead under these challenging market conditions.

Focusing on the copper market, we maintain our positive outlook for this metal's fundamentals during 2011. On the demand side, CRU estimated a 3.4% growth during the second quarter of this year. This demand growth was not matched by new supply. New copper production grew by 1.4%, less than half of the required growth to balance the market. As a consequence, CRU estimated a market deficit of 200,000 tons for the

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second quarter and a similar amount for the third quarter 2011.

For the rest of 2011 we believe that market fundamentals for copper will improve as we expect to have higher Asian demand coming from Japan and China. In the case of Japan this will come from the recovery of its industrial capacity. For China, the end of a long destocking period should increase Chinese physical demand.

Molybdenum overview: Molybdenum, our major by-product, represented 9% of our first half 2011 sales. Regarding market trends, we are currently seeing a soft recovery in molybdenum production that has reduced the average market price by 4%, from the \$17.18

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per pound in the first quarter of 2011 to \$16.50 in the second quarter 2011. We believe that this is a short-term event and still expect a relatively balanced market for this metal.

Earnings: Net earnings in the second quarter and first six months of 2011 were 110.0% and 63.1% higher than the comparable periods of 2010, principally as result of the full restoration of Buenavista production and higher average copper prices and the prices for our major by-products.

The table below highlights key financial and operational data for our Company for the three and six months ended June 30, 2011 and 2010:

	3 months ended June 30,			6 months ended June 30,		
	2011	2010	Variance	2011	2010	Variance
Net sales (in millions)	\$ 1,801	\$ 1,173	\$ 628	\$ 3,404	\$ 2,393	\$ 1,011
Net income attributable to SCC (in millions)	\$ 658	\$ 313	\$ 345	\$ 1,136	\$ 697	\$ 439
Earnings per share	\$ 0.78	\$ 0.37	\$ 0.41	\$ 1.34	\$ 0.82	\$ 0.52
Dividends per share	\$ 0.56	\$ 0.45	\$ 0.11	\$ 1.14	\$ 0.88	\$ 0.26
Average LME copper price	\$ 4.15	\$ 3.19	\$ 0.96	\$ 4.26	\$ 3.23	\$ 1.03
Pounds of copper sold (in millions)	333	256	77	620	513	107

Production: Second quarter 2011 mined copper production was 29% higher than the second quarter of 2010. Molybdenum and mined zinc in the second quarter of 2011 decreased 18%, 16%, respectively, compared to the second quarter of 2010, while silver production increased 3% compared with the same period of 2010.

The table below highlights key mine production data for our Company for the three and six months ended June 30, 2011 and 2010:

	Three months ended June 30,			Six months ended June 30,		
	2011	2010	Variance	2011	2010	Variance
Copper (in million pounds)	322.4	250.3	72.1	596.2	491.1	105.1
Molybdenum (in million pounds)	9.9	12.1	(2.2)	19.3	22.6	(3.3)
Zinc (in million pounds)	47.1	56.1	(9.0)	91.2	115.2	(24.0)
Silver (in million ounces)	3.2	3.1	0.1	6.1	6.3	(0.2)

Buenavista mine: A year after the recovery of the Buenavista facility we are now working at full capacity and focused our \$3.7 billion growth projects, which include a new SXEW plant with a planned annual capacity of 88,000 tons of copper, a concentrator expansion with an increase in production capacity of 188,000 tons per year and two molybdenum plants with a combined annual capacity of 4,600 tons. This aggressive investment program is underway and we expect to complete it in two phases, the first in 2013 and the second phase in 2015.

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Currently, we have at the Buenavista operations a work force of 4,800 workers that are operating the mine and plants, as well as developing our growth program. This program is expected to increase Buenavista's production capacity from 180,000 tons of copper per year to over 450,000 tons, contributing to the well-being of the town of Cananea and the Sonora state through salaries, taxes and social programs. As part of the new era in the development of this facility, on June 6, 2011, the Confederation of Mexican Workers (CTM) was granted the collective bargaining agreement for the Buenavista union.

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Through June 30, 2011, we have spent \$135.3 million on repairs, of this \$78.7 million were capitalized and \$56.6 million were charged to operating cost. At June 30, 2011 the total estimated cost of repairs is \$174.0 million including the amounts already spent. The additional \$38.7 million are related to major mechanical and electrical maintenance to be performed through the rest of 2011.

Tantahuatay: This project, in which we have 44.2% participation, is located in Cajamarca, in northern Peru. In 2010, we began the development of this project to exploit its gold cap. We expect to start dore gold production by the third quarter of 2011. The project is expected to have an annual production of 90,000 ounces of gold and 425,000 ounces of silver for five years.

Tia Maria project: This project in our Peruvian operations was suspended by MINEM in April 2011. This resolution was appealed by us to the Mining Council and we have provided to MINEM our answers to all the observations submitted by the concerned parties as part of the EIA approval process.

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

The Tia Maria project comprises an investment of over \$1,000 million, which will generate 4,000 new jobs during the construction phase and 4,100 direct and indirect permanent jobs. The estimated annual production of the project is 120,000 tons of copper cathodes, all obtained through a SXEW process. The project would significantly increase Peruvian exports and generate important contributions to the Peruvian economy through income taxes and mining royalties, as well as payroll taxes, custom duties, mining rights and other levies. In addition, we plan to invest in social responsibility programs in the Arequipa region similar to those established in the communities nearby the current Peruvian operations of Toquepala, Cuajone and Ilo.

We are confident that we will complete the Tia Maria project and will begin copper mining and production activities once the necessary approvals are received. However, in view of the suspension of this project, we have reviewed the carrying value of this asset to ascertain whether impairment exists. Total spending on the project, through June 30, 2011, is \$442 million. As the project is currently suspended much of the equipment is being used at our mining operations in Toquepala and Cuajone. Should the Tia Maria project not restart we are confident that the project equipment will continue to be used in this manner. While we may incur additional costs due to the delay, we believe that an impairment loss, if any, will not be material. See note 13- Commitments and Contingencies - Tia Maria for further information.

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 operating cash costs as a measure of our performance, (ii) metal prices, (iii) business segments, (iv) the effect of inflation and other local currency issues, and (v) capital expansion and exploration program.

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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

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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, below.

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 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, primarily molybdenum, zinc, silver 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. We also include copper sales premiums as a credit, as these amounts are in excess of published copper prices. The increase in recent years in the price of molybdenum, as well as increases in 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.

We exclude the cost of purchases of third party copper material. From time to time we purchase copper concentrates on the open market in order to maximize the use of our smelter capacity or to take advantage of an attractive market situation. We view these purchases on an incremental basis and measure the results incrementally. We find that the inclusion of these purchases with our own production often creates a distortion in our unit cost. Accordingly, we include only the net effect of these purchases, so that only the net revenue or loss from the transaction is included in the calculation. We believe this will allow others to see a truer presentation of our cash cost.

