SOUTHERN COPPER CORP/
Form 10-Q
May 06, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: March 31, 2011

or

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

For the transition period from to

Commission File Number: 1-14066

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-3849074**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11811 North Tatum Blvd. Suite 2500 Phoenix, AZ	**85028**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: **(602) 494-5328**

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

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

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

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

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

As of April 30, 2011 there were outstanding 850,000,000 shares of Southern Copper Corporation common stock, par value $0.01 per share.

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Southern Copper Corporation (SCC)

INDEX TO FORM 10-Q

Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
Exhibit 32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	
Exhibit 101	Financial statements for the quarter ended March 31, 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 as blocks of text.	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 March 31, 2011	2010
	(in thousands, except per share amounts)	
Net sales	$ 1,602,019	$ 1,219,405
Operating costs and expenses:		
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	736,860	510,983
Selling, general and administrative	24,572	21,718
Depreciation, amortization and depletion	70,644	69,468
Exploration	7,218	8,465
Total operating costs and expenses	839,294	610,634
Operating income	762,725	608,771
Interest expense	(47,564)	(23,788)
Capitalized interest	936	
Loss on debt prepayment	(1,360)	
Other income (expense)	780	1,433
Interest income	2,711	2,052
Income before income taxes	718,228	588,468
Income taxes	238,081	203,241
Net income	480,147	385,227
Less: Net income attributable to the non-controlling interest	1,771	1,983
Net income attributable to SCC	$ 478,376	$ 383,244
Per common share amounts attributable to SCC:		
Net earnings - basic and diluted	$ 0.56	$ 0.45
Dividends paid to SCC common shareholders	$ 0.58	$ 0.43
Weighted average shares outstanding - basic and diluted	850,000	850,000

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 March 31, 2011		2010
	(in thousands)		
Net income	$ 480,147		$ 385,227
Other comprehensive income (loss) net of tax:			
Derivative instruments classified as cash flow hedge:			
Unrealized gain for the period	43,779		
Less:			
Reclassification adjustment for losses included in net income	21,948		
Unrealized loss on derivative instruments classified as cash flow hedges	65,727		
Comprehensive income	$ 545,874		$ 385,227
Comprehensive income attributable to the non-controlling interest	$ 1,949		$ 1,983
Comprehensive income attributable to SCC	$ 543,925		$ 383,244

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)

	March 31, 2011	December 31, 2010
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,973,297	$ 2,192,677
Short-term investments	220,710	76,209
Accounts receivable trade	597,403	671,745
Accounts receivable other (including affiliates 2011 - $4,606 and 2010 - $32,700)	76,252	76,284
Inventories	628,990	540,988
Deferred income tax	77,067	63,935
Other current assets	95,125	117,170
Total current assets	3,668,844	3,739,008
Property, net	4,095,098	4,094,993
Long-term leach stockpiles	43,327	29,668
Intangible assets, net	111,835	112,352
Deferred income tax	78,755	43,900
Other assets	126,769	108,098
Total assets	$ 8,124,628	$ 8,128,019
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable	591,076	558,661
Accrued income taxes	204,760	266,241
Due to affiliated companies	4,893	4,665
Accrued workers participation	166,948	222,432
Accrued interest	62,554	60,062
Other accrued liabilities	24,678	16,957
Total current liabilities	1,064,909	1,139,018
Long-term debt	2,745,293	2,750,401
Deferred income taxes	139,416	113,232
Non-current taxes payable	77,830	77,830
Other liabilities and reserves	75,598	78,070
Asset retirement obligation	59,921	59,059
Total non-current liabilities	3,098,058	3,078,592
Commitments and contingencies (Note 12)		
STOCKHOLDERS EQUITY		
Common stock	8,846	8,846
Additional paid-in capital	1,043,351	1,034,764
Retained earnings	3,581,354	3,595,983

