SOUTHERN COPPER CORP/
Form S-4
October 28, 2005

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As filed with the Securities and Exchange Commission on October 28, 2005

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**1000**	**13-3849074**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

**2575 East Camelback Road
Phoenix, Arizona 85016
(602) 977-6595**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Armando Ortega Gómez, Esq.
Secretary
Southern Copper Corporation
2575 East Camelback Road
Phoenix, Arizona 85016
(602) 977-6595**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Michael L. Fitzgerald, Esq.
Robert B. Williams, Esq.
Milbank, Tweed, Hadley & McCloy LLP
One Chase Manhattan Plaza
New York, New York 10005**

Approximate date of commencement of proposed exchange offer:

As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(1)	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
6.375% Notes due 2015	$200,000,000	100%	$200,000,000	$23,540.00
7.500% Notes due 2035	$600,000,000	100%	$600,000,000	$70,620.00

(1) Estimated based on the face value of the 6.375% Notes due 2015 and the 7.500% Notes due 2035, previously sold in transactions exempt from registration under the Securities Act of 1933, solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities or consummate the exchange offer until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell or exchange these securities and it is not soliciting an offer to acquire or exchange these securities in any jurisdiction where the offer, sale or exchange is not permitted.

SUBJECT TO COMPLETION, DATED , 2005

PROSPECTUS

Offer to exchange all of our outstanding unregistered U.S.$200,000,000 6.375% Notes due 2015 and U.S.$600,000,000 7.500% Notes due 2035

for

Up to U.S.$200,000,000 6.375% Notes due 2015 and U.S.$600,000,000 7.500% Notes due 2035, respectively, which have been registered under the Securities Act of 1933

Material Terms of the Exchange Offer:

We are offering to exchange the notes that we sold previously in a private offering for new registered notes.

The terms of the new notes are substantially identical to the terms of the old notes, except for the transfer restrictions and registration rights relating to the outstanding old notes.

The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, unless we extend it.

We will exchange all old notes that are validly tendered and not validly withdrawn.

You may withdraw tenders of old notes at any time before 5:00 p.m., New York City time, on the date of the expiration of the exchange offer.

Application has been made for the notes to be admitted to listing on the EuroMTF section of the Luxembourg Stock Exchange.

We will not receive any proceeds from the exchange offer.

We will pay the expenses of the exchange offer.

You should carefully review "Risk Factors" beginning on page 15 of this prospectus.

Neither the Securities and Exchange Commission, any state securities commission nor any other regulatory authority, has approved or disapproved the notes nor have any of the foregoing authorities passed upon or endorsed the merits of this exchange offer or the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005.

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In making the decision whether or not to participate in the exchange offer, holders of the old notes must rely on their own examination of the issuer and the terms of the exchange offer, including the merits and risks involved. Holders of the old notes should not construe anything in this prospectus as legal, business or tax advice. Holders of the old notes should consult their own advisors as needed to make the decision to exchange the old notes and to determine whether it is legally permitted to exchange the old notes under applicable investment or similar laws or regulations.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act of 1933. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date and ending on the close of business one year after the expiration date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution".

We confirm that, after having made all reasonable inquiries, to the best of our knowledge, this prospectus contains all information with regard to us and the notes which is material to the offering and sale of the notes, that the information contained in this prospectus is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this prospectus which, by their absence herefrom, make this prospectus misleading in any material respect. We accept responsibility for the information contained in this prospectus regarding Southern Copper Corporation, the notes and the applicable transaction documents.

This prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein are available free of charge at the office of the Luxembourg paying agent and will be made available to you upon request to us.

All broker-dealers must comply with the registration and prospectus delivery requirements of the Securities Act. See "Plan of Distribution."

We are not making an offer to exchange new notes for old notes in any jurisdiction where the offer is not permitted, and will not accept tenders for exchange from holders in any such jurisdiction.

ENFORCEMENT OF CIVIL LIABILITIES

Although we are a corporation organized under the laws of Delaware, substantially all of our assets and operations are located, and a substantial portion of our revenues derive from sources, outside the United States. Almost all of our directors and officers and certain of the experts named in this prospectus reside outside of the United States and all or a significant portion of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce judgments against them obtained in United States courts predicated upon the civil liability provisions of the United States federal securities laws or otherwise. We have been advised by Mexican counsel that no treaty exists between the United States and Mexico for the reciprocal enforcement of judgments and we have been advised by our special Peruvian counsel that no such treaty exists between the United States and Peru. Mexican and Peruvian courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, which include the review in Mexico or Peru of the United States judgment to ascertain whether certain basic principles of due process, public policy and other specific matters have been complied with, without reviewing the merits of the subject matter of the case. Nevertheless, we have been advised that there is doubt as to the enforceability, in original actions in Mexican or Peruvian courts, of liabilities predicated in whole or in part on United States federal securities laws and as to the enforceability in Mexican and Peruvian courts of judgments of United States courts obtained in actions predicated upon the civil liability provisions of United States federal securities laws.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-4 under the Securities Act of 1933 with respect to the offering of notes. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits to the registration statement. For further information with respect to us and the notes, you should refer to the registration statement and the exhibits filed as a part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each of the statements in this prospectus relating to a document that has been filed as an exhibit is qualified in all respects by the filed exhibit.

We are required to file annual, quarterly and special reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended, or the Exchange Act. You may read and copy information we file at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information regarding the operation of the Public Reference Room by calling the SEC at 1-800 -SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about issuers like us that file electronically with the SEC. The SEC's Internet site is *www.sec.gov*.

We are "incorporating by reference" the information we file with the SEC, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is considered part of this prospectus. Information set forth in this prospectus and information that we file after the date of this prospectus with the SEC will automatically update and supersede the information in this prospectus including any previously filed information that is incorporated by reference in this prospectus.

We incorporate by reference the documents listed below, which we have already filed with the SEC, and any future filings under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, until this exchange offer is completed other than information or reports furnished to the SEC under Items 2.02 and 7.01 in our Current Reports on Form 8-K:

- Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005; and

- Our Current Reports on Form 8-K filed on January 27, 2005, March 14, 2005, March 28, 2005, April 4, 2005, April 8, 2005, May 20, 2005, June 9, 2005, July 11, 2005, July 21, 2005 and August 1, 2005 and on Form 8-K/A filed on April 29, 2005, May 19, 2005 and June 6, 2005.

We are not incorporating our Annual Report on Form 10-K for the year ended December 31, 2004 nor our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, because the information contained in those reports has been superseded by subsequently filed reports or by information contained herein**.**

You may request a copy of our filings, excluding exhibits to such filings unless an exhibit has been specifically incorporated by reference in this prospectus at no cost by telephoning or writing to us at the following:

Investor Relations
Southern Copper Corporation
2575 East Camelback Road, Suite 500
Phoenix, Arizona 85016
Tel. No.: 602-977-6595

To obtain timely delivery, any such requests must be made at least five business days before the expiration date of the exchange offer set forth on cover of this prospectus. Additionally, you can get further information about us on our website: *www.southernperu.com*. Information on our website, however, does not constitute a part of this prospectus.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The information contained in this prospectus is accurate only as of the date on the front of this prospectus.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Throughout this prospectus, unless the context otherwise requires, the terms "we," "us," "our," and "the Company" refer to the Southern Copper Corporation and its consolidated subsidiaries including our recently acquired Minera México subsidiary and its consolidated subsidiaries; the terms "Southern Copper Corporation" and "SCC" refer to the Southern Copper Corporation and its subsidiaries, excluding Minera México and its consolidated subsidiaries but including SPCC Peru Branch; SPCC Peru Branch refers to a registered branch through which SCC conducts its Peruvian operations; the term "Minera México" refers to our subsidiary Minera México, S.A. de C.V., and its consolidated subsidiaries; and the term "Grupo México" refers to Grupo México, S.A. de C.V., our controlling stockholder. On October 11, 2005, we changed our name from Southern Peru Copper Corporation to Southern Copper Corporation.

Many of the terms used in this prospectus are defined in the glossary of mining terms, beginning on page A-1.

Financial Information

Our financial statements and other financial information included in this prospectus reflect the combined accounts of Southern Copper Corporation and Minera México. Effective April 1, 2005, SCC acquired substantially all of the outstanding common stock of Minera México. The acquisition was accounted for in a manner similar to a pooling of interests as it involved the reorganization of entities under common control. Under applicable accounting requirements, the financial statements of SCC and Minera México are combined on a historical cost basis for all the periods presented since they were under common control during all of the periods presented. The combined financial results may not be indicative of the results of operations that actually would have been achieved had the acquisition of Minera México taken place at the beginning of the periods presented and do not purport to be indicative of future results.

This prospectus includes Audited Combined Financial Statements as of December 31, 2004, and for each of the years in the three-year period ended December 31, 2004. This prospectus also includes certain combined financial information as of and for the years ended December 31, 2000 and 2001. The 2000 and 2001 combined financial information is unaudited and has been derived from audited stand-alone financial statements of SCC and Minera México. Management has prepared the 2000 and 2001 combined financial information on a basis believed to be consistent with the basis on which the Audited Combined Financial Statements have been prepared.

Reserves Information

Our mineral reserves are estimates based on a number of assumptions, including production costs and metals prices. Unless otherwise stated, reserves estimates in this prospectus are based on three-year average metal prices as of December 31, 2004. We refer to three-year average metal prices as "current average prices."

In this prospectus certain financial information is based on reserve estimates based on certain metals price assumptions. These items include the amount of mine stripping that is capitalized, units of production amortization of capitalized mine stripping and amortization of intangible assets. For SCC, commencing in 2003, we have used reserve estimates based on current average metals prices as of the most recent year then ended to determine these items. For periods prior to 2003 for SCC, we have used reserves estimates based on metals prices intended to approximate average prices over the long term. In calculating such items for periods ended on or prior to December 31, 2004 for Minera México, we have used reserves estimates based on these longer term price assumptions. For periods ended after December 31, 2004, such items for Minera México have been calculated using reserve estimates based on current average prices.

In calculating these items for the six-month periods ended June 30, 2004 and 2005 for SCC, we have used reserve estimates based on current average prices as of the most recent prior year then ended. In calculating these items for the six-month period ended June 30, 2004 for Minera México, we have used reserves estimates based on the above mentioned longer term price assumptions. In calculating these items for the six-month period ended June 30, 2005 for Minera México, we have used reserves estimates based on current average prices as of December 31, 2004.

We also use the above mentioned longer term price assumptions in developing our mine plans. For a further discussion regarding how we calculate our reserves, see "Business Reserves."