We exclude from our calculation of operating cash cost depreciation, amortization and depletion, which are considered non-cash expenses. Exploration is considered a discretionary expenditure and is also excluded. Workers participation provisions are determined on the basis of pre-tax earnings and are also excluded. Additionally excluded from operating cash costs are items of a non-recurring nature and the royalty charges.

Our operating cash costs per pound, as defined, are presented in the table below, for the three and six months ended June 30, 2011 and 2010.

(dollars per pound)	Three Months Ended June 30,		Positive (negative) Variance	Six Months Ended June 30,		Positive (negative) Variance
	2011	2010		2011	2010	
Operating cash cost per pound of copper produced	\$ 0.367	\$ 0.265	\$ (0.102)	\$ 0.310	\$ 0.064	\$ (0.246)
Less: by-product revenues and net revenue on sale of metal purchased from third parties	(1.308)	(1.298)	0.010	(1.361)	(1.469)	(0.108)
Operating cash cost per pound of copper produced without by-product revenues and net revenue on sale of metal purchased from third parties	\$ 1.675	\$ 1.563	\$ (0.112)	\$ 1.671	\$ 1.533	\$ (0.138)

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Second quarter 2011: Our per pound cash cost for the second quarter 2011 when calculated with and without by-product revenues was 10.2 cents and 11.2 cents higher than in the second quarter of 2010. These increases were primarily due to higher production cost due to higher power, fuel and material repair costs.

Six months 2011: Our per pound cash cost for the first six months of 2011 when calculated with by-product revenues is higher by 24.6 cents per pound than in the first six months of 2010. The increase was the result of lower by-product credits, principally molybdenum, due to the lower production mainly from our Peruvian operations, partially offset by higher silver credit because of a 99% increase in market price in the first six months of 2011 compared with the first six months of 2010.

Our cash cost, excluding by-product revenues, in the first six months of 2011 was higher by 13.8 cents per pound than in the 2010 period due to higher production cost due to higher power, fuel and material repair costs.

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 speculative activities.

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 2011 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)	\$	7.5	\$	22.2	\$	1.1	\$	7.8

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.

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Segment information is included in our review of Results of Operations and also in Note 14 - Segment and Related Information of our condensed consolidated financial statements.

Inflation and Devaluation 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 six month periods ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Peru:				
Peruvian inflation rate	0.8%	0.5%	2.3%	1.4%
Nuevo sol/dollar devaluation / (appreciation) rate	(2.0)%	(0.5)%	(2.1)%	(2.2)%
Mexico:				
Mexican inflation rate	(0.8)%	(1.0)%	0.3%	1.4%
Peso/dollar devaluation / (appreciation) rate	(1.1)%	1.6%	(4.2)%	(3.1)%

Capital Expansion and Exploration Programs: We made capital expenditures of \$110.7 million and \$183.6 million for the three and six months ended June 30, 2011, compared with \$92.9 million and \$168.3 million in the comparable periods of 2010, respectively. For year 2011, we are now estimating capital expenditures of approximately \$700 million.

The approved capital budget of \$1.7 billion for 2011 has suffered a delay due to the suspension of the Tia María project and the change in scope of the Toquepala mine expansion described below. Regarding the Mexican projects we have already committed \$477 million, a portion of which will be spent in 2011.

Set forth below are descriptions of some of our current 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. In general, the capital expenditures and projects described below are intended to increase production and/or decrease costs.

Peruvian Operations:

Tia Maria project: On April 8, 2011, MINEM issued a resolution suspending the process of approval of the Tia Maria EIA. While we do hope to resume this project in the future at present the project is shut-down. See note 13- Commitments and Contingencies - Tia Maria for further

information.

Toquepala concentrator expansion: Through June 30, 2011, we have spent \$128.2 million on this project mainly on mine equipment. The inclusion in the project of high pressure grinding rolls and wet screening at the tertiary crushing stage is expected to reduce operating cost. The scope of the project has been defined as

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an increase in milling capacity of 60,000 tons per day. The EIA was presented to MINEM in July 2011, and project completion is expected by the first half of 2013.

Cuajone concentrator expansion: Through June 30, 2011, we have spent \$45.7 million on this project. The purchase of mine and auxiliary equipment to support the work to optimize the Cuajone mine plan is in process. As part of the expansion plans, the project contemplates a variable cut-off grade methodology, which will start increasing copper and molybdenum production in the second half of 2011.

Tantahuatay: This project is located in the department of Cajamarca in northern Peru. In 2010, we began development of this project to exploit the gold cap. The Tantahuatay project contains estimated resources of 27.1 million tons of mineralized material, with an average silver content of 13 grams per ton and 0.89 grams of gold per ton. We expect to start dore gold production by the third quarter of 2011. The project is expected to have an annual production of 90,000 ounces of gold and 425,000 ounces of silver for five years. We have a 44.2% participation in this project. The remaining balance is owned by Compania de Minas Buenaventura S.A.A. and others.

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 first stage of the tailings disposal project was completed. Construction of the drainage system for the lateral dam started in June 2010 was finished. The project has a total budgeted cost of \$66.0 million with \$47.5 million expended through June 30, 2011.

Mexican operations:

Crushing, conveying and spreading system for the SXEW production project: This project is moving forward. Construction of the crusher building and earthwork for conveyor platforms is advancing as scheduled. Overland conveyor and spreader installation will begin in August. Through June 30, 2011, we have spent \$39.5 million on this project.

SXEW III plant: Regarding this project, detailed engineering and acquisition of major equipment continues as planned. We have selected an Engineering Procurement Construction and Management (EPCM) contractor. This SXEW facility, which combines the previously announced SXEW III and SXEW IV plants, will produce 88,000 tons of copper per year, with expected start up in the second quarter of 2013. Through June 30, 2011, we have spent \$3.2 million on this project.

The 2,000 tons per year molybdenum circuit for the concentrator is also in the engineering equipment purchasing stage, under an EPCM contract.

The new concentrator with a milling capacity of 100,000 tons per day is in process, as scheduled. An EPCM contract has been signed and flow sheets have been established. We have received several supplier proposals for the main equipment, which are being evaluated. The new concentrator will have an estimated capacity of 188,000 tons of copper and 2,600 tons of molybdenum per year.

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Required infrastructure for these projects, including power, water, roads, shops, laboratories, townsites, etc., have been established in the master plan.

Potential projects:

Pilares mine: This site, close to the La Caridad mine, is being evaluated. As of June 30, 2011, 16,545 meters of drilling have taken place, access roads were developed and metallurgical testing and preliminary mine planning has begun.