Accumulated other comprehensive loss		(60,696)		(126,423)
Treasury stock		(630,644)		(622,722)
Total SCC stockholders equity		3,942,211		3,890,448
Non-controlling interest		19,450		19,961
Total equity		3,961,661		3,910,409
Total liabilities and equity	$	8,124,628	$	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 March 31, 2011	3 Months Ended March 31, 2010
	(in thousands)	
OPERATING ACTIVITIES		
Net income	$ 480,147	$ 385,227
Adjustments to reconcile net earnings to net cash provided from operating activities:		
Depreciation, amortization and depletion	70,644	69,468
Remeasurement loss (income)	8,179	8,364
Provision (benefit) for deferred income taxes	(37,743)	5,853
Gain on sale of property	(718)	(1,603)
Gain on sale of short-term investment	(275)	(519)
Cash provided from (used for) operating assets and liabilities:		
Accounts receivable	74,374	(57,353)
Inventories	(88,002)	(10,876)
Accounts payable and accrued liabilities	(24,254)	(106,606)
Other operating assets and liabilities	32,720	15,284
Net cash provided from operating activities	515,072	307,239
INVESTING ACTIVITIES		
Capital expenditures	(72,989)	(75,363)
(Purchase of) proceeds from short-term investments, net	(144,629)	3,387
Payments to development stage properties accounted for as equity method investments	(11,318)	
Sale of property	723	4,809
Net cash used for investing activities	(228,213)	(67,167)
FINANCING ACTIVITIES		
Debt repaid	(5,250)	
Loss on debt prepayment	(1,360)	
Dividends paid to common stockholders	(493,004)	(365,498)
Distributions to non-controlling interest	(2,193)	(1,149)
Other	142	75
Net cash used for financing activities	(501,665)	(366,572)
Effect of exchange rate changes on cash and cash equivalents	(4,574)	6,158
Decrease in cash and cash equivalents	(219,380)	(120,342)
Cash and cash equivalents, at beginning of period	2,192,677	772,306
Cash and cash equivalents, at end of period	$ 1,973,297	$ 651,964

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 March 31, 2011 and the results of operations, comprehensive income and cash flows for the three months ended March 31, 2011 and 2010. The results of operations for the three months ended March 31, 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. 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 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 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.

NOTE 3 SHORT-TERM INVESTMENTS:

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

	March 31, 2011	**December 31, 2010**

Trading securities	$	211.7	$	66.9
Weighted average interest rate		1.00%		1.14%
Available for sale		9.0		9.3
Weighted average interest rate		1.06%		1.01%
Total	$	220.7	$	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, as of March 31, 2011, included corporate bonds and asset and mortgage backed obligations. As of March 31, 2011 and December 31,

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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):

	First quarter ended March 31,	
	2011	**2010**
Trading:		
Interest earned	$ 0.9	$
Available for sale:		
Interest earned	(*)	(*)
Investment redeemed	$ 0.4	$ 3.3

(*) Less than $0.1 million.

NOTE 4 - INVENTORIES:

Inventories were as follows:

(in millions)	**March 31, 2011**	**December 31, 2010**
Inventory, current:		
Metals at lower of average cost or market:		
Finished goods	$ 103.3	$ 67.9
Work-in-process	280.1	227.6
Supplies at average cost	245.6	245.5
Total current inventory	$ 629.0	$ 541.0
Inventory, long-term		
Long-term leach stockpiles	$ 43.3	$ 29.7

LONG-TERM INVENTORY:

In prior years the Company capitalized the production cost of materials with low copper content, or leachable material, at the Buenavista mine in Mexico. In the first quarter of 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 standard mine production, 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).

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The Company has recognized long-term inventory of leachable material of $25.2 million in the first quarter 2011, which is recorded in Long-term leach stockpiles on the condensed consolidated balance sheet. Also the current portion of the leachable material at March 31, 2011 and at December 31, 2010 has been reclassified to inventory (current assets) on the condensed consolidated balance sheet.

NOTE 5 INCOME TAXES:

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

	2011	**2010**
Income tax provision	$ 238.1	$ 203.2
Effective income tax rate	33.1%	34.5%

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 33.1% for the first quarter of 2011 as compared to 34.5% in the first quarter 2010. The decrease in the effective tax rate for the first quarter of 2011 is due to an increase in earnings from our Mexican operations that are taxed at 30% as compared to the Peruvian earnings that are taxed at 35%.