Currency Information

Unless stated otherwise, references herein to "U.S. dollars," "dollars," "U.S.$" or "$" are to United States dollars; references to "S/," "nuevo sol" or "nuevos soles" are to Peruvian nuevos soles; and references to "peso," "pesos" or "Ps." are to Mexican pesos.

Industry and Market Data

This prospectus includes market share and industry data and forecasts that we obtained from or are based upon internal company surveys, market research, consultant surveys, publicly available information and industry publications and surveys. Industry publications and surveys, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but we cannot assure you as to the accuracy and completeness of the information. We have not independently verified any of the information from third-party sources nor have we ascertained the underlying economic assumptions relied upon therein. We believe that this information has been accurately reproduced. Similarly, internal company surveys, industry forecasts and market research, which we believe to be reliable based upon management's knowledge of the industry, have not been verified by any independent sources.

Unit Information

Throughout this prospectus, unless otherwise noted, all tonnages are in metric tons. To convert to short tons, multiply by 1.102. All ounces are troy ounces. All distances are in kilometers. To convert to miles, multiply by 0.621. To convert hectares to acres, multiply by 2.47.

SUMMARY

You should read this entire prospectus including the information incorporated by reference when deciding to participate in this exchange offer. You should also carefully consider the information set forth under "Risk Factors." In addition, certain statements include forward-looking information that involves risks and uncertainties. See "Forward-Looking Statements."

Overview

We are the world's largest publicly traded copper company as measured by reserves. Based on 2004 sales, we are the world's fifth largest copper mining company, and the third largest copper smelting and fifth largest copper refining company. We believe that we are also among the world's largest producers of molybdenum, silver and zinc.

All of our mining operations are located in Peru and Mexico and we conduct exploration activities in Peru, Mexico and Chile. We own and operate the following mines and metallurgical complexes:

Four Open-Pit Copper Mines

Our Cuajone and Toquepala mines, located in southern Peru, produced 397,366 tons of copper in 2004 (194,389 tons at Cuajone and 202,977 tons at Toquepala). These mines are part of our Peruvian operations segment.

Our Cananea mine, located in northern Mexico, produced 173,428 tons of copper in 2004. We believe Cananea is among the world's largest copper mines in terms of reserves, and has the longest remaining mine life of any major open-pit copper mine in the world based on current production levels. This mine is part of our Mexican open-pit operations segment.

Our La Caridad mine, located in northern Mexico, produced 132,160 tons of copper in 2004. This mine is part of our Mexican open-pit operations segment.

Three Metallurgical Processing Complexes

Our Ilo complex, located in southern Peru, includes the world's sixth largest copper smelter and eighth largest copper refinery, a precious metal refinery and a sulfuric acid plant. We are currently modernizing the Ilo smelter facility with Isasmelt technology to reduce emissions. This complex is part of our Peruvian operations segment.

Our La Caridad complex, located in northern Mexico, is a modern metallurgical facility that includes one of the world's largest copper smelters and one of the largest copper refineries, a precious metal refinery, a copper rod manufacturing plant and a sulfuric acid plant. This complex is part of our Mexican open-pit operations segment.

Our San Luis Potosí complex, located in central Mexico, includes an electrolytic zinc refinery, a copper smelter and a sulfuric acid plant. This complex is part of our Mexican open-pit operations segment.

Underground Mines and Related Processing Facilities

We own and operate five underground mines that produce various metals such as zinc, copper, silver and gold, as well as a coal mine and related production facilities, all of which are located in Mexico. These underground mines are part of our IMMSA Unit segment.

On April 1, 2005, we acquired Minera México from Americas Mining Corporation, or AMC, a subsidiary of Grupo México, S.A. de C.V., our controlling stockholder. On a stand-alone basis, Minera México, which owns the Cananea and La Caridad mines, among other assets, is the largest mining company in Mexico and the eleventh largest copper producer in the world. On April 1, 2005, we exchanged 67,207,640 newly issued shares of our common stock for the outstanding shares of Minera

México, and Minera México became our 99%-owned subsidiary. Upon completion of the merger, Grupo México increased its indirect beneficial ownership of our capital stock from approximately 54.2% to approximately 75.1%. We now own 99.95% of Minera Mexico.

For the six months ended June 30, 2005, after giving effect to our acquisition of Minera México, we had net sales of U.S.$1,094.1 million and EBITDA of U.S.$1,028.8 million. Over the same period we produced 330,400 tons of copper, 7,614 tons of molybdenum, 4.1 million ounces of silver and 71,789 tons of zinc, approximately 66% of which was sold outside of Latin America. As of December 31, 2004, we had proven and probable reserves of approximately 44.9 million tons of copper.

With the acquisition of Minera México, we determined that to best manage our business we needed to focus on three operating segments. These segments are our Peruvian operations, our Mexican open-pit operations and our Mexican underground mining polymetallic 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 facilities. Our Mexican open-pit operations include the La Caridad and Cananea mine complexes and smelting and refining plants and support facilities which service both complexes. Our IMMSA unit includes five underground mines that produce zinc, copper, silver and gold, a coal and coke mine, and several industrial processing facilities for zinc and silver.

Competitive Strengths

Second largest copper reserves in the world. We have an estimated 44.9 million tons of proven and probable copper reserves, the second largest copper reserves in the world and the largest copper reserves of any publicly-traded company.

Highly integrated copper production. We are a highly integrated producer of copper which enables us to maintain high smelter utilization, achieve pricing premiums through value-added copper products and reduce our reliance on third parties for treatment and refinery services. For example, our Cananea and La Caridad mines provide a stable and secure source of copper concentrate for our La Caridad complex, our Cuajone and Toquepala mines supply our Ilo complex and our underground mines provide zinc and copper concentrate for our San Luis Potosí complex. Our integrated operations enable us to have significant economies of scale with reduced costs and earnings volatility.

A portfolio of low-cost operations. Our copper mines are well positioned from a cost perspective. In addition to our integrated operations, we believe we benefit from other advantages that contribute to making us a low-cost producer of copper and other metals. These include the relatively high quality of our reserves and the proximity of many of our operations to each other.

Diversified mix of operations. We operate four copper mines, with no one mine contributing more than 28% of our total mine production during 2004. We also operate three metallurgical complexes. We believe this diversity of operations reduces the impact of a major mine failure or labor disruptions at any one operation. We offer a diverse product mix that includes molybdenum, a byproduct of our copper mining operations, as well as other byproduct metals, such as zinc and silver. We believe we are one of the world's largest producers of molybdenum. Further, our operations and reserves are balanced between Peru and Mexico, countries with a tradition of mining and well-established mining laws.

Significant organic growth prospects that can be financed with internal funds. We have identified a number of potential development projects that we believe can be implemented to increase our future production capacity without major investments. These development projects, which include several brownfield projects that together could increase our production capacity by an estimated 88,000 tons (or approximately 12% of our current capacity) of copper per year, can be financed by internally generated funds and can be implemented within two to three years. We also have identified other potential brownfield and greenfield projects at our properties in Peru and Mexico and are currently conducting exploration activities in Peru, Mexico and Chile.

Management team with a track record of success over our long operating history. Our senior managers have an average of 20 years of experience with our Company or its predecessors. Our senior managers have successfully led the Company in varied economic conditions and have a track record of improving operating efficiency and reducing costs.

Business Strategies

Our objective is to increase earnings and cash flow growth in varied market conditions. We seek to achieve this objective by focusing on the following strategies:

Growing and expanding our operations. We intend to further realize the potential of our existing operations by expanding our production capacity and reserves, as well as exploring and developing promising mineral deposits. We believe that our existing operations have significant growth potential that can be financed principally through internally generated cash flows. We also intend to supplement internal growth by selectively pursuing value-enhancing acquisition opportunities.

Continuing our focus on copper. We are primarily a copper producer, with approximately 68.1% of our 2004 revenues derived from copper production. We intend to continue to focus principally on the production of copper. Our earnings and cash flows are highly sensitive to movements in the price of copper, and we estimate that a U.S.$0.01 per pound increase in the price of copper would generate approximately U.S.$15.6 million of additional operating income based on our 2004 total production.

Improving the cost position of our operations. We are focused on improving our cost structure in order to maintain our profitability throughout the commodity price cycle and to generate cash flow to fund attractive investment opportunities. We seek to lower costs by (i) improving economies of scale through production expansions, (ii) investing selectively in new equipment and advanced production technologies, such as SX/EW, and (iii) fully utilizing our metallurgical facilities to capture processing margins and premiums.

Maintaining a relatively conservative capital structure. As of June 30, 2005, we had a cash balance of U.S.$471.2 million and total debt of U.S.$1.11 billion, giving us a net debt position of U.S.$640.5 million and a ratio of net debt to net debt plus stockholders' equity of 17.7%. We recently announced a quarterly dividend of U.S.$1.043 per which we paid on August 19, 2005. We used substantially all the net proceeds from the July 2005 offering of the old notes to repay certain of our outstanding indebtedness. We seek to maintain a relatively conservative level of financial leverage with the goal of enabling us to minimize our borrowing costs, to be opportunistic regarding growth projects and strategic investments and acquisitions and to reduce financial risks during market downturns.

Copper Market Conditions

Copper is a fundamental material in the world's infrastructure. Copper has unique chemical and physical properties, including high electrical conductivity and resistance to corrosion, as well as excellent malleability and ductility, that have made it a superior material for use in the electrical energy, telecommunications, building construction, transportation and industrial machinery businesses. Wire and cable products, used principally as energy cable, building wire and magnet wire, account for as much as 71% of copper consumption. Copper is also an important metal in non-electrical applications such as plumbing, roofing and, when alloyed with zinc to form brass, in many industrial and consumer applications. The building and construction industry accounts for approximately 37% of worldwide copper usage. Worldwide copper sales in 2004 were estimated to be approximately U.S.$48 billion based on 2004 worldwide copper sales of 16.9 million tons and the average copper price per pound in 2004 of U.S.$1.29.

Historically, the price of copper has been both volatile and cyclical, a reflection of current and expected economic conditions and the supply of and demand for copper.

During the 1980s and 1990s, copper prices averaged, on an annual basis, approximately U.S.$0.84 per pound and U.S.$1.01 per pound, respectively. The price of copper has increased considerably over the past few years since its 15-year low reached in November 2001, particularly since March 2003 when significant appreciation of the metal commenced. In 2004, the average copper price of U.S.$1.29 per pound was almost U.S.$0.50 higher than the previous year's average. We believe factors contributing to the current strength of copper prices include:

Reduced supply and low inventory levels. Reduction in new mine development, declining grades at existing mines and discipline among existing producers in not expanding production have all contributed to a current supply deficit. This has been aided by the significant restructuring and consolidation in the industry over the past few years. Current inventories of copper held by producers and commodity exchanges are at historically low levels. When copper inventories are low, higher copper prices generally result.