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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:

On March 31, 2011, we announced the beginning of exploration activities in Argentina and a plan to initiate exploration activities in Ecuador during the second half of 2011. Besides these new efforts, we continue with our exploration activities in Mexico, Peru and Chile.

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.

PRODUCTION

Copper mined production in the second quarter of 2011 increased by 28.8% to 322.4 million pounds compared to 250.3 million pounds in the second quarter of 2010. This increase was mainly the result of 100.5 million pounds of production at our Buenavista mine, which restored full capacity production in the quarter, partially offset by a decrease of 27.2 million pounds at our Cuajone mine resulting from lower ore grades. Anode, cathode and rod production increased by 14.8%, 27.1% and 62.7%, respectively, in the second quarter 2011 compared to the same period of 2010. Rod production increased due to higher demand, allowing the Company to gain copper premiums over the spot price.

In the second quarter of 2011, molybdenum production decreased 18.3% to 9.9 million pounds from 12.1 million pounds in the second quarter of 2010 due to lower ore grades at our Peruvian mines and lower recovery at the Cuajone mine.

Silver mine production increased by 2.5% in the second quarter to 3.2 million ounces from 3.1 million ounces in the second quarter of 2010. This increase was principally the result of 0.4 million ounces of higher production at the Buenavista mine,

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partially offset by 0.2 million ounces of lower production at the Cuajone mine, due to lower grades, and 0.1 million ounces of lower production at our IMMSA operations.

Zinc mine production in the second quarter of 2011 decreased 16.0% to 47.1 million pounds from 56.1 million pounds in the second quarter of 2010, as a result of no production at the Santa Eulalia mine, which had flooding problems, and due to lower grades and recovery at the Charcas and Santa Barbara mines. We expect to restore production at the Santa Eulalia mine by November 2011. Santa Eulalia normal mine production level is approximately 14,700 tons per year.

RESULTS OF OPERATIONS

The following highlights key financial results for the three and six month periods ended June 30, 2011 and 2010 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net sales	\$ 1,801.5	\$ 1,173.2	\$ 3,403.5	\$ 2,392.6
Operating costs and expenses	(802.8)	(632.8)	(1,642.0)	(1,243.4)
Operating income	998.7	540.4	1,761.5	1,149.2
Non-operating income (expense)	(36.7)	(50.2)	(81.2)	(70.6)
Income before income taxes	962.0	490.2	1,680.3	1,078.6
Income taxes	(301.9)	(174.9)	(540.0)	(378.1)
Net income attributable to non-controlling interest	(2.1)	(1.9)	(3.9)	(3.9)
Net income attributable to SCC	\$ 658.0	\$ 313.4	\$ 1,136.4	\$ 696.6

Average Metal Prices:

The table below outlines the average metal prices during the three and six month periods ended June 30, 2011 and 2010:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	% Change	2011	2010	% Change
Copper (\$ per pound LME)	\$ 4.15	\$ 3.19	30.1%	\$ 4.26	\$ 3.23	31.9%
Copper (\$ per pound COMEX)	\$ 4.16	\$ 3.19	30.4%	\$ 4.27	\$ 3.24	31.8%
Molybdenum (\$ per pound)	\$ 16.50	\$ 16.10	2.5%	\$ 16.84	\$ 15.94	5.6%
Zinc (\$ per pound LME)	\$ 1.02	\$ 0.92	10.9%	\$ 1.05	\$ 0.98	7.1%
Silver (\$ per ounce COMEX)	\$ 38.42	\$ 18.35	109.4%	\$ 35.08	\$ 17.63	99.0%

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Net Sales: Net sales for the three and six months ended June 30, 2011 increased by \$628.3 million and \$1,010.9 million, respectively, compared with the same periods of 2010. These 53.6% and 42.3% increases were due to higher metal prices, higher copper sales volume due to the restoration of the Buenavista mine production, partially offset by lower molybdenum, silver and zinc sales volumes. Net sales for the three and six months ended June 30, 2011 also include losses on copper hedges of \$8.6 million and \$44.3 million, respectively. There were no copper hedges in the 2010 periods.

The table below presents information regarding the volume of our copper sales by segment for the three and six month periods ended June 30, 2011 and 2010:

Table of ContentsCopper Sales (million pounds):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2011	2010	Variance	2011	2010	Variance
Peruvian operations	163.8	188.2	(13.0)%	333.4	373.9	(10.8)%
Mexican open-pit	169.3	67.2	151.9%	286.6	138.8	106.5%
Mexican IMMSA unit	3.6	5.5	(34.5)%	7.9	12.6	(37.3)%
Other and intersegment elimination	(3.7)	(5.2)	(28.8)%	(8.0)	(12.2)	(34.4)%
Total	333.0	255.7	30.2%	619.9	513.1	20.8%

By-product Sales:

The table below presents information regarding the volume of sales by segment of our significant by-products for the three and six month periods ended June 30, 2011 and 2010:

(in million pounds except silver in million ounces)	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Peruvian operations				
Molybdenum contained in concentrates	4.0	6.2	8.0	11.0
Silver	0.9	0.9	1.6	1.9
Mexican open-pit				
Molybdenum contained in concentrates	6.1	6.1	11.5	11.7
Silver	1.7	1.9	3.3	3.6
Mexican IMMSA unit				
Zinc refined and in concentrate	52.4	53.6	106.8	109.6
Silver	1.1	1.8	2.3	3.8
Other and intersegment elimination				
Zinc refined and in concentrate				0.4
Silver	(0.4)	(0.8)	(0.8)	(2.0)
Total by-product sales				
Molybdenum contained in concentrates	10.1	12.3	19.5	22.7
Zinc refined and in concentrate	52.4	53.6	106.8	110.0
Silver	3.3	3.8	6.4	7.3

Sales value per segment:

Three Months Ended June 30, 2011
(in millions)

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	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	\$ 705.5	\$ 15.3	\$ 677.2	\$ (15.8)	\$ 1,382.2
Molybdenum	91.4		55.1		146.5
Zinc		56.1			56.1
Silver	64.7	46.3	32.2	(17.6)	125.6
Other	39.2	25.8	28.2	(2.1)	91.1
Total	\$ 900.8	\$ 143.5	\$ 792.7	(35.5)	\$ 1,801.5

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Three Months Ended June 30, 2010						
	(in millions)					
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated	
Copper	\$ 218.0	\$ 14.6	\$ 625.2	\$ (13.8)	\$ 844.0	
Molybdenum	77.9		77.7		155.6	
Zinc		52.7		(1.6)	51.1	
Silver	34.1	33.9	16.9	(14.2)	70.7	
Other	15.2	22.1	18.4	(3.9)	51.8	
Total	\$ 345.2	\$ 123.3	\$ 738.2	\$ (33.5)	\$ 1,173.2	