As of March 27, 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 March 27, 2009 SCC s operating results are 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. In accordance with paragraph 30-27 of ASC 740-10-30, it is expected that current and deferred taxes will be 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 were a separate filer.

Accounting for Uncertainty in Income Taxes:

The Company files tax returns in Peru, the United States and in Mexico. These tax returns are examined by the tax authorities of those countries.

It is reasonably possible that during the next 12 months there could be a decrease of approximately $30 to $50 million in the Company s unrecognized tax benefits (UTB s) due to expected activity from tax examinations and audits by the tax authorities.

NOTE 6 PROVISIONALLY PRICED SALES:

At March 31, 2011, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the March 31, 2011 market price per pound. These sales are subject to final pricing based on the average monthly London Metal Exchange, or LME, or New York Commodities Exchange, 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 March 31, 2011:

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Copper (million lbs.)		Priced at	Month of Settlement
50.0	$	4.28	April 2011
33.4		4.28	May 2011
0.5		4.28	June 2011
83.9	$	4.28	

Molybdenum (million lbs.)		Priced at	Month of Settlement
2.9	$	16.65	April 2011
2.9		16.65	May 2011
2.3		16.65	June 2011
8.1	$	16.65	

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

NOTE 7 DERIVATIVE INSTRUMENTS:

As part of its risk management policy, the Company occasionally uses derivative instruments to (i) safeguard the corporate assets, (ii) insure the value of its future revenue stream, and (iii) lessen the impact of unforeseen market swings of its sales revenues. To comply with these objectives the Company, from time to time, enters into commodities prices 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 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 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 first quarter 2011 (the Company held no copper derivatives for the first quarter of 2010):

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		2011
Zero cost collar contracts:		
Pounds (in millions)		105.8
Average LME cap price	$	4.84
Average LME floor price	$	3.02
Swap contracts:		
Pounds (in millions)		119.6
Weighted average COMEX price	$	4.08
Realized loss on copper derivatives (gross)(in millions)	$	(35.8)

As of March 31, 2011 the Company held copper derivative contracts to protect a portion of its copper sales for the remaining nine months of 2011 and the first quarter 2012, as follows:

		2011		1st Quarter 2012
Zero cost collar contracts:				
Pounds (in millions)		317.5		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%
Unrealized loss recognized in other comprehensive income (net of income taxes of $10.4 million and $0.3 million, respectively) (in millions)	$	18.6	$	0.4
Swap contracts:				
Pounds (in millions)		337.3		
Weighted average COMEX price	$	4.08		
Estimated % of copper sales covered		32%		
Unrealized loss recognized in other comprehensive income net of income taxes of $22.9 million (in millions)	$	40.8		

Transactions under these metal price protection programs are accounted for as cash flow hedges under ASC 815-15 Derivatives and Hedging-embedded derivatives (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.

NOTE 8 - ASSET RETIREMENT OBLIGATION:

The Company maintains an estimated asset retirement obligation for its mining properties in Peru, as required by the Peruvian Mine Closure Law. In accordance with the requirements of this law the Company s closure plans have been approved by the Peruvian Ministry of Energy and Mines (MINEM). As part of the closure plans, commencing in January 2010 the Company is required to provide annual 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.

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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 Cuajone 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 three months ended March 31, 2011 and 2010 (in millions):

	2011	2010
Balance as of January 1	$ 59.1	$ 48.9
Changes in estimates		
Additions		
Accretion expense	0.8	0.8
Balance as of March 31,	$ 59.9	$ 49.7

NOTE 9 RELATED PARTY TRANSACTIONS:

Receivable and payable balances with affiliated companies are shown below (in millions):

	As of March 31, 2011	As of December 31, 2010
Affiliate receivable:		
Grupo Mexico S.A.B de C.V. and affiliates	$ 0.8	$ 32.7
Asarco LLC.	3.8	
	$ 4.6	$ 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.	1.4	0.1
Mexico Transportes Aereos S.A de C.V.	0.4	0.4
Mexico Proyectos y Desarrollos S.A de C.V. and affiliates		0.9
Consorcio Tricobre		0.5
Higher Technology S.A.C.		0.1
Breaker S.A. de C.V	0.1	0.3
Pigoba S.A. de C.V		0.1
Sempertrans France Belting Tech	0.2	
Other	0.2	
	$ 4.9	$ 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 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 three months ended March 31, 2011 and 2010 (in millions):