Increased demand, especially from China. Increases in worldwide industrial production as well as increased use of copper in developing countries have led to recent increases in demand for copper. China's growth in copper consumption, which accounted for approximately 40% of the increase in global market consumption of copper in 2004, has been a significant contributor to demand. Demand has also benefited from a recovery in the U.S. manufacturing sector. As producers' and commodities exchanges' inventories have decreased and industrial production and consumer confidence have increased, end users have increased their business inventories of copper as they have realized the need to have copper available, particularly on short notice.

Weakening U.S. dollar. There has been a strong inverse correlation over time between copper prices and U.S. dollar exchange rates. Approximately 92% of copper production occurs in regions where the local currency is not the U.S. dollar. Production economics for producers and the impact of raw materials costs on consumers in these regions change with movements in the exchange rate of the U.S. dollar against these regions' currencies. The current weakness of the U.S. dollar has had a significant upward impact on the price of copper in U.S. dollars.

These factors, which are all interdependent and impact prices to varying degrees, are reflected in the current market price of copper. Changes to any one of these factors will impact prices in the future.

Corporate Information

We were incorporated in Delaware in 1952. On October 11, 2005, we changed our name from Southern Peru Copper Corporation to Southern Copper Corporation. Our corporate offices in the United States are located at 2575 East Camelback Road, Suite 500, Phoenix, Arizona 85016. Our telephone number in Phoenix, Arizona is (602) 977-6595. Our corporate offices in Mexico are located in Mexico City and our corporate offices in Peru are located in Lima. Our website is *www.southernperu.com*. The information on our website is not part of this prospectus.

THE OFFERING

Terms of the Exchange Offer

We sometimes refer to the U.S.$200 million aggregate principal amount of 6.375% Notes due 2015 and the U.S.$600 million aggregate principal amount of 7.500% Notes due 2035, both issued July 27, 2005, as, respectively, the old 2015 notes and the old 2035 notes, and together, the old notes. We sometimes refer to the U.S.$200 million aggregate principal amount of 6.375% Notes due 2015 and the U.S.$600 million aggregate principal amount of 7.500% Notes due 2035 both to be issued as part of the proposed exchange offer, as, respectively, the new 2015 notes and the new 2035 notes, and together, the new notes. We refer to the new notes together with the old notes as the notes. As part of the offering of the old notes, we entered into a registration rights agreement in which we agreed to complete an exchange offer for the old notes. Below is a summary of the exchange offer.

New Notes	Up to U.S.$200 million aggregate principal amount of 6.375% Notes due 2015 and up to U.S.$600 million aggregate principal amount of 7.500% Notes due 2035. The terms of these new notes and the old notes are substantially identical in all respects, except that, because the offer of the new notes will have been registered under the Securities Act of 1933, or the Securities Act, the new notes will not be subject to transfer restrictions, registration rights or the related provisions for increased interest if we default under the related registration rights agreement.
The Exchange Offer	We are offering to exchange (i) up to U.S.$200 million aggregate principal amount of new 2015 notes for a like aggregate principal amount of old 2015 notes and (ii) up to U.S.$600 million aggregate principal amount of new 2035 notes for a like aggregate principal amount of old 2035 notes. Old notes may be tendered only in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. All old notes that are validly tendered and not withdrawn will be exchanged. We will issue new notes promptly after the expiration of the exchange offer.
	In connection with the private placement of the old notes on July 27, 2005, we entered into a registration rights agreement, which grants holders of the old notes certain exchange and registration rights. This exchange offer is intended to satisfy our obligations under this registration rights agreement.
	If the exchange offer is not completed within the time period specified in the registration rights agreement, we will be required to pay additional interest on the old notes covered by the registration rights agreement for which the specified time period was exceeded.

Resale of New Notes	Based on existing interpretations by the staff of the SEC set forth in interpretive letters issued to parties unrelated to us, we believe that the new notes may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act, provided that:
	you are acquiring the new notes in the exchange offer in the ordinary course of business;
	you are not participating, do not intend to participate, and have no arrangements or understandings with any person to participate in the exchange offer for the purpose of distributing the new notes; and
	you are not our "affiliate," within the meaning of Rule 405 under the Securities Act.
	If any of the statements above are not true and you transfer any new notes without delivering a prospectus that meets the requirements of the Securities Act or without an exemption from registration of your new notes from those requirements, you may incur liability under the Securities Act. We will not assume or indemnify you against that liability.
	Each broker-dealer that receives new notes for its own account in exchange for old notes that were acquired by such broker-dealer as a result of market-making or other trading activities may be a statutory underwriter and must acknowledge that it will comply with the prospectus delivery requirements of the Securities Act in connection with any resale or transfer of the new notes. A broker-dealer may use this prospectus for an offer to resell, resale or other transfer of the new notes. See "Plan of Distribution."
	The exchange offer is not being made to, nor will we accept surrenders of old notes for exchange from, holders of old notes in any jurisdiction in which the exchange offer or the acceptance thereof would not be in compliance with the securities or blue sky laws of the jurisdiction.
Consequences of Failure to Exchange Old Notes for New Notes	If you do not exchange your old notes for new notes, you will not be able to offer, sell or otherwise transfer your old notes except:
	in compliance with the registration requirements of the Securities Act and any other applicable securities laws;
	pursuant to an exemption from the securities laws; or
	in a transaction not subject to the securities laws.

	Old notes that remain outstanding after the exchange offer is completed will continue to bear a legend reflecting these restrictions on transfer. In addition, when the exchange offer is completed, you will not be entitled to any rights to have resales of old notes registered under the Securities Act, and we currently do not intend to register under the Securities Act the resale of any old notes that remain outstanding after the exchange offer is completed.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on , 2005, unless we extend it. We do not currently intend to extend the exchange offer.
Interest on the New Notes	Interest on the new notes issued in exchange for old notes will accrue at their respective stated rates from the date of the last periodic payment of interest on the old notes or, if no interest has been paid, from July 27, 2005. No additional interest will be paid on old notes tendered and accepted for exchange.
Conditions to the Exchange Offer	The exchange offer is subject to customary conditions, including that:
	the exchange offer does not violate applicable law or any applicable interpretation of the SEC staff;
	the old notes are validly tendered in accordance with the terms of the exchange offer;
	no action or proceeding would impair our ability to proceed with the exchange offer; and
	any governmental approval that we believe, in our sole discretion, is necessary for the consummation of the exchange offer, as outlined in this prospectus, has been obtained.
	The exchange offer is not conditioned upon any minimum principal amount of old notes being tendered for exchange. See "The Exchange Offer Conditions."
Procedures for Tendering the Old Notes	If you wish to accept the exchange offer, you must follow the procedures for book-entry transfer described in this prospectus, whereby you will agree to be bound by the letter of transmittal and we may enforce the letter of transmittal against you. Questions regarding the tender of old notes or the exchange offer generally should be directed to the exchange agent at one of its addresses specified in "The Exchange Offer Exchange Agent." See "The Exchange Offer Procedures for Tendering" and "The Exchange Offer Guaranteed Delivery Procedures." Letters of transmittal and any other documents required by the letter of transmittal should be sent to the exchange agent and not to us.

Guaranteed Delivery Procedures	If you wish to tender your old notes and the procedure for book entry transfer cannot be completed on a timely basis, you may tender your old notes according to the guaranteed delivery procedures described under the heading "The Exchange Offer Guaranteed Delivery Procedures."
Acceptance of Old Notes and Delivery of New Notes	We will accept for exchange any and all old notes that are properly tendered in the exchange offer before 5:00 p.m., New York City time, on the expiration date, as long as all of the terms and conditions of the exchange offer are met. We will deliver the new notes promptly following the expiration date.
Withdrawal Rights	You may withdraw the tender of your old notes at any time before 5:00 p.m., New York City time, on the expiration date of the exchange offer. To withdraw, you must send a written notice of withdrawal to the exchange agent at one of its addresses specified in "The Exchange Offer Exchange Agent" before 5:00 p.m., New York City time, on the expiration date. See "The Exchange Offer Withdrawal of Tenders."
Taxation	We believe that the exchange of old notes for new notes should not be a taxable transaction for U.S. federal income tax purposes. For a discussion of certain other U.S., Mexican and Peruvian federal tax considerations relating to the exchange of the old notes for new notes and the purchase, ownership and disposition of new notes, see "Summary of Certain Tax Considerations."
Exchange Agent	The Bank of New York is the exchange agent. The address, telephone number and facsimile number of the exchange agent are set forth in "The Exchange Offer Exchange Agent."
Use of Proceeds	We will not receive any proceeds from the issuance of the new notes. We are making the exchange offer solely to satisfy our obligations under the registration rights agreement. See "Use of Proceeds" for a description of our use of the net proceeds received in connection with the issuances of the old notes.

Terms of the New Notes

The new notes will be issued under the same respective indentures under which the old notes were issued and, as a holder of new notes, you will be entitled to the same rights under the respective indentures that you had as a holder of old notes. The old notes and the new notes will be treated as a single series of debt securities under the indentures. We sometimes refer to the new notes together with the old notes as the notes.

Issuer	Southern Copper Corporation.
Notes Offered	Up to U.S.$200 million aggregate principal amount of 6.375% Notes due 2015 and up to U.S.$600 million aggregate principal amount of 7.500% Notes due 2035, both of which have been registered under the Securities Act.
Interest Payment Dates	Interest on the 2015 notes is payable on January 27 and July 27 of each year, beginning on January 27, 2006.
	Interest on the 2035 notes is payable on January 27 and July 27 of each year, beginning on January 27, 2006.
Maturity	The 2015 notes will mature on July 27, 2015.
	The 2035 notes will mature on July 27, 2035.
Ranking	The notes will constitute SCC's senior unsecured obligations and will rank *pari passu* in priority of payment with all of SCC's other present and future unsecured and unsubordinated indebtedness. The notes will not be guaranteed by any of our subsidiaries and as a result will be structurally subordinated to all existing and future indebtedness and other obligations of our subsidiaries, including trade payables. See "Description of the Notes General."
Optional Redemption	We may, at our option, at any time, redeem some or all of the 2015 notes or the 2035 notes by paying a make-whole premium plus accrued and unpaid interest, if any, to the date of such redemption. See "Description of the Notes Optional Redemption."
Use of Proceeds	We will not receive any proceeds from the issuance of the new notes. We are making the exchange offer solely to satisfy our obligations under the registration rights agreement. See "Use of Proceeds" for a description of our use of the net proceeds received in connection with the issuances of the old notes.
Certain Covenants	The indentures relating to the notes contain certain covenants, including limitations on liens, limitations on sale and leaseback transactions, rights of the holders of the notes upon the occurrence of a change of control triggering event, limitations on subsidiary indebtedness and limitations on consolidations, mergers, sales or conveyances. All of these limitations and restrictions are subject to a number of significant exceptions, and some of these covenants will cease to be applicable before the notes mature if the notes attain an investment grade rating. See "Description of the Notes Covenants."