Six Months Ended June 30, 2011						
	(in millions)					
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated	
Copper	\$ 1,213.4	\$ 33.9	\$ 1,391.1	\$ (34.0)	\$ 2,604.4	
Molybdenum	177.6		118.2		295.8	
Zinc		117.8			117.8	
Silver	116.0	85.8	53.6	(30.0)	225.4	
Other	63.6	48.5	50.9	(2.9)	160.1	
Total	\$ 1,570.6	\$ 286.0	\$ 1,613.8	\$ (66.9)	\$ 3,403.5	

Six Months Ended June 30, 2010						
	(in millions)					
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated	
Copper	\$ 459.5	\$ 36.4	\$ 1,229.9	\$ (34.3)	\$ 1,691.5	
Molybdenum	195.3		160.7		356.0	
Zinc		112.3		(1.0)	111.3	
Silver	63.4	67.2	32.4	(34.2)	128.8	
Other	26.6	50.3	37.0	(8.9)	105.0	
Total	\$ 744.8	\$ 266.2	\$ 1,460.0	\$ (78.4)	\$ 2,392.6	

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
United States	\$ 667.6	\$ 261.1	\$ 1,165.8	\$ 564.8
Europe	322.6	248.2	638.9	456.2
Mexico	252.6	217.1	542.6	466.1
Peru	63.5	40.9	130.8	81.1
Latin America (excluding Mexico and Peru)	342.6	269.1	653.8	533.1
Asia	161.2	136.8	315.9	291.3
Copper hedges	(8.6)		(44.3)	
Total	\$ 1,801.5	\$ 1,173.2	\$ 3,403.5	\$ 2,392.6

Operating Costs and Expenses:

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Operating costs and expenses were \$802.8 million and \$1,642.0 million in the three and six month periods ended June 30, 2011, respectively, compared with \$632.8 million and \$1,243.5 million in the comparable periods of 2010. The increases of \$170.0 million and \$398.5 million were primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

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Cost of sales (exclusive of depreciation, amortization and depletion) in the second quarter of 2011 was \$696.0 million compared with \$531.5 million in the same period of 2010. The increase of \$164.5 million was primarily due to the following: 1) \$59.3 million of higher fuel and power cost primarily due to market prices and higher power purchased from third parties at our Mexican operations, 2) \$67.2 million of higher labor, material repair and other production cost, mostly due to the restoration of the Buenavista production, 3) \$10.4 million of higher workers participation because of higher pre-tax earnings and 4) \$11.0 million of higher cost of material purchased from third parties.

Cost of sales (exclusive of depreciation, amortization and depletion) in the six months ended June 30, 2011 was \$1,432.8 million compared with \$1,042.5 million in the same period of 2010. The increase of \$390.3 million was primarily due to the following: 1) \$89.8 million of higher fuel and power cost due to market prices and higher power purchased from third parties at our Mexican operations, 2) \$116.5 million of higher labor, material repair and other production cost, principally due to the restoration of the Buenavista production, 3) \$11.3 million of higher workers participation due to higher pre-tax earnings and 4) \$220.8 million of higher cost of material purchased from third parties, principally at our Peruvian operations.

Non-Operating Income (Expense):

Non-operating income and expense were an expense of \$36.7 million and \$81.2 million in the three and six month periods ended June 30, 2011, respectively, compared to an expense of \$50.2 million and \$70.6 million in the comparable periods of 2010.

The \$13.5 million decrease in the second quarter of 2011 is principally due to: 1) \$6.4 million gain on the sale of non-operating properties at our Mexican and Peruvian operations, 2) a \$3.6 million contribution to the regional development at our Peruvian operations in 2010, there was no contribution in 2011 as the obligation expired in 2010, and 3) \$1.2 million of lower legal fees at our Peruvian operations.

The \$10.6 million increase in expense in the first six months of 2011 is due to 1) \$24.7 million of higher interest expense which increased in the 2011 period due to the issuance of \$1.5 billion fixed rate unsecured notes at an average interest rate of 5.4% in April 2010, partially offset by 2) \$6.4 million of gain on the sale of non-operating properties at our Mexican and Peruvian operations, 3) \$5.8 million for a contribution to the regional development at our Peruvian operations in 2010, there was no contribution in 2011 as the obligation expired in 2010, and 4) \$1.2 million of lower legal fees at our Peruvian operations in 2011.

Income taxes: The income tax provision for the first six months of 2011 and 2010 were \$540.0 million and \$378.1 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 32.1% for the first six months of 2011 as compared to 35.1% in the first six months of 2010. The decrease in the effective tax rate for the first six months of 2011 is due to an increase in earnings from the Mexican operations, as a result of the restart of the Buenavista mine, that are taxed at 30% as compared to the Peruvian earnings that are taxed at 35%.

In March 2009, Grupo Mexico, through its wholly-owned subsidiary, AMC, became the beneficial owner of 80% of our common stock. As a result of this new level of ownership, beginning in March 2009, our operating result is included in the AMC consolidated U.S federal income tax return. In addition to now holding an 80% interest in SCC, AMC also owns 100% of Asarco and its subsidiaries. Current and deferred taxes are allocated to members of the AMC group as if each were a separate taxpayer. We have initiated discussions with AMC to put in place a tax sharing

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agreement in order to establish this allocation as well as other procedures and policies necessary for an equitable management of U.S. federal income tax matters. We provide current and deferred income taxes, as if we were a separate filer.

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 second quarter and the six months ended June 30, 2011 and 2010 (in millions):

	Second Quarter		Variance		Six Months		Variance	
	2011	2010	Value	%	2011	2010	Value	%
Net sales	\$ 792.7	\$ 738.2	\$ 54.5	7.4%	\$ 1,613.8	\$ 1,460.0	\$ 153.8	10.5%
Operating costs and expenses	(411.9)	(350.4)	(61.5)	(17.6)%	(898.7)	(680.9)	(217.8)	(32.0)%
Operating income	\$ 380.8	\$ 387.8	\$ (7.0)	(1.8)%	\$ 715.1	\$ 779.1	\$ (64.0)	(8.2)%

Second quarter:

Net sales in the second quarter of 2011 were \$792.7 million compared with \$738.2 million in the second quarter of 2010. The increase of \$54.5 million was primarily the result of higher market prices, partially offset by lower metal sales volume. The second quarter 2011 period includes a realized loss on copper hedges of \$4.4 million. There were no copper hedges in the second quarter of 2010.