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	As of March 31,	
	2011	2010
Grupo Mexico and affiliates:		
Grupo Mexico Servicios S.A de C.V	$ 3.5	$ 3.5
Asarco LLC.	7.7	
Ferrocarril Mexicano S.A de C.V.	0.5	1.1
Mexico Constructora Industrial S.A. de C.V.	7.1	5.9
Cia Perforadora Mexico S.A.P.I. de C.V and affiliates	0.1	
Other Larrea family companies:		
Mexico Compañia de Productos Automotrices S.A. de C.V.	0.2	0.1
Mexico Transportes Aereos S.A. de C.V.	0.7	0.5
Companies with relationships to SCC executive officers families:		
Higher Technology S.A.C.	0.3	0.8
Servicios y Fabricaciones Mecanicas S.A.C.	0.1	0.1
Sempertrans France Belting Technology	0.2	0.3
PIGOBA S.A. de C.V.	0.1	0.1
Breaker S.A. de C.V.	1.1	0.2
Total purchased	$ 21.6	$ 12.6

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 Perforadora Mexico S.A.P.I. de C.V., both these companies are subsidiaries of Grupo Mexico.

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including oil drilling services, 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, sale of vehicles and air transportation and construction services. In connection with this, the Company paid fees for maintenance services and sale of vehicles provided by México Compañia de Productos Automotrices, S.A. de C.V., a company controlled by the Larrea family.

Additionally, in 2007, the Company s Mexican subsidiaries provided guaranties for two loans obtained by Mexico Transportes Aereos, S.A. de C.V. (MexTransport), a company controlled by the Larrea family, from Bank of Nova Scotia in Mexico. Conditions and balance as of March 31, 2011 are as follows:

	Loan Open
Original loan balance (in millions)	$8.5
Maturity	August 2013
Interest rate	Libor + 0.15%
Remaining balance at March 31, 2011 (in millions)	$3.2

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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 in which Mr. Carlos Gonzalez has a proprietary interest. Also the Company paid fees for maintenance services provided by Servicios y Fabricaciones Mecanicas S.A.C., a company in which Mr. Carlos Gonzalez has a proprietary interest. Mr. Carlos Gonzalez is the son of SCC s Chief Executive Officer.

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

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

Sales Activity:

In the first quarter of 2011, the Company sold copper cathodes and rod to Asarco.

The following table summarizes the sales activity with related parties in the first quarter of 2011 (in millions):

Asarco LLC.	$	17.9
Total	$	17.9

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

NOTE 10 FINANCING:

In February 2011, the Company repurchased $5.2 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 loss on debt prepayment .

NOTE 11 BENEFIT PLANS:

SCC Defined Benefit Pension Plans

The components of the net periodic benefit costs for the three months ended March 31, 2011 and 2010 are as follows (in millions):

	2011	2010
Interest cost	$ 0.1	$ 0.2
Expected return on plan assets	(0.2)	(0.2)
Amortization of net loss (gain)	(*)	(*)
Net periodic benefit costs	$ (*)	$ (*)

(*) amount is lower than $0.1 million

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SCC Post-retirement Health Care Plan

The components of the net periodic benefit costs for the post-retirement health care plan for the three months ended March 31, 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 three months ended March 31, 2011 and 2010 are as follows (in millions):

	2011	2010
Interest cost	$ 0.2	$ 0.4
Service cost	0.3	0.5
Expected return on plan assets	(0.8)	(0.7)
Amortization of transition assets, net	(*)	(*)
Amortization of net actuarial loss	(0.4)	(0.2)
Amortization of prior services cost	(*)	(*)
Net periodic benefit cost	$ (0.8)	$ (*)

(*) amount is lower than $0.1 million

Minera Mexico Post-retirement Health Care Plan

The components of the net periodic benefit cost for the three months ended March 31, 2011 and 2010 are as follows (in millions):