Events of Default	For a discussion of certain events of default that will permit acceleration of the principal of the notes plus accrued interest, and any other amounts due in respect of the notes, see "Description of the Notes Events of Default."
Further Issuances	We may from time to time, without notice to or consent of the holders of the 2015 notes or the 2035 notes, create and issue an unlimited principal amount of additional 2015 notes or 2035 notes of the same series as the 2015 notes and the 2035 notes offered pursuant to this prospectus.
Book Entry; Form and Denominations	The notes will be issued in the form of one or more global notes without coupons, registered in the name of a nominee of The Depository Trust Company, or DTC, as depositary, for the accounts of its participants including Clearstream Banking, *société anonyme* ("Clearstream") and Euroclear Bank S.A./N.V. ("Euroclear"). Notes in definitive certificated form will not be issued in exchange for the global notes except under limited circumstances. The notes will be issued in minimum denominations of U.S.$100,000 and integral multiples of U.S.$1,000 in excess thereof. See "Description of the Notes Form, Denomination and Title."
Listing	We have applied to list the notes on the EuroMTF section of the Luxembourg Stock Exchange.
	Directive 2004/109/EC of the European Parliament and Council, dated December 15, 2004, on the harmonization of transparency requirements for information about issuers whose securities are admitted to trading on an European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") and became effective on January 20, 2005. It requires member states, including Luxembourg, to take measures necessary to comply with the Transparency Directive by January 20, 2007. If, as a result of the Transparency Directive or any legislation implementing the Transparency Directive, we could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, we may delist the notes from the Luxembourg Stock Exchange in accordance with the rules of such exchange and seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide.
Risk Factors	Participating in the exchange offer and investing in the notes involves certain risks. See "Risk Factors."
Governing Law	State of New York
Trustee, Registrar and Paying Agent	The Bank of New York
Luxembourg Paying Agent and Transfer Agent	The Bank of New York (Luxembourg) S.A.
Luxembourg Listing Agent	The Bank of New York

Summary Combined Financial Information

The following tables present our summary combined financial information and other data for the periods indicated. These tables should be read in conjunction with the Audited Combined Financial Statements and the notes thereto included elsewhere in this prospectus and are qualified in their entirety by the information contained therein. Information for the six months ended June 30, 2004 and 2005 is unaudited and should be read in conjunction with our condensed consolidated combined interim financial statements for such periods ended and the notes thereto, which are incorporated by reference from our 10-Q for the quarter ended June 30, 2005 and is qualified in its entirety by the information contained therein. Our Audited Combined Financial Statements, our unaudited interim consolidated financial statements and the financial information in the tables below reflect our April 1, 2005 acquisition of Minera México as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SCC and Minera México on a combined basis through March 31, 2005 and on consolidated basis for periods beginning April 1, 2005. See "Presentation of Financial and Other Information Financial Information."

Statement of Earnings Data	Year Ended December 31,					Six Months Ended June 30,	
	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
	(dollars in thousands, except per share data)						
Net sales	$ 1,823,161	$ 1,560,028	$ 1,388,421	$ 1,576,641	$ 3,096,697	$ 1,324,748	$ 1,904,087
Cost of sales (exclusive of depreciation, amortization and depletion)	1,287,107	1,232,764	961,201	992,383	1,334,330	574,024	802,675
Selling, general and administrative	80,605	70,174	69,351	63,597	71,778	33,998	39,003
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586	95,300	131,511
Exploration	19,582	15,939	13,345	17,869	15,610	7,236	10,844
Operating income	275,138	75,250	186,916	325,734	1,482,393	614,190	920,054
Interest expense	162,279	171,242	128,747	117,009	107,904	63,639	44,812
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)	(4,545)	(6,260)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)	(3,625)	(8,490)
Loss on derivative instruments							12,121
(Gain) loss on debt prepayments	(1,246)	2,159	12,400	5,844	16,500		10,099
Gain on disposal of properties					(53,542)		
Other expense (income)	2,483	435	(7,202)	4,174	9,689	(19,447)	1,588
Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	133,224	(65,792)	65,288	209,468	1,420,871	578,168	866,184
Net earnings (loss)	20,760	(109,914)	144,929	83,536	982,386	398,516	610,292
Earnings (loss) per share	$ 0.14	$ (0.75)	$ 0.98	$ 0.57	$ 6.67	$ 2.71	$ 4.15
Weighted average shares outstanding basic (in thousands)	147,216	147,210	147,213	147,220	147,224	147,222	147,226
Weighted average shares outstanding diluted (in thousands)	147,216	147,212	147,217	147,225	147,224	147,231	147,226

Other Financial Information	Year Ended December 31,					Six Months Ended June 30,	
	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
	(dollars in thousands, except per share data)						
EBITDA(2)	$ 434,630	$ 238,558	$ 339,326	$ 492,774	$ 1,702,332	$ 728,937	$ 1,027,757
Capitalized mine stripping and leachable material	72,724	107,861	91,954	79,704	92,797	43,844	52,545
Capital expenditure excluding capitalized mine stripping cost and leachable materials	214,462	180,921	85,380	64,880	228,299	(89,232)	(142,617)

Financial Ratios	Year Ended December 31,					Six Months Ended June 30,	
	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
	(dollars in thousands, except per share data)						
Gross margin(3)	20.6%	10.3%	19.4%	25.8%	50.7%	49.5%	50.9%
Operating income margin(4)	15.1%	4.8%	13.5%	20.7%	47.9%	46.4%	48.3%
Net margin(5)	1.1%	(7.0)%	10.4%	5.3%	31.7%	30.1%	32.1%
Net debt(8)/total capitalization(6)	44.4%	45.4%	43.4%	39.5%	17.0%		17.7%
Ratio of Earnings to Fixed Charges(7)	1.8x		1.5x	2.7x	12.4x	10.1x	16.8x

Balance Sheet Data	As of December 31,					As of June 30,
	2000(1)	2001(1)	2002	2003	2004	2005(1)
	(dollars in thousands)					
Cash, cash equivalents and marketable securities	$ 172,895	$ 260,499	$ 175,071	$ 351,610	$ 755,974	$ 471,166
Total assets	4,454,694	4,480,582	4,419,030	4,491,028	5,319,193	5,026,672
Total long-term debt, including current portion	1,690,475	1,714,334	1,621,231	1,671,231	1,330,288	1,111,683
Total liabilities	2,452,944	2,633,264	2,452,538	2,385,885	2,494,314	2,044,125
Total stockholders' equity	$ 1,902,116	$ 1,751,859	$ 1,881,452	$ 2,022,745	$ 2,813,595	$ 2,972,020

(1) Financial information as of and for the years ended December 31, 2000 and 2001 and as of and for the six months ended June 30, 2004 and 2005 is unaudited.

(2) EBITDA is net earnings; plus cumulative effect of change in accounting principle, minority interest, income taxes, interest expense and depreciation, amortization and depletion; minus interest income and interest capitalized. EBITDA is used as a measure of performance by our management and is not a measure of performance under generally accepted accounting principles, or GAAP. We present EBITDA because we believe it provides management and investors with useful information by which to measure our consolidated performance. EBITDA should not be construed as an alternative to (a) net income as an indicator of our operating performance or (b) cash flow from our operating activities as a measure of liquidity. EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies.

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page 75.

(3) Represents net sales less cost of sales (including depreciation, amortization and depletion), divided by net sales as a percentage.

(4) Represents operating income divided by sales as a percentage.

(5) Represents net earnings divided by sales as a percentage.

(6) Represents net debt divided by net debt plus stockholders' equity.

(7) Represents earnings divided by fixed charges. Earnings are defined as earnings before income taxes, minority interest and cumulative effect of change in accounting principle, plus fixed charges and amortization of interest capitalized, less interest capitalized. Fixed charges are defined as the sum of interest expensed and interest capitalized, plus amortized premiums, discounts and capitalized expenses related to indebtedness. For the year 2001, we would have had to have generated additional earnings of U.S.$75,392,000 to achieve a ratio of earnings to fixed charges of 1:1.

(8) Net debt is defined as total debt minus cash balance.

Summary Operating Data

The following table sets out certain operating data underlying our combined financial and operating information for each of the periods indicated.

	Year Ended December 31,					Six months Ended June 30,	
Mining Production	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Material mined (thousands of tons)	360,871	385,666	357,635	356,600	386,364	193,193	211,872
Contained copper in concentrate (tons)	542,665	533,616	491,828	547,172	603,907	304,664	273,739
Electrowon copper metal (tons)	111,625	114,989	122,190	118,744	114,100	58,103	56,702
Total copper (tons)	654,290	648,605	614,018	665,916	718,007	362,766	330,441
Contained molybdenum in concentrate (tons)	14,090	13,869	11,747	12,521	14,373	6,411	7,614
Contained zinc in concentrate (tons)	167,798	149,252	135,442	128,760	133,778	66,947	71,789

	Year Ended December 31,					Six months Ended June 30,	
Smelter/Refinery Production	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Copper metal (tons)	622,620	676,038	579,905	537,501	594,278	311,846	334,842
Zinc metal (tons)	105,879	107,005	92,012	101,069	102,556	49,303	46,995
Silver metal ('000 ounces)	16,354	15,813	15,536	12,147	10,796	5,402	6,152

	Year Ended December 31,					Six months Ended June 30,	
Net Metal Sales(1)	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Net copper sold (tons)	743,831	721,412	645,107	660,485	709,668	346,640	334,538
Net molybdenum sold (tons)	14,250	13,890	11,695	12,498	14,350	6,429	7,233
Net zinc sold (tons)	155,255	141,913	126,499	122,217	120,922	60,901	71,759
Net silver sold (000 ounces)	26,167	24,924	20,371	19,498	20,212	10	10

	Year Ended December 31,					Six months Ended June 30,	
Average Realized Prices	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Copper price (U.S.$ per pound)	$ 0.86	$ 0.75	$ 0.74	$ 0.81	$ 1.36	$ 1.25	$ 1.51
Molybdenum price (U.S.$ per pound)	2.28	2.08	3.42	5.32	20.55	11.42	33.29
Zinc price (U.S.$ per pound)	0.54	0.42	0.39	0.40	0.51	0.48	0.59
Silver price (U.S.$ per ounce)	$ 4.91	$ 4.25	$ 4.52	$ 4.87	$ 6.35	$ 6.48	$ 7.07

	Year Ended December 31,					Six months Ended June 30,	
Operating Cash Costs(2)	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Cash cost per pound of copper produced	$ 0.63	$ 0.52	$ 0.43	$ 0.44	$ 0.18	$ 0.30	$ (0.09)
Cash cost per pound of copper produced (without byproduct revenue)	$ 0.99	$ 0.81	$ 0.74	$ 0.74	$ 0.85	$ 0.79	$ 0.99

(1) Includes finished metal (including blister, cathode and rod) sales and payable metal in concentrate sales to third parties, less payable metal in third-party concentrate purchases. "Payable metal" refers to the content of metal contained in concentrates that is actually valued and paid for.