Operating costs and expenses in the second quarter of 2011 increased by \$61.5 million to \$411.9 million from \$350.4 million in the second quarter of 2010, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) for the second quarter of 2011 was \$362.8 million compared to \$303.0 million in the comparable 2010 period. The principal elements of cost of sales, causing this increase, include the following: 1) \$32.3 million of higher production cost, principally fuel and power cost due to change in market conditions and the cost of tires, labor and other repairs, 2) \$2.4 million of higher mine royalties due to higher metal value, 3) \$10.5 million of higher cost of copper purchased from third parties and 4) \$22.6 million from inventory consumption.

Six months:

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Net sales in the first six months of 2011 were \$1,613.8 million compared with \$1,460.0 million in the first six months of 2010. The increase of \$153.8 million was primarily the result of higher market prices, partially offset by a decrease in metal sales volume. Copper sales volume decreased by about 40 million pounds and molybdenum by about three million pounds. The first six months of 2011 period includes a realized loss on copper hedges of \$22.6 million. There were no copper hedges in the first six months of 2010.

Operating costs and expenses in the first six months of 2011 increased by \$217.8 million to \$898.7 million from \$680.9 million in the first six months of 2010, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) for the first six months of 2011 was \$800.3 million compared to \$586.4 million in the comparable 2010 period an increase of \$213.9 million. The principal elements of cost of sales, causing this increase, include the following: 1) \$166.8 million of higher cost of

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copper purchased from third parties, 2) \$4.2 million of higher mine royalties and 3) \$60.5 million of higher production cost, principally fuel and power due to change in market conditions and higher labor and repair material costs.

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 second quarter and the six months ended June 30, 2011 and 2010 (in millions):

	Second Quarter		Variance		Six Months		Variance	
	2011	2010	Value	%	2011	2010	Value	%
Net sales	\$ 900.8	\$ 345.2	\$ 555.6	161.0%	\$ 1,570.6	\$ 744.8	\$ 825.8	110.9%
Operating costs and expenses	(338.7)	(225.5)	(113.2)	(50.2)%	(609.3)	(441.8)	(167.5)	(37.9)%
Operating income	\$ 562.1	\$ 119.7	\$ 442.4	369.6%	\$ 961.3	\$ 303.0	\$ 658.3	217.3%

Second quarter:

Net sales in the second quarter of 2011 were \$900.8 million compared to \$345.2 million in the second quarter of 2010. The increase of \$555.6 million was due to higher metal prices and higher metal sales volumes due to the restoration of the Buenavista production and the processing and sale of material from IMMSA, which were previously processed at the San Luis Potosi copper smelter. The San Luis Potosi copper smelter was closed in 2010. The second quarter 2011 period includes a realized loss on copper hedges of \$4.2 million. There were no copper hedges in the second quarter of 2010.

Operating costs and expenses in the second quarter of 2011 increased by \$113.2 million to \$338.7 million from \$225.5 million in the comparable 2010 period, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) increased \$110.1 million to \$296.5 million in the second quarter of 2011 from \$186.4 million in the same period of 2010. The increase in cost of sales included: 1) \$85.7 million of higher production cost, principally due to the restoration of the Buenavista production and higher fuel and power cost and 2) \$16.7 million of higher workers participation due to the increase in earnings.

Six months:

Net sales in the first six months of 2011 were \$1,570.6 million compared to \$744.8 million in the first six months of 2010. The increase of \$825.8 million was due to higher metal prices and higher metal sales volumes due to the restoration of Buenavista production and the processing and sale of material from IMMSA which were previously processed at the San Luis Potosi copper smelter. The first six months of 2011 period

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includes a realized loss on copper hedges of \$21.7 million. There were no copper hedges in the first six months of 2010.

Operating costs and expenses in the first six months of 2011 increased by \$167.5 million to \$609.3 million from \$441.8 million in the comparable 2010 period, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) increased \$163.3 million to \$527.6 million in the first six months of 2011 from \$364.3 million in the same period of 2010. The increase in cost of sales included: 1) \$133.6 million of higher production cost, principally due to the restoration of the Buenavista production and higher fuel and power cost and 2) \$19.7 million of higher workers participation due to increased earnings.

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The following table sets forth net sales, operating cost and expenses and operating income for our IMMSA segment, for the second quarter 2011 and 2010 (in millions):

	Second Quarter		Variance		Six Months		Variance	
	2011	2010	Value	%	2011	2010	Value	%
Net sales	\$ 143.5	\$ 123.3	\$ 20.2	16.4%	\$ 286.0	\$ 266.2	\$ 19.8	7.4%
Operating costs and expenses	(90.4)	(91.1)	0.7	0.8%	(171.6)	(195.1)	23.5	12.0%
Operating income	\$ 53.1	\$ 32.2	\$ 20.9	64.9%	\$ 114.4	\$ 71.1	\$ 43.3	60.9%

Second quarter:

Net sales increased by \$20.2 million to \$143.5 million in the second quarter of 2011 from \$123.3 million in the second quarter of 2010. The increase of 16.4% was primarily due to higher metal prices partially offset by lower copper, zinc and silver sales volume. The copper sales volume decrease was primarily due to lower blister sales caused by the closing of the San Luis Potosi copper smelter; copper concentrates are now processed at the La Caridad smelter. The lower zinc sales volume was due to the lack of production from the Santa Eulalia mine, which we expect will restore production by November 2011, and lower ore grades at the Charcas and Santa Barbara mines.

Operating costs and expenses in the second quarter of 2011 decreased by \$0.7 million to \$90.4 million from \$91.1 million in the comparable 2010 period. This decrease was primarily due to \$2.8 million of lower cost of sales (exclusive of depreciation, amortization and depletion), net of \$1.3 million of higher exploration at the Charcas and other IMMSA properties.

Six months:

Net sales in the first six months of 2011 were \$286.0 million compared to \$266.2 million in the same period of 2010. This increase of \$19.8 million in net sales was primarily due to higher metal prices, partially offset by lower copper, zinc and silver sales volume. The copper sales volume decrease was primarily due to lower blister sales caused by the closing of the San Luis Potosi copper smelter; copper concentrates are now processed at the La Caridad smelter. The lower zinc sales volume was due to lower production caused by the lack of production from the Santa Eulalia mine and lower ore grades at the Charcas and Santa Barbara mines.

Operating costs and expenses in the first six months of 2011 decreased by \$23.5 million to \$171.6 million from \$195.1 million in the comparable 2010 period. This decrease was primarily due to \$26.5 million of lower cost of sales (exclusive of depreciation, amortization and depletion).

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Cost of sales (exclusive of depreciation, amortization and depletion) decreased by \$26.5 million to \$143.6 million in the first six months of 2011 from \$170.1 million in the first six months of 2010. The decrease was principally related to changes in inventory levels.

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 14 Segments and related information of the condensed consolidated financial statements.