	2011	2010
Interest cost	$ 0.9	$ 1.1
Service cost	(*)	0.1
Amortization of net loss (gain)	(*)	(*)
Amortization of transition obligation	0.4	0.3
Net periodic benefit cost	$ 1.3	$ 1.5

(*) amount is lower than $0.1 million

NOTE 12 COMMITMENTS AND CONTINGENCIES:

Environmental matters:

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

Environmental capital expenditures in the three months ended March 31, 2011 and 2010 were as follows (in millions):

	2011	2010
Peruvian operations	$ 0.1	$ 1.1
Mexican operations	2.5	3.9
	$ 2.6	$ 5.0

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Peruvian operations

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

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

Mexican operations

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

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

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.

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 not entered into force, but is being analyzed by the Chamber of Deputies is the one related to amendments to the Civil Federal Procedures Code (CFPC). This initiative consists 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. The initiative is expected to be approved by the Chamber of Deputies this year and the related provisions to enter into force six months

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afterward. 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 has initiated a program for plant demolition and soil remediation with a budget of $35.7 million, of which the Company has spent $9.7 million through March 31, 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 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 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.

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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) The May 10, 2006 Cornejo Flores and others vs. SCC s Peruvian Branch litigation, seeks the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases made by the Branch in 1980 for the amount of the workers participation of S/.17,246,009,907.20, equivalent to 172,460,099.72 labor shares, and dividends. On May 23, 2006, the Branch answered this new complaint denying the validity of the claim. As of March 31, 2011, the case remained open with no new developments.

3) The June 27, 2008 Alejandro Zapata Mamani and others vs. SCC s Peruvian Branch litigation seeks the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and dividends. The Branch answered this new complaint, denying the validity of the claim. As of March 31, 2011, the case remained open with no new developments.

4) The January 2009 Arenas Rodriguez and others represented by Mr. Cornejo Flores- vs. SCC s Peruvian Branch litigation seeks the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and dividends. The Branch answered this complaint, denying the validity of the claim. In August 2010, the Civil Court dismissed the case due to procedural defects. The plaintiffs appealed the Civil Court s resolution before the Superior Court. As of March 31, 2011, resolution of this appeal was pending.

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

Exploraciones de Concesiones Metalicas S.A.C.:

In August 2009, a lawsuit was filed against SCC s Branch by the former stockholders of Exploraciones de Concesiones Metalicas S.A.C. (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

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forms part of the Tia Maria project. As of March 31, 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 March 31, 2011, the case remained open with no new developments.

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

Mexican operations

Pasta de Conchos Accident:

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

On March 29, 2011, the District Court for the District of Arizona dismissed the case for lack of subject-matter jurisdiction. Plaintiffs can appeal the order to the Federal Circuit Court of Appeals. As of March 31, 2011, the case remained open with no new developments.

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.

Peruvian Operations

Approximately 62% of the Company s Peruvian labor force was unionized at March 31, 2011, and was 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.

During the first quarter of 2011 and 2010 there were no strikes.

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Mexican operations

Approximately 73% of the Mexican labor force was unionized at March 31, 2011 and was represented by two 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 the last years the Buenavista mine experienced several labor stoppages. The latest labor stoppage started in July 2007 and finished in June 2010. In 2008, the Board of Directors offered all Buenavista employees a severance payment in accordance with the collective bargaining agreement and applicable law. At March 31, 2011 the Company maintains a provision of $3.4 million of pending payments to a group of approximately 829 workers who have rejected acceptance of the severance termination payment. The Company began the rehabilitation and reconstruction of the Buenavista mine during the second half of 2010 which is now operating at full capacity. The Company expects to complete its optimization processes and increase the concentrator´s recovery to full copper production in the second quarter of 2011. Through March 31, 2011, the Company has spent $112.6 million on repairs, of this $54.4 million were capitalized and $58.2 million were charged to operating cost. In the first quarter of 2011, the Company charged $22.3 million to operating cost.

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 March 31, 2011 the resolution of this appeal was pending.