(2)

Operating cash costs per pound of copper produced is an overall benchmark we use and a common industry metric to measure performance. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented beginning on page 70. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges and third party copper purchases; less byproduct revenue, depreciation, amortization and depletion, workers' participation and inventory change. Operating cash costs also exclude the portion of our mine stripping costs that we capitalize. We calculate operating cash cost for the company on a consolidated basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Operating Cash Costs."

Summary Reserves Data

The table below details our copper and molybdenum reserves as estimated at December 31, 2004. Pursuant to SEC guidance, the reserves information in this prospectus is calculated using average metals prices over the most recent three years, unless otherwise stated. We refer to these three-year average metals prices as "current average prices." Our current average prices for copper are calculated using prices quoted by COMEX, and our current average prices for molybdenum are calculated according to Platts *Metals Week*. Unless otherwise stated, reserves estimates in this prospectus use U.S.$0.939 per pound for copper and U.S.$8.425 per pound for molybdenum, both current average prices as of December 31, 2004. The current average prices for copper and molybdenum were U.S.$0.751 and U.S.$3.81, respectively, as of December 31, 2003 and U.S.$0.760 and U.S.$2.88, respectively, as of December 31, 2002. For a further discussion of how we calculate our reserves, see "Business Reserves."

	Cuajone Mine(1)	Toquepala Mine(1)	Cananea Mine(1)	La Caridad Mine(1)	Total Open-Pit Mines	Immsa(2)
Mineral Reserves						
Metal prices:						
Copper ($/lb.)	$ 0.939	$ 0.939	$ 0.939	$ 0.939	$ 0.939	$ 0.939
Molybdenum ($/lb.)	$ 8.425	$ 8.425	$ 8.425	$ 8.425	$ 8.425	$ 8.425
Cut-off grade	0.356%	0.365%	0.287%	0.325%		
Sulfide ore reserves (thousands of tons)	1,395,244	1,382,678	2,524,785	555,747	5,858,454	32,601
Average grade:						
Copper	0.616%	0.665%	0.571%	0.427%	0.590%	0.53%
Molybdenum	0.020%	0.036%		0.025%	0.027%	
Leachable material (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	4,510,564	
Leachable material grade	0.424%	0.203%	0.278%	0.195%	0.225%	
Waste (thousands of tons)	2,956,952	3,755,389	3,392,097	268,532	10,372,970	
Total material (thousands of tons)	4,374,959	7,025,334	7,320,363	2,021,332	20,741,988	
Stripping ratio	2.14	4.08	1.90	2.64	2.54	
Leachable material						
Reserves in stock (thousands of tons)	25,137	790,462	553,599	435,635	1,804,833	
Average copper grade	0.478%	0.139%	0.279%	0.250%	0.214%	
In-pit reserves (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	4,510,564	
Average copper grade	0.424%	0.203%	0.278%	0.195%	0.225%	
Total leachable reserves (thousands of tons)	47,900	2,677,729	1,957,680	1,632,688	6,315,997	
Average copper grade	0.452%	0.184%	0.278%	0.210%	0.222%	
Copper contained in ore reserves (thousands of tons)(3)	8,691	13,026	18,318	4,707	44,742	172.78

(1) The Cuajone, Toquepala, Cananea and La Caridad concentrator recoveries calculated for these reserves were 83.8%, 90.3%, 81.0% and 78.4%, respectively, obtained by using recovery formulas according to the different milling capacities and geo-metallurgical zones.

(2) The Immsa Unit includes the Charcas, Santa Bárbara, San Martin, Santa Eulalia and Taxco mines. The information above does not include information for the Santa Eulalia mine as it was recently reopened.

(3) Copper contained in ore reserves for open-pit mines is (i) the product of sulfide ore reserves and the average copper grade plus (ii) the product of in-pit leachable reserves and the average copper grade. Copper contained in ore reserves for underground mines is the product of sulfide ore reserves and the average copper grade.

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RISK FACTORS

Before making a decision to participate in the exchange offer, you should read this entire prospectus including the information incorporated by reference. You should also carefully consider each of the risk factors set forth below prior to deciding whether or not to tender the old notes in exchange for the new notes. The following risks, and other risks and uncertainties not currently known to us or those that we deem immaterial, may also materially and adversely affect our business, results of operations and financial condition. In such an event, you may lose all or part of your investment.

Risks Relating to Our Business Generally

Our financial performance is highly dependent on the price of copper and the other metals we produce.

Our financial performance is significantly affected by the market prices of the metals that we produce, particularly the market prices of copper and molybdenum. Historically, prices of the metals we produce have been subject to wide fluctuations and are affected by numerous factors beyond our control, including international economic and political conditions, levels of supply and demand, the availability and costs of substitutes, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. In addition, the market prices of copper and certain other metals have on occasion been subject to rapid short-term changes.

In 2004, a 60% increase in copper prices on the London Metal Exchange, or LME, and the Commodities Exchange, Inc., or COMEX, and a 206% increase in molybdenum prices, in addition to an 18% increase in our molybdenum production volume and sales volume, contributed to an increase of approximately 95% in our total sales in 2004 as compared with 2003. While the price of copper dropped to a 15-year low of U.S.$0.61 per pound in 2001, it has since increased by approximately 163% to U.S.$1.63 per pound as of July 15, 2005. The price of molybdenum has also recently increased significantly and is currently at historically high levels. The average annual price of molybdenum over the five-year period ended December 31, 2004 was U.S.$6.73 per pound, with a price per pound as of July 15, 2005 of U.S.$37.50 per pound. Over the past two years, as a result of this increase in molybdenum prices, molybdenum has become a significant contributor to our sales.

We cannot predict whether metals prices will rise or fall in the future. A decline in metals prices and, in particular, copper or molybdenum prices, would have an adverse impact on our results of operations and financial condition, and we might, in very adverse market conditions, consider curtailing or modifying certain of our mining and processing operations.

Changes in the level of demand for our products could adversely affect our product sales.

Our revenue is dependent on the level of industrial and consumer demand for the concentrates and refined and semi-refined metal products we sell. Changes in technology, industrial processes and consumer habits may affect the level of that demand to the extent that such changes increase or decrease the need for our metal products. Such a change in demand could impact our results of operations and financial condition.

Our actual reserves may not conform to our current estimates of our ore deposits.

There is a degree of uncertainty attributable to the calculation of reserves. Until reserves are actually mined and processed, the quantity of ore and grades must be considered as estimates only. The proven and probable ore reserves data included in this prospectus are estimates prepared by us based on evaluation methods generally used in the international mining industry. Independent engineers have not verified these reserves estimates. We may be required in the future to revise our reserves estimates based on our actual production. We cannot assure you that our actual reserves will conform to geological, metallurgical or other expectations or that the estimated volume and grade of ore will be recovered. Lower market prices, increased production costs, reduced recovery rates, short-term operating factors, royalty taxes and other factors may render proven and probable reserves uneconomic to exploit and may result in revisions of reserves data from time to time. Reserves data are not indicative of future results of operations. See "Business Reserves."

Our business requires substantial capital expenditures.

Our business is capital intensive. Specifically, the exploration and exploitation of copper and other metal reserves, mining, smelting and refining costs, the maintenance of machinery and equipment and compliance with applicable laws and regulations require substantial capital expenditures. We must continue to invest capital to maintain or to increase the amount of copper reserves that we exploit and the amount of copper and other metals we produce. We cannot assure you that we will be able to maintain our production levels or generate sufficient cash flow, or that we will have access to sufficient financing to continue our exploration, exploitation and refining activities at or above present levels.

The expected benefits of our recent acquisition of Minera México, including expected synergies, may not be realized.

On April 1, 2005, we completed our acquisition of Minera México from AMC, a subsidiary of Grupo México, our controlling stockholder. We are now in the process of integrating two companies that previously had been affiliated but operated independently. We acquired Minera México based on a number of factors, including trends we believe may favor consolidation in the copper mining industry, potential improvement in production and our relative cost position, geographic diversification of our operations and potential operating synergies. We also considered potential negative effects in evaluating the transaction, including lower than expected mineral production from Minera México, diversion of management's attention and the risk that potential operating synergies may not be realized. We cannot assure you that the benefits we expect from the acquisition will be achieved or that potential negative effects will not be realized and adversely affect us.

Restrictive covenants in the agreements governing our indebtedness and the indebtedness of our Minera México subsidiary may restrict our ability to pursue our business strategies.

Our financing instruments and those of our Minera México subsidiary include financial and other restrictive covenants that, among other things, limit our and Minera México's abilities to pay dividends, incur additional debt and sell assets. If either we or our Minera México subsidiary do not comply with these obligations, we could be in default under the applicable agreements which, if not addressed or waived, could require repayment of the indebtedness immediately. Our Minera México subsidiary is further limited by the terms of its outstanding notes, which also restrict the Company's incurrence of debt and liens. In addition, future credit facilities may contain limitations on its incurrence of additional debt and liens and on its ability to dispose of assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing."

Applicable law restricts the payment of dividends from our Minera México subsidiary to us.

Minera México is a Mexican company and, as such, may pay dividends only out of net income that has been approved by the shareholders. Shareholders must also approve the actual dividend payment, after mandatory legal reserves have been created and losses for prior fiscal years have been satisfied. As a result, these legal constraints may limit the ability of our Minera México subsidiary to pay dividends to us, which in turn, may have an impact on our ability to service the notes.