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The following table shows the cash flow for the six months ended June 30, 2011 and 2010 (in millions):

	Six months ended June 30,		
	2011	2010	Variance
Net cash provided from operating activities	\$ 717.8	\$ 835.0	\$ (117.2)
Net cash used for investing activities	\$ (340.1)	\$ (189.7)	\$ (150.4)
Net cash provided from (used for) financing activities	\$ (1,131.4)	\$ 725.5	\$ (1,856.9)

Net cash provided from operating activities:

The decrease of \$117.2 million in the six months ended June 30, 2011 cash provided from operating activities, compared with the same period of 2010, was primarily due to an increase of \$553.0 million in working capital needs, net of \$439.7 million of higher earnings. The increase in net income was primarily due to higher metal prices.

The six months ended June 30, 2011 and 2010 change in working capital includes (in millions):

	Six months ended June 30,		
	2011	2010	Variance
Accounts receivable	\$ (132.0)	\$ 18.9	\$ (150.9)
Inventories	(68.4)	9.7	(78.1)
Accounts payable and accrued liabilities	(351.2)	(52.7)	(298.5)
Other operating assets and liabilities	2.8	26.7	(23.9)
Total	\$ (548.8)	\$ 2.6	\$ (551.4)

Six months ended June 30, 2011:

In the first six months of 2011 net income was \$1,140.3 million. Significant items (deducted from), or added to arrive to operating cash flow included, depreciation, amortization and depletion of \$143.5 million, which increased operating cash flow and \$16.5 million of deferred income tax benefit, which decreased operating cash flow.

In addition, in the first six months of 2011 an increase in working capital decreased operating cash flow by \$548.8 million. The increase in accounts receivable value was principally due to higher sales in the period as a result of added production from Buenavista and higher metal prices. The increase in inventory was primarily due to the increase in copper in process at our Mexican operations due to the restoration of production at the Buenavista mine and a temporary increase in anodes in process at the Ilo smelter at our Peruvian operations. The decrease in

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accounts payable and accrued liabilities was primarily due to the income tax and workers participation payments.

Six months ended June 30, 2010:

In the first six months of 2010 net income was \$700.5 million. Significant items added to (deducted from) arrive to operating cash flow included, depreciation, amortization and depletion of \$138.8 million, which increased operating cash flow and \$14.5 million of deferred income tax benefit, which decreased operating cash flow.

In addition, in the first six months of 2010 a decrease in working capital increased operating cash flow by \$2.6 million. The decrease in accounts receivable value was principally due to lower metal production and sales volumes. The decrease in accounts

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payable and accrued liabilities was primarily due to the workers' participation payments.

Net cash used for investing activities:

Six months ended June 30, 2011:

Net cash used for investing activities in the first six months of 2011 included \$183.6 million for capital expenditures. The capital expenditures included \$60.0 million of investments at our Peruvian operations, \$9.5 million for the Tia Maria project, \$5.1 million for the Toquepala expansion project, \$4.4 million for the Cuajone expansion project and \$41.0 million for various other replacement expenditures. In addition, we spent \$123.6 million for replacement assets at our Mexican operations, \$106.3 million of which was at our Mexican open-pit operations, \$16.3 million at our IMMSA unit and \$1.0 million at our administrative office in Mexico City. The first six months of 2011 investment activities also include a net purchase of short-term investments of \$149.5 million, \$15.9 million of our share of the investment in the development of the Tantahuatay gold project and \$8.9 million of proceeds from the sale of non operating properties.

Six months ended June 30, 2010:

Net cash used for investing activities in the first six months of 2010 included \$168.3 million for capital expenditures. The capital expenditures included \$134.5 million of investments at our Peruvian operations, \$88.7 million for the Tia Maria project, \$9.8 million for the Toquepala expansion project, and \$36.0 million for various other replacement expenditures. In addition, we spent \$33.8 million for replacement assets at our Mexican operations, \$22.9 million of which was at our Mexican open-pit operations, \$10.2 million at our IMMSA unit and \$0.7 million at our administrative office in Mexico City. The first six months of 2010 also include a net purchase of short-term investments of \$26.7 million and \$5.3 million of proceeds from the sale of non operating properties.

Net cash provided from (used for) financing activities:

Net cash used for financing activities in the first six months of 2011 was \$1,131.4 million, compared with \$725.5 million of net cash provided from financing activities in the first six months of 2010. The first six months of 2011 include a dividend distribution of \$969.0 million, compared with a distribution of \$748.0 million in the same period of 2010. Also, the first six months of 2011 include cash used to repurchase 4.6 million shares of our common shares at a cost of \$148.0 million and \$5.3 million used for the repurchase of Series B Yankee bonds. Both periods include \$5.0 million of amortization of the Mitsui loan.

LIQUIDITY AND CAPITAL RESOURCES

Dividends:

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On May 18, 2011, we paid a quarterly dividend of 56 cents per share, totaling \$476.0 million. On July 28, 2011, our Board of Directors authorized a quarterly dividend of 62 cents per share, expected to total \$524.2 million, to be paid on August 31, 2011 to SCC shareholders of record at the close of business on August 17, 2011.

Financing:

In February 2011, we repurchased \$5.3 million of the Series B Yankee bonds at a premium of \$1.4 million which is included in the condensed consolidated statement of earnings on the line other income (expenses) .

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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 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 7.

Contractual Obligations:

There was no material change in our contractual obligations in the first six months of 2011. Please refer to item 7 in our 2010 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.

	Second quarter 2011		Second quarter 2010	
	\$ million	\$ per pound	\$ million	\$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	\$ 695.9	2.223	\$ 531.5	2.159
Add:				
Selling, general and administrative	25.7	0.082	22.0	0.089
Treatment and refining charges	14.3	0.046	10.2	0.041
By-product revenues (1)	(406.1)	(1.297)	(312.6)	(1.270)
Net revenue on sale of metal purchased from third parties	(3.5)	(0.011)	(6.9)	(0.028)
Less:				
Workers' participation	(64.6)	(0.206)	(54.1)	(0.220)
Cost of metal purchased from third parties	(87.3)	(0.279)	(76.3)	(0.310)
Royalty charge and other, net	(55.8)	(0.179)	(14.0)	(0.055)
Inventory change	(3.8)	(0.012)	(34.6)	(0.141)
Operating cash cost	\$ 114.8	0.367	\$ 65.2	0.265
Less by-product revenues and net revenue on sale of metal purchased from third parties	409.6	1.308	\$ 319.5	1.298
Operating cash cost, without by-product revenues and net revenue on sale of metal purchased from third parties	\$ 524.4	1.675	\$ 384.7	1.563
Total pounds of copper produced (in millions)	313.1		246.2	