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). 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, caption. 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

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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. As of the date of this filing, the case is expected to go to trial in June 2011.

The complaint seeks, among other things, a preliminary and permanent injunction to enjoin the Transaction, the award of damages to the plaintiff and the class, 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 scheduled for May 5, 2011.

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.

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Other commitments:

Royalty charge

The Company s Peruvian operations are subject to a royalty charge to a 1% to 3% royalty 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 quarter of 2011 and 2010, as follows (in millions):

	2011	2010
Royalty charge	$ 14.7	$ 12.9

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. 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 Company expects to obtain savings in its future power costs. 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 note 17 Tia Maria project.

Tax contingency matters:

Tax contingencies are provided for under ASC 740-10-50-15 Uncertain tax positions (see Note 5, Income taxes).

NOTE 13 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.

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.

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

Three Months Ended March 31, 2011 (in millions)	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 669.8	$ 111.1	$ 821.1	$	$ 1,602.0
Intersegment sales		31.4		(31.4)	
Cost of sales (exclusive of depreciation, amortization and depletion)	231.1	67.6	437.5	0.7	736.9
Selling, general and administrative	8.2	3.5	12.3	0.6	24.6
Depreciation, amortization and depletion	30.7	6.3	34.2	(0.6)	70.6
Exploration	0.6	3.8	2.8		7.2
Operating income	$ 399.2	$ 61.3	$ 334.3	$ (32.1)	762.7
Less:					
Interest, net					(43.8)
Loss on debt prepayment					(1.4)
Other income (expense)					0.8
Income taxes					(238.1)
Non-controlling interest					(1.8)
Net income attributable to SCC					$ 478.4
Capital expenditure	$ 44.8	$ 7.8	$ 18.9	$ 1.5	$ 73.0
Property, net	$ 1,600.3	$ 294.5	$ 2,149.5	$ 50.8	$ 4,095.1
Total assets	$ 2,725.9	$ 740.6	$ 2,932.4	$ 1,725.7	$ 8,124.6

Three Months Ended March 31, 2010 (in millions)	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 378.4	$ 91.2	$ 721.8	$ 28.0	$ 1,219.4
Intersegment sales	21.2	51.7		(72.9)	
Cost of sales (exclusive of depreciation, amortization and depletion)	177.9	91.3	283.4	(41.6)	511.0
Selling, general and administrative	7.4	3.2	10.5	0.6	21.7
Depreciation, amortization and depletion	29.8	5.9	32.9	0.8	69.4
Exploration	1.2	3.6	3.7		8.5
Operating income	$ 183.3	$ 38.9	$ 391.3	$ (4.7)	608.8
Less:					
Interest, net					(21.8)
Other income (expense)					1.4
Income taxes					(203.2)
Non-controlling interest					(2.0)
Net income attributable to SCC					$ 383.2
Capital expenditure	$ 12.2	$ 5.9	$ 57.2	$ 0.1	$ 75.4
Property, net	$ 1,586.6	$ 275.2	$ 2,050.3	$ 61.5	$ 3,973.6
Total assets	$ 2,394.5	$ 696.6	$ 2,873.2	$ 36.3	$ 6,000.6

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NOTE 14 STOCKHOLDERS´EQUITY:

Treasury Stock:

Activity in treasury stock in the three-month period ended March 31, 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		
Used for corporate purposes		
Balance as of March 31,	461.0	460.7
Parent Company (Grupo Mexico) common shares		
Balance as of January 1,	161.7	142.7
Other activity, including dividend, interest and currency translation effect	7.9	8.7
Balance as of March 31,	169.6	151.4
Treasury stock balance as of March 31,	$ 630.6	$ 612.1

Parent Company common share:

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 in the previous two years. The employees will pay for shares purchased through monthly payroll deductions over the eight year period of the plan. At the end of the eight year period, the Company will grant the participant a bonus of 1 share for every 10 shares purchased by the employee.

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

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

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

In the case of involuntary termination of the employee, the Company will pay to the employee the fair market sales price at the date of termination of employment of the fully paid shares, net of costs and taxes. When the fair market value of the shares

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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%