Our operations are subject to risks, some of which are not insurable.

The business of mining, smelting and refining copper, zinc and other metals is subject to a number of risks and hazards, including industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards and weather and other natural phenomena, such as earthquakes. Such occurrences could result in damage to, or destruction of, mining operations resulting in monetary losses and possible legal liability. In particular, surface and underground mining and related processing activities present inherent risks of injury to personnel and damage to equipment. We maintain insurance against many of these and other risks, which may not provide adequate coverage in certain circumstances. Insurance against certain risks, including certain liabilities for environmental pollution or hazards as a result of exploration and production, is not generally available to us or other companies within the mining industry. We do not have, and do not intend to obtain, political risk insurance. These or other uninsured events may adversely affect our financial condition and results of operations.

The loss of one of our large customers could have a negative impact on our results of operations.

The loss of one or more of our significant customers could adversely affect our financial condition and results of operations. In 2002, 2003 and 2004, our largest customer accounted for approximately 6.9%, 6.7% and 10.7%, respectively, of our sales. Additionally, our five largest customers in each of 2002, 2003 and 2004 collectively accounted for approximately 25.8%, 26.5% and 33.7%, respectively, of our sales.

Our selected combined financial information for 2000 and 2001 is unaudited and has been derived from financial statements that are separately audited.

This prospectus includes Audited Combined Financial Statements as of December 31, 2004, and for each of the years in the three-year period ended December 31, 2004. This prospectus also includes certain combined financial information as of and for the years ended December 31, 2000 and 2001. The 2000 and 2001 combined financial information is unaudited and has been derived from audited stand-alone financial statements of SCC and Minera México; however, the combined financial information for 2000 and 2001 has been prepared by our management on a basis which we believe is consistent with the basis on which the Audited Combined Financial Statements have been prepared.

Our selected historical financial information for 2000 and 2001, which is incorporated into this prospectus by reference to SCC's annual report on Form 10-K for 2004, is derived from financial statements that were audited by Arthur Andersen LLP, independent certified public accountants. Subsequently, Arthur Andersen LLP ceased to audit publicly-held companies.

Deliveries under our copper sales agreements can be suspended or cancelled by our customers in certain cases.

Under each of our copper sales agreements, we or our customers may suspend or cancel delivery of copper during a period of force majeure. Events of force majeure under these agreements include acts of nature, labor strikes, fires, floods, wars, transportation delays, government actions or other events that are beyond the control of the parties. Any suspension or cancellation by our customers of deliveries under our copper or other sales contracts that are not replaced by deliveries under new contracts or sales on the spot market would reduce our cash flow and could adversely affect our financial condition and results of operations.

The copper mining industry is highly competitive.

We face competition from other copper mining and producing companies around the world. Although we are currently among the lowest cost copper producers in our region, we cannot assure you that competition from lower cost producers will not adversely affect us in the future.

In addition, mines have limited lives and, as a result, we must periodically seek to replace and expand our reserves by acquiring new properties. Significant competition exists to acquire properties producing or capable of producing copper and other metals.

The mining industry has experienced significant consolidation in recent years, including consolidation among some of our main competitors, as a result of which an increased percentage of copper production is from companies that also produce other products and may, consequently, be more diversified than we are. We cannot assure you that the result of current or further consolidation in the industry will not adversely affect us.

Potential changes to international trade agreements, trade concessions or other political and economic arrangements may benefit copper producers operating in countries other than Peru and Mexico, where our mining operations are currently located. We cannot assure you that we will be able to compete on the basis of price or other factors with companies that in the future may benefit from favorable trading or other arrangements.

Increases in energy costs, accounting policy changes and other matters may adversely affect our results of operations.

We require substantial amounts of fuel oil, electricity and other resources for our operations. Energy costs constitute approximately 22.8% of our cost of sales. We rely upon third parties for our supply of the energy resources consumed in our operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels and market conditions. For example, during the 1970s and 1980s, our ability to import fuel oil was restricted by Peruvian government policies that required us to purchase fuel oil domestically from a government-owned oil producer at prices substantially above those prevailing on the world market. In addition, in recent years the price of oil has risen dramatically due to a variety of factors. Disruptions in supply or increases in costs of energy resources could have a material adverse effect on our financial condition and results of operations.

We believe our results of operations will also be affected by accounting policy changes, including the March 17, 2005 Emerging Issues Task Force, or EITF, consensus ratified by the Financial Accounting Standards Board, or FASB, on March 30, 2005 and the subsequent modification to the transition provisions approved by the EITF in its June 15-16, 2005 meeting. The consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the cost of the inventory produced (extracted) during the period that the stripping costs are incurred, as further discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material."

A recent Mexican Supreme Court decision is also expected to affect our results by requiring increased workers' profit sharing payments by our Minera México subsidiary. In May 2005, the court rendered a decision that changed the method of computing the amount of statutory workers' profit-sharing required to be paid by certain Mexican companies, including Minera México. The court's ruling in effect prohibited applying net operating loss carryforwards in computing the income used as the base for determining the workers' profit sharing amounts, as further described under "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Other Liquidity Considerations." We expect this ruling will adversely affect our results of operations and liquidity position to the extent we pay higher workers' profit-sharing amounts.

Additionally, we expect our future results will be affected by a recently-enacted Peruvian mining royalty charge, as further described under "Business Mining Rights and Concessions Peru." While we are currently disputing several aspects of this new law, we cannot assure you that this new royalty charge will not adversely affect our results of operations and liquidity position in future periods.

We may be adversely affected by labor disputes.

In the last several years we have experienced a number of strikes or other labor disruptions that have had an adverse impact on our operations and operating results. See "Business Employees." For example, in Peru, on August 31, 2004, unionized workers at our mining units in Toquepala and Cuajone initiated work stoppages and sought additional wage increases based on high metals prices. The strike was resolved on September 13, 2004. In Mexico, on July 12, 2004, the workers of Mexicana de Cobre, S.A. de C.V. ("Mexcobre") went on strike asking for the review of certain contractual clauses. Such a review was performed and the workers returned to work 18 days later. On October 15, 2004, the workers of Mexicana de Cananea, S.A. de C.V. ("Mexcananea") went on strike, followed by the Mexicana de Cobre workers. The strike lasted for 6 days at Mexicana de Cobre and 9 days at Mexicana de Cananea. In each case, our operations at the particular mine ceased until the strike was resolved. In Mexico, collective bargaining agreements are negotiated every year in respect of salaries and every two years for other benefits. We cannot assure you that we will not experience strikes or other labor-related work stoppages that could have a material adverse effect on our financial condition and results of operations.

Environmental, health and safety laws and other regulations may increase our costs of doing business, restrict our operations or result in operational delays.

Our exploration, mining, milling, smelting and refining activities are subject to a number of Peruvian and Mexican laws and regulations, including environmental laws and regulations, as well as certain industry technical standards. Additional matters subject to regulation include, but are not limited to, concession fees, transportation, production, water use and discharge, power use and generation, use and storage of explosives, surface rights, housing and other facilities for workers, reclamation, taxation, labor standards, mine safety and occupational health.

Environmental regulations in Peru and Mexico have become increasingly stringent over the last decade and we have been required to dedicate more time and money to compliance and remediation activities. Furthermore, Mexican authorities have become more rigorous and strict in enforcing Mexican environmental laws. We expect additional laws and regulations will be enacted over time with respect to environmental matters. Recently, Peruvian environmental laws have been enacted imposing closure and remediation obligations on the mining industry. Our Mexican operations are also subject to the environmental agreement entered into by Mexico, the United States and Canada in connection with the North American Free Trade Agreement. The development of more stringent environmental protection programs in Peru and Mexico and in relevant trade agreements could impose constraints and additional costs on our operations and require us to make significant capital expenditures in the future. We cannot assure you that future legislative, regulatory or trade developments will not have an adverse effect on our business, properties, results of operations, financial condition or prospects.

Our metals exploration efforts are highly speculative in nature and may be unsuccessful.

Metals exploration is highly speculative in nature, involves many risks and is frequently unsuccessful. Once mineralization is discovered, it may take a number of years from the initial phases of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable ore reserves through drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. We cannot assure you that our exploration programs will result in the expansion or replacement of current production with new proven and probable ore reserves.

Development projects have no operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Estimates are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of the mineral from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual or expected prices may mean reserves, once found, will be uneconomical to produce.

Our profits may be negatively affected by currency exchange rate fluctuations.

Our assets, earnings and cash flows are influenced by various currencies due to the geographic diversity of our sales and the countries in which we operate. As some of our costs are incurred in currencies other than our functional currency, the U.S. dollar, fluctuations in currency exchange rates may have a significant impact on our financial results. These costs principally include electricity, labor, maintenance, operation contractors and fuel. For the year ended December 31, 2004, a substantial portion of our costs were denominated in a currency other than U.S. dollar. Operating costs are influenced by the currencies of the countries where our mines and processing plants are located and also by those currencies in which the costs of equipment and services are determined. The Peruvian nuevo sol, the Mexican peso and the U.S. dollar are the most important currencies influencing costs.

The U.S. dollar is our functional currency and our revenues are primarily denominated in U.S. dollars. However, portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Accordingly, when inflation in Peru or Mexico increases without a corresponding devaluation of the nuevo sol or peso, respectively, our financial position, results of operations and cash flows could be adversely affected. To manage the volatility related to the risk of currency rate fluctuations, we may enter into forward exchange contracts. We cannot assure you, however, that currency fluctuations will not have an impact on our financial condition and results of operations.

Further, in the past there has been a strong correlation between copper prices and the exchange rate of the U.S. dollar. A strengthening of the U.S. dollar may therefore be accompanied by lower copper prices, which would negatively affect our financial condition and results of operations.

We may be adversely affected by challenges relating to slope stability.

Our open-pit mines get deeper as we mine them, presenting certain geotechnical challenges including the possibility of slope failure. If we are required to decrease pit slope angles or provide additional road access to prevent such a failure, our stated reserves could be negatively affected. Further, hydrological conditions relating to pit slopes, removal of material displaced by slope failures and increased stripping requirements could also negatively affect our stated reserves. We have taken actions in order to maintain slope stability, but we cannot assure you that we will not have to take additional action in the future or that our actions taken to date will be sufficient. Unexpected failure or additional requirements to prevent slope failure may negatively affect our results of operations and financial condition, as well as have the effect of diminishing our stated ore reserves.

Litigation involving Asarco may adversely affect us.