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

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	First six months 2011		First six months 2010	
	\$ million	\$ per pound	\$ million	\$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	\$ 1,432.8	\$ 2.472	\$ 1,042.5	2.168
Add:				
Selling, general and administrative	50.3	0.087	43.7	0.091
Treatment and refining charges	24.4	0.042	18.8	0.039
By-product revenues (1)	(778.7)	(1.343)	(696.8)	(1.449)
Net revenue on sale of metal purchased from third parties	(10.4)	(0.018)	(9.8)	(0.020)
Less:				
Workers participation	(122.5)	(0.211)	(111.2)	(0.231)
Cost of metal purchased from third parties	(378.7)	(0.653)	(157.9)	(0.328)
Royalty charge and other, net	(121.7)	(0.211)	(79.2)	(0.166)
Inventory change	84.2	0.145	(19.4)	(0.040)
Operating cash cost	\$ 179.7	0.310	\$ 30.7	0.064
Less by-product revenues and net revenue on sale of metal purchased from third parties	\$ 789.1	1.361	\$ 706.6	1.469
Operating cash cost, without by-product revenues and net revenue on sale of metal purchased from third parties	\$ 968.8	1.671	\$ 737.3	1.533
Total pounds of copper produced (in millions)	579.7		480.9	

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

IMPACT OF NEW ACCOUNTING STANDARDS

During the first six months of 2011, the Financial Accounting Standard Board (FASB) issued the following Accounting Standard Updates (ASU) to the FASB Accounting Standards Codification (the ASC).

ASU No. 2011-04: On May 12, 2011, the FASB, together with the International Accounting Standard Board (IASB), jointly issued ASU No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in USGAAP and International Financial Reporting Standards (IFRS) " an amendment of ASC topic 820 "Fair value measurement". The adoption of ASU 2011-04 gives fair value the same meaning between USGAAP and IFRS, and improves consistency of disclosures relating to fair value.

The amendments in this Update explain how to measure fair value. They do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting.

This ASU includes more disclosure requirement for Level 3 fair value measurements:

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- Quantitative information of the unobservable inputs and assumptions used.
- Description of the valuation processes used by the reporting entity.
- Information about the sensitivity of a fair value measurement to changes in unobservable inputs and any interrelationships between those unobservable inputs, if any.

The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011 with no early application permitted.

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ASU No. 2011-05: On June 16, 2011, the FASB issued the ASU No. 2011-05 Presentation of Comprehensive Income, an amendment of ASC topic 220 Comprehensive Income. The objective of this Update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income.

The amendments require all entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income.

Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented.

These changes apply to both annual and interim financial statements. They should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures.

Table of ContentsItem 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 2011 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)	\$	7.5	\$	22.2	\$	1.1	\$	7.8

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 six month periods ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Peru:				
Peruvian inflation rate	0.8%	0.5%	2.3%	1.4%
Nuevo sol/dollar devaluation/(appreciation) rate	(2.0)%	(0.5)%	(2.1)%	(2.2)%
Mexico:				
Mexican inflation rate	(0.8)%	(1.0)%	0.3%	1.4%
Peso / dollar devaluation/(appreciation) rate	(1.1)%	1.6%	(4.2)%	(3.1)%

Change in monetary position:

Assuming an exchange rate variance of 10% at June 30, 2011 we estimate our net monetary position in Peruvian nuevo sol and Mexican peso would increase (decrease) our net earnings as follows:

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Variance		Effect in net earnings (\$ in millions)
Appreciation of 10% in exchange rate of U.S. dollar vs. nuevo sol	\$	14.8
Devaluation of 10% in exchange rate of U.S. dollar vs. nuevo sol		(18.0)
Appreciation of 10% in exchange rate of U.S. dollar vs. Mexican peso		24.3
Devaluation of 10% in exchange rate of U.S. dollar vs. Mexican peso	\$	(19.9)

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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. Based upon our indebtedness at June 30, 2011, a change in interest rates of one percent (or 100 basis points) would impact net income and cash flows by \$0.1 million annually. Most of our debt is at fixed rates.

We are also exposed to market risk associated with changes in foreign currency exchange rates as certain costs incurred are in currencies other than our functional currency. To manage the volatility related to the risk, we may enter into forward exchange contracts, currency swaps or other currency hedging arrangements.

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 swaps:

In the last quarter of 2010 and in 2011, we entered into copper swaps and zero cost collar derivative contracts to reduce price volatility and to protect our sales value of a portion of our 2011 and first quarter 2012 copper sales 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 flows. The unrealized gains and losses are recorded in other comprehensive income until settlement.

The hedge instruments are based on LME copper prices. we 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 we consider that the LME underlying price matches our sales priced at COMEX prices. These cash flow hedge relationships qualify as critical matched terms hedge relationships and as a result have no ineffectiveness. We perform periodic quantitative assessments to confirm that the relationship was highly effective and that the ineffectiveness was de minimis.

The following table summarizes the copper derivative activity related to copper sales transactions realized in the second quarter and the first six months of 2011 (the Company held no copper derivatives for the first six months of 2010):

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	Second Quarter 2011	First Six months of 2011
Zero cost collar contracts:		
Pounds (in millions)	105.8	211.6
Average LME cap price	\$ 4.84	\$ 4.84
Average LME floor price	\$ 3.02	\$ 3.02
Swap contracts:		
Pounds (in millions)	112.4	232.0
Weighted average COMEX price	\$ 4.08	\$ 4.08
Realized loss on copper derivatives (pre-tax)(in millions)	\$ 8.6	\$ 44.3

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As of June 30, 2011 we held copper derivative contracts to protect a portion of our copper sales for the remaining six months of 2011 and the first quarter 2012, as follows:

	2011	1st Quarter 2012
Zero cost collar contracts:		
Pounds (in millions)	211.6	46.3
Average LME cap price	\$ 4.84	\$ 5.18
Average LME floor price	\$ 3.02	\$ 3.50
Estimated % of copper sales covered	30%	13%
Accumulated unrealized loss recognized in other comprehensive income (net of taxes of \$5.4 million and \$- million, respectively) (in millions)	\$ 8.5	\$
Swap contracts:		
Pounds (in millions)	224.9	
Weighted average COMEX price	4.08	
Estimated % of copper sales covered	32%	
Accumulated unrealized loss recognized in other comprehensive income net of taxes of \$17.6 million (in millions)	\$ 28.0	

Transactions under these metal price protection programs are accounted for as cash flow hedges under ASC 815-30 Derivatives and Hedging-Cash Flow Hedges (formerly SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities) 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.

Provisionally priced sales:

At June 30, 2011, we have recorded provisionally priced sales of 75.5 million pounds of copper, at an average forward price of \$4.27 per pound. Also we have recorded provisionally priced sales of 9.0 million pounds of molybdenum at the June 30, 2011 market price of \$15.55 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 7 to our condensed consolidated financial statements.