Our direct and indirect parent corporations, including AMC and Grupo México, have from time to time been named parties in various litigations involving ASARCO LLC ("Asarco"). Asarco, a mining company, is indirectly wholly owned by Grupo México. In March 2003, AMC purchased its interest in SCC from Asarco. In August 2002 the U.S. Department of Justice brought a claim alleging fraudulent conveyance in connection with Asarco's environmental liabilities and AMC's then-proposed purchase of SCC from Asarco. That action was settled pursuant to a Consent Decree dated February 2, 2003. The consent decree is binding solely on the U.S. government. In October 2004, AMC, Grupo México, Mexicana de Cobre and other parties, not including SCC, were named in a lawsuit filed in New York

State court in connection with alleged asbestos liabilities, which lawsuit claims, among other matters, that AMC's purchase of SCC from Asarco should be voided as a fraudulent conveyance. While Grupo México and its affiliates believe that these claims are without merit, we cannot assure you that these or future claims, if successful, will not have an adverse effect on our parent corporations or us. Any increase in the financial obligations of our parent corporations, as a result of matters related to Asarco or otherwise, could, among other matters, result in our parent corporations attempting to obtain increased dividends or other funding from us. In 2005, certain subsidiaries of Asarco filed bankruptcy petitions in connection with alleged asbestos liabilities. In July 2005, the unionized workers of Asarco commenced a work stoppage which could have a material adverse effect on Asarco and its business prospects. A further deterioration of the financial condition of Asarco could result in additional claims being filed against Grupo México and its subsidiaries, including SCC, Minera México or its subsidiaries. As a result of various factors, including the work stoppage which commenced in July 2005, on August 9, 2005, Asarco filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code before the U.S. Bankruptcy Court of Corpus Christi, Texas. Asarco's bankruptcy case is being joined with the bankruptcy cases of its subsidiaries. Asarco is in continuing possession of its properties and is operating and managing its businesses as a debtor in possession. However, it is impossible to predict how the bankruptcy court will ultimately rule with respect to such petitions and the impact such rulings will have on Asarco and its subsidiaries.

We are controlled by Grupo México, which exercises significant influence over our affairs and policies and whose interests may be different from yours.

Grupo México owns approximately 75.1% of our capital stock. We own substantially all of Minera México's capital stock. In addition, certain of our and Minera México's officers and directors are also officers of Grupo México. We cannot assure you that the interests of Grupo México will not conflict with yours.

Grupo México has the ability to determine the outcome of substantially all matters submitted for a vote to our stockholders and thus exercises control over our business policies and affairs, including the following:

- the composition of our board of directors and, as a result, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- determinations with respect to mergers and other business combinations, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any dividends or other distributions;
- sales and dispositions of our assets; and
- the amount of debt financing that we incur.

In addition, we and Minera México have in the past engaged in, and expect to continue to engage in, transactions with Grupo México and its other affiliates that may present conflicts of interest. For additional information regarding the share ownership of, and our relationships with, Grupo México and its affiliates, see "Principal Stockholders" and "Related Party Transactions."

We may pay a significant amount of our net income as cash dividends on our common stock in the future.

We have distributed a significant amount of our net income as dividends since 1996. Our dividend practice is subject to change at the discretion of our board of directors at any time. The amount that we pay in dividends is subject to a number of factors, including our results of operations, financial condition, cash requirements, tax considerations, future prospects, legal restrictions, contractual restrictions in credit agreements, limitations imposed by the government of Peru, Mexico or other countries where we have significant operations and other factors that our board of directors may deem relevant. The indentures do not impose any limitations on our ability to pay dividends in the future. We anticipate paying a significant amount of our net income as cash dividends on our common stock in the foreseeable future. Such payments would reduce cash available to meet our debt service obligations.

Risks Associated with Doing Business in Peru and Mexico

There is uncertainty as to the termination and renewal of our mining concessions.

Under the laws of Peru and Mexico, mineral resources belong to the state and government concessions are required in both countries to explore for or exploit mineral reserves. In Peru, our mineral rights derive from concessions from the Peruvian Ministry of Energy and Mines for our exploration, exploitation, extraction and/or production operations. In June 2004, the Peruvian Congress enacted legislation imposing a royalty tax to be paid by mining companies in favor of the regional governments and communities where mining resources are located. Under the new law, we are subject to a 1% to 3% tax, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. See "Business Mining Rights and Concessions Peru." In Mexico, our mineral rights derive from concessions granted, on a discretionary basis, by the *Secretaría de Economía* (Ministry of Economy), formerly known as *Secretaría de Comercio y Fomento Industrial*, pursuant to the *Ley Minera* (the Mining Law) and regulations thereunder.

Mining concessions in both Peru and Mexico may be terminated if the obligations of the concessionaire are not satisfied. In Peru, we are obligated to pay certain fees for our mining concession. In Mexico, we are obligated, among other things, to explore or exploit the relevant concession, to pay any relevant fees, to comply with all environmental and safety standards, to provide information to the Ministry of Economy and to allow inspections by the Ministry of Economy. Any termination or unfavorable modification of the terms of one or more of our concessions, or failure to obtain renewals of such concessions subject to renewal or extensions, could have a material adverse effect on our financial condition and prospects.

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

A significant part of our operations are conducted in Peru. Accordingly, our business, financial condition or results of operations could be affected by changes in economic or other policies of the Peruvian government or other political, regulatory or economic developments in Peru. During the past several decades, Peru has had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently intervened in the nation's economy and social structure. Among other actions, past governments have imposed controls on prices, exchange rates and local and foreign investment as well as limitations on imports, have restricted the ability of companies to dismiss employees, have expropriated private sector assets (including mining companies) and have prohibited the remittance of profits to foreign investors.

From 1985 through 1990, during the Alan García administration, government policies restricted our ability, among other things, to repatriate funds and import products from abroad. In addition, currency exchange rates were strictly controlled and all exports sales were required to be deposited in Peru's *Banco Central de Reserva*, where they were exchanged from U.S. dollars to the Peruvian currency at less-than-favorable rates of exchange. These policies generally had an adverse effect on our results of operations. Controls on repatriation of funds limited the ability of our stockholders to receive dividends outside of Peru but did not limit the ability of our stockholders to receive distributions of earnings in Peru.

In July 1990, Alberto Fujimori was elected president, and his administration implemented a broad-based reform of Peru's political system, economy and social conditions aimed at stabilizing the economy, restructuring the national government by reducing bureaucracy, privatizing state-owned companies, promoting private investment, developing and strengthening free markets and enacting programs for the strengthening of basic services related to education, health, housing and infrastructure. After taking office for his third term in July 2000 under extreme protest, President Fujimori was forced to call for general elections due to the outbreak of corruption scandals, and later resigned in favor of a transitory government headed by the president of Congress, Valentín Paniagua.

Mr. Paniagua took office in November 2000 and in July 2001 handed over the presidency to Alejandro Toledo, the winner of the elections decided in the second round held on June 3, 2001, ending two years of political turmoil. Since his election, President Toledo has retained, for the most part, the economic policies of the previous government, focusing on promoting private investment, eliminating tax exemptions, reducing underemployment and unemployment and privatizing state-owned companies in various sectors including energy, mining and public services. President Toledo also implemented fiscal austerity programs, among other proposals, in order to stimulate the economy. Despite Peru's moderate economic growth, the Toledo administration has at times faced public unrest spurred by the high rates of unemployment, underemployment and poverty. President Toledo has been forced to restructure his cabinet on several occasions to quell public unrest and to maintain his political alliances.

Given that the Toledo administration continues to face a fragmented Congress and continuing public unrest, we cannot assure you that the government will continue its current economic policies or that Peru's recent economic growth will be sustained. In addition, presidential elections are expected to be held in Peru in the second quarter of 2006, which may mean a change in Peru's economic policies. Because we have significant operations in Peru, future Peruvian governmental actions could have an adverse effect on market conditions, prices and returns on our securities, and on our business, results of operations, financial condition, ability to obtain financing and prospects.

There is a risk of terrorism in Peru relating to *Sendero Luminoso* and the *Movimiento Revolucionario Tupac Amaru*, which were particularly active in the 1980s and early 1990s. We cannot guarantee that acts by these or other terrorist organizations will not adversely affect our operations in the future.

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

A significant part of our operations are based in Mexico. In the past, Mexico has experienced both prolonged periods of weak economic conditions and dramatic deterioration in economic conditions, characterized by exchange rate instability and significant devaluation of the peso, increased inflation, high domestic interest rates, a substantial outflow of capital, negative economic growth, reduced consumer purchasing power and high unemployment. An economic crisis occurred in 1995 in the context of a series of internal disruptions and political events including a large current account deficit, civil unrest in the southern state of Chiapas, the assassination of two prominent political figures, a substantial outflow of capital and a significant devaluation of the peso. We cannot assure you that such conditions will not recur, that other unforeseen negative political or social conditions will not arise or that such conditions will not have a material adverse effect on our financial condition and results of operations.

On July 2, 2000, Vicente Fox of the *Partido Acción Nacional* (the National Action Party), or PAN, was elected president. Although his election ended more than 70 years of presidential rule by the *Partido Revolucionario Institucional* (the Institutional Revolutionary Party), or PRI, neither the PAN nor the PRI succeeded in securing a majority in the Mexican congress. In elections in 2003 and 2004, the PAN lost additional seats in the Mexican congress and state governorships. The lack of a majority party in the legislature and the lack of alignment between the legislature and the executive branch have resulted in legislative gridlock, which is expected to continue at least until the Mexican presidential elections in 2006. Such legislative gridlock has impeded the progress of structural reforms in Mexico, which may have a material adverse effect on the Mexican economy and cause disruptions to our operations. Furthermore, economic plans of the Mexican government in the past have not, in certain respects, fully achieved their objectives, and we cannot assure you that any reforms that are undertaken will achieve their stated goals. Because we have significant operations in Mexico, we cannot provide any assurance that current legislative gridlock and/or future political developments in Mexico, including the 2006 presidential and congressional elections, will not have a material adverse effect on market conditions, prices and returns on our securities, our ability to obtain financing, and our results of operations and financial condition.

Peruvian inflation, reduced economic growth and fluctuations in the nuevo sol exchange rate may adversely affect our financial condition and results of operations.