Short-term Investment:

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

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	June 30, 2011		December 31, 2010	
Trading securities	\$	216.4	\$	66.9
Weighted average interest rate		2.02%		1.14%
Available for sale	\$	9.0	\$	9.3
Weighted average interest rate		0.37%		1.01%
Total	\$	225.4	\$	76.2

Trading securities: consist of bonds issued by public companies and US financial institutions. 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 June 30, 2011 and December 31, 2010, included corporate bonds and asset and mortgage backed obligations. As of June 30, 2011 and December 31, 2010, 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 other income (expense) in the condensed consolidated statement of earnings.

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Trading securities:				
Interest earned	\$ 1.0	\$ 0.1	\$ 1.4	\$ 0.1
Available for sale:				
Interest earned	(*)	(*)	(*)	0.1
Investment redeemed	0.4	7.7	0.8	11.2

(*)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.

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Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2011, 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 June 30, 2011, 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 June 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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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 June 30, 2011, and the related condensed consolidated statements of earnings, comprehensive income and cash flows for the three-month and six-month periods ended June 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our review 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 review, 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, 2010, 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 25, 2011, 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, 2010 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

August 5, 2011

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

The information provided in Note 13 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:

The following contains information that supplement the risk factors included in our Annual report on Form 10-K for the year ended December 31, 2010 filed with the SEC on March 01, 2011.

General Risks Relating to Our Business

Peruvian economic and political conditions may have an adverse impact on our business.

In June 2011 Peru elected a new president. On June 23, 2011, the Peruvian president-elect Ollanta Humala received his credentials from the head of the national election authority. Mr. Humala won a run-off election on June 5, 2011 and took office on July 28, 2011. Also, in recent months there were some social disturbances against mining activity in several regions of the country.

It is possible that the new administration will introduce new tax and fiscal policies in Peru and that these policies could affect our operations and profitability. We cannot provide assurance that changes if any will not have a material adverse impact on our financial condition.

Our new mining or metal production projects may be suspended or subject to additional costs due to community actions and other factors

In 2009, we submitted to MINEM our EIA for evaluation and approval. On March 28, 2011, according to the regular procedure, remarks and observations to the EIA were submitted by some concerned parties as part of the EIA approval process, and were delivered to us in order to be addressed. On April 5, 2011, in light of protests and disruptions carried out by a small group of activists who allege, among other things, that the Tia Maria project will result in severe environmental contamination and the diversion of water resources that are for agricultural use, MINEM issued a resolution suspending the approval process of the Tia Maria EIA for a period of 180 days. Later, on April 8, 2011, in light of further protests MINEM issued a new resolution annulling such decision, and declaring the EIA inadmissible. This resolution was appealed by us to the Mining Council, a government appointed board that resolves mining administrative disputes. Even though the EIA process is suspended,

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we have provided to MINEM our answers to all the observations submitted by the concerned parties as part of the EIA approval process. We believe that the government's action is without legal merit and was motivated to a large extent by political considerations, as the presidential election process was taking place at that time in Peru. We are willing to readdress the status of the Tia Maria project with the new government as soon as practical. The new president-elect took office on July 28, 2011.

We have legal and valid title to the Tía Maria mining concessions and none of above noted activities have in any way challenged, revoked, impaired or annulled our legal rights to the Tia Maria mining concessions and/or the overlapping surface land titles acquired in the past. All our property rights on these areas are in full force.

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The Tia Maria project comprises an investment of over \$1,000 million, which will generate 4,000 new jobs during the construction phase and 4,100 direct and indirect permanent jobs. The estimated annual production of the project is 120,000 tons of copper cathodes, all obtained through a leaching process (SXEW). The project would significantly increase Peruvian exports and generate important contributions to the Peruvian economy through income taxes and mining royalties, as well as payroll taxes, custom duties, mining rights and other levies. In addition, we plan to invest in social responsibility programs in the Arequipa region similar to those established in the communities nearby the current Peruvian operations of Toquepala, Cuajone and Ilo.

We are confident that we will complete the Tia Maria project and will begin copper mining and production activities at Tia Maria once the necessary approvals are received. The SXEW leaching technologies and processes to be employed at the Tia Maria facility have been widely developed in Peru and other countries and have been demonstrated to comply with environmental regulations with no adverse impact on the air, soil or water.

However, in view of the suspension of this project, we have reviewed the carrying value of this asset to ascertain whether impairment exists. Total spending on the project, through June 30, 2011, is \$442 million. As the project is currently suspended much of the equipment is being used at our mining operations in Toquepala and Cuajone. Should the Tia Maria project not restart, we are confident that the project equipment will continue to be used in this manner. While we may incur additional costs due to the delay, we believe that an impairment loss, if any, will not be material.

We are confident also that the Peruvian government will provide the legal stability that allows for economic development of mining investments and favorable legal and economic conditions for the growth and development of Peru. However, we cannot assure you that the Tia Maria project or any other project, which we may undertake in the future, will not be suspended or subject to additional costs due to local community actions or other factors.

Table of ContentsItem 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. The Board of Directors also confirmed the Company's purchase of 4.6 million shares of its common shares at a cost of \$148.0 million in the second quarter of 2011. 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.

From	Period	To	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 @ \$32.87	Total Cost (\$ in millions)
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:							
05/01/11		05/31/11	14,400	37.06	33,452,150		0.5
06/01/11		06/30/11	4,567,520	32.30	38,019,670		147.5
Total second quarter			4,581,920	32.32		5,929,726	148.0
Total purchased			38,019,670	\$ 15.92	38,019,670		\$ 605.1

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 80.4% as of June 30, 2011.

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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 2005 Quarterly Report on Form 10-Q for the third quarter 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 2008 Quarterly Report on Form 10-Q for the second quarter and incorporated herein by reference).
3.2	By-Laws, as amended on January 27, 2011 (Filed as Exhibit 3.2 to the Company's 2010 Annual Report on Form 10-K incorporated herein by reference).
4.1	Indenture governing U.S.\$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 by reference.
4.2	(a) Indenture governing U.S.\$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 between 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 an Exhibit 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).
4.8	Second Supplemental Indenture, dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 6.750% Notes due 2040 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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- 4.9 Form of 5.375% Notes due 2020 (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
- 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 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 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).
- 15.0 Independent Accountants' Awareness Letter (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).
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Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statement of

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Earnings for the three and six months ended June 30, 2011 and 2010; (ii) the Condensed Consolidated Statement of Comprehensive Income for the three and six months ended June 30, 2011 and 2010; (iii) the Condensed Consolidated Balance Sheet at June 30, 2011 and December 31, 2010; (iv) the Condensed Consolidated Statement of Cash Flows for the three and six months ended June 30, 2011 and 2010; 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.

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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

August 5, 2011

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

August 5, 2011

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SOUTHERN COPPER CORPORATION

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