Over the past several decades, Peru has experienced periods of high inflation, slow or negative economic growth and substantial currency devaluation. The inflation rate in Peru, as measured by the *Indice de Precios al Consumidor* and published by the *Instituto Nacional de Estadística e Informática*, the National Institute of Statistics, has fallen from a high of 7,649.7% in 1990 to 3.5% in 2004. The Peruvian currency has been devalued numerous times during the last 20 years. The devaluation rate has decreased from a high of 4,019.3% in 1990 to a negative of 5.2% in 2004. Our revenues are primarily denominated in U.S. dollars and our operating expenses are partly denominated in U.S. dollars. If inflation in Peru were to increase without a corresponding devaluation of the nuevo sol relative to the U.S. dollar, our financial position and results of operations, and the market price of our common stock, could be affected. Although the Peruvian government's stabilization plan has significantly reduced inflation and the Peruvian economy has experienced moderate growth in recent years, we cannot assure you that inflation will not increase from its current level or that such growth will continue in the future at similar rates or at all.

Among the economic circumstances that could lead to a devaluation of the nuevo sol is the decline of Peruvian foreign reserves to inadequate levels. Peru's foreign reserves at March 31, 2005 were U.S.$13.4 billion as compared to U.S.$10.2 billion at December 31, 2003. We cannot assure you that Peru will be able to maintain adequate foreign reserves to meet its foreign currency denominated obligations or that Peru will not devalue its currency should its foreign reserves decline.

Mexican inflation, restrictive exchange control policies and fluctuations in the peso exchange rate may adversely affect our financial condition and results of operations.

Although all of our Mexican operations' sales of metals are priced and invoiced in U.S. dollars, a substantial portion of our Mexican operations' cost of sales are denominated in pesos. Accordingly, when inflation in Mexico increases without a corresponding devaluation of the peso, as it did in 2000, 2001 and 2002, the net income generated by our Mexican operations is adversely affected.

The annual inflation rate in Mexico was 5.7% in 2002, 4.0% in 2003 and 5.2% in 2004. The Mexican government has publicly announced that it does not expect inflation to exceed 4.0% in 2005. At the same time, the peso has been subject in the past to significant devaluation, which may not have been proportionate to the inflation rate and may not be proportionate to the inflation rate in the future. The value of the peso declined by 12.5% in 2002, 8.4% in 2003 and 0.6% in 2004.

While the Mexican government does not currently restrict the ability of Mexican companies or individuals to convert pesos into dollars or other currencies, in the future, the Mexican government could impose a restrictive exchange control policy, as it has done in the past. We cannot assure you that the Mexican government will maintain its current policies with regard to the peso or that the peso's value will not fluctuate significantly in the future. The imposition of such exchange control policies could impair Minera México's ability to obtain imported goods and to meet its U.S. dollar-denominated obligations and could have an adverse effect on our business and financial condition.

Developments in other emerging market countries and in the United States may adversely affect the prices of our debt securities, including the notes.

The market value of securities of companies with significant operations in Peru and Mexico is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Peru or Mexico, as the case may be, investors' reactions to developments in any of these other countries may have an adverse effect on the market value or trading price of the securities, including debt securities, of issuers that have significant operations in Peru or Mexico.

In addition, in recent years economic conditions in Mexico have increasingly become correlated to U.S. economic conditions. Therefore, adverse economic conditions in the United States could also have a significant adverse effect on Mexican economic conditions including the price of our debt securities. We cannot assure you that the market value or trading prices of our securities, including the notes, would not be adversely affected by events in the United States or elsewhere, including in emerging market countries.

Risks Related to the Notes and the Exchange Offer

SCC is the sole obligor under the notes. None of SCC's subsidiaries will guarantee SCC's obligations under the notes and they do not have any other obligations with respect to the notes. The notes will be effectively subordinated to SCC's existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness and structurally subordinated to all indebtedness and other obligations of SCC's subsidiaries.

The notes are unsecured and are effectively subordinated to all of our existing and future senior secured indebtedness to the extent of the value of the collateral securing such indebtedness. The indenture in certain cases permits us to pledge assets without also securing the notes.

SCC derives a substantial portion of its revenue and cash flow from its subsidiaries. None of SCC's subsidiaries will guarantee these notes. SCC's subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the notes, or to make any funds available therefore, whether by dividend, distribution, loan or other payments, and the consequent rights of holders of notes to realize proceeds from the sale of any of those subsidiaries' assets will be structurally subordinated to the claims of any subsidiary's creditors, including trade creditors or holders of debt of those subsidiaries. As a result, the notes are structurally subordinated to the prior payment of all of the debts (including trade payables) of SCC's subsidiaries. As of June 30, 2005, after giving effect to the U.S.$94.56 million repurchase of our Minera México subsidiary's Yankee bonds in May 2005 and the use of U.S.$680.0 million of the net proceeds from the offering of the notes to repay indebtedness, the indebtedness of our subsidiaries that is structurally senior to the notes would have been U.S.$346.7 million. In addition, the limitations on the incurrence of subsidiary indebtedness provided for in the indenture are subject to significant exceptions and will cease to be applicable entirely if the notes attain an investment grade rating. Any future subsidiary debt or obligation, whether or not secured, will have priority over the notes.

As of June 30, 2005, after giving effect to the U.S.$94.56 million payment of our Minera México subsidiary's Yankee bonds in May 2005 and the use of U.S.$680.0 million of the net proceeds from the offering of the notes to repay indebtedness, the outstanding debt of SCC's subsidiaries that is guaranteed by SCC would have been U.S.$346.7 million. If the assets of the subsidiary obligor of any such debt are insufficient to pay such debt, the holders of such will have a claim against SCC that is *pari passu* with the claim of the holders of the notes against SCC.

The absence of a public market for the notes may affect the ability of bondholders to sell the notes in the future and may affect the price they would receive if such sale were to occur.

Application has been made for the notes to be admitted to listing on the EuroMTF section of the Luxembourg Stock Exchange. The new notes will constitute a new issue of securities for which, prior to the exchange offer, there has been no established trading market, and the new notes may not be widely distributed. The initial purchasers of the old notes are not obligated to make a market in the notes. Accordingly, we cannot assure you as to the development or liquidity of any market for the new notes. If a market for any of the new notes does not develop, purchasers may be unable to resell such new notes for an extended period of time, if at all.

The liquidity of and trading market for the new notes also may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect our liquidity and trading markets independent of our prospects of financial performance.

Failure to tender the old notes in the exchange offer may affect their marketability.

If the old notes are tendered for exchange and accepted in the exchange offer, the trading market, if any, for the untendered and tendered but not accepted old notes will be adversely affected. The initial purchasers of the old notes are not obligated to make a market in the trading market for the old notes following the exchange offer. In addition, such market-making activity may be limited during the pendency of the exchange offer. Your failure to participate in the exchange offer will substantially limit, and may effectively eliminate, opportunities to sell your old notes in the future.

We issued the old notes in a private placement exempt from the registration requirements of the Securities Act. Accordingly, you may not offer, sell or otherwise transfer your old notes except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, or pursuant to an exemption from the securities laws, or in a transaction not subject to the securities laws. If you do not exchange your old notes for new notes in the exchange offer, your old notes will continue to be subject to these transfer restrictions after the completion of the exchange offer. In addition, after the completion of the exchange offer, you will no longer be able to obligate us to register the old notes under the Securities Act.

If you do not properly tender your old notes for new notes, you will continue to hold unregistered notes that are subject to transfer restrictions.

We will only issue new notes in exchange for old notes that are timely received by the exchange agent together with all required documents. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes set forth under "The Exchange Offer Procedures for Tendering" and in the letter of transmittal that you will receive with this prospectus. Neither we nor the exchange agent are required to tell you of any defects or irregularities with respect to your tender of the old notes.

If you do not tender your old notes or if we do not accept your old notes because you did not tender your old notes properly, then you will continue to hold old notes that are subject to the existing transfer restrictions. In addition, if you tender your old notes for the purpose of participating in a distribution of the new notes, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the new notes. If you continue to hold any old notes after the exchange offer is completed, you may have difficulty selling them because of the restrictions on transfer and because there will be fewer old notes outstanding. In addition, if a large amount of old notes are not tendered or are tendered improperly, the limited amount of new notes that would be issued and outstanding after we complete the exchange offer could lower the market price of the new notes.

FORWARD-LOOKING STATEMENTS

Forward-looking statements made in this prospectus are subject to risks and uncertainties. Forward-looking statements include the information concerning possible or assumed future results of our operations, including statements regarding the anticipated effects of our acquisition of Minera México on April 1, 2005. Words such as "will," "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions identify forward-looking statements. These statements are based on the beliefs and assumptions of our management and on information currently available to our management. Such statements are subject to risks relating to, among other things:

- cyclical and volatile prices of copper, molybdenum and the other metals that we produce;
- prices and availability of commodities and supplies, including fuel, oil and electricity;
- political or economic change or instability, either globally or in the countries in which we operate;
- our ability to effectively operate a combined company following our recent acquisition of Minera México;
- availability, terms, conditions and timing of materials, insurance coverage, equipment, required permits or approvals and financing;
- occurrence of unusual weather or operating conditions;
- determination of reserves;
- lower than expected ore grades;
- water and geological problems;
- failure of equipment or processes to operate in accordance with specifications;
- failure to obtain financial assurance to meet closure and remediation obligations;
- local and community impacts and issues; and
- labor relations, litigation and environmental risks.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. All forward-looking statements and risk factors included in this prospectus are made as of the date on the front cover of this prospectus, based on information available to us as of such date, and we assume no obligation to update any forward-looking statement or risk factor.

THE EXCHANGE OFFER

The Exchange Offer

We issued and sold the old notes in a private placement on July 27, 2005. In connection with the issuance and sale, we entered into a registration rights agreement with the initial purchasers of the old notes providing that we would, at our cost, (a) not later than 120 days after the date of original issuance of the old notes, file a registration statement with the SEC with respect to a registered offer to exchange the old 2015 notes and the old 2035 notes for new notes having terms substantially identical in all material respects to the old 2015 notes and the old 2035 notes (except that the new notes will not contain terms with respect to transfer restrictions and the provisions regarding special interest would be eliminated) and (b) use commercially reasonable efforts to cause the registration statement to be declared effective under the Securities Act not later than 180 days after the date of original issuance of the old notes. Upon the effectiveness of the registration statement, we would offer the new notes in exchange for surrender of the old notes.

In the event that (i) applicable interpretations of the staff of the SEC do not permit us to effect such an exchange offer, (ii) for any other reason the registration statement is not declared effective within 180 days after the date of the original issuance of the old notes or the exchange offer is not consummated within 225 days after the original issuance of the old notes, (iii) the initial purchasers of the old notes so request with respect to old notes not eligible to be exchanged for new notes in the exchange offer or (iv) upon our receiving notice in writing from any holder of notes (other than an initial purchaser of the old notes) that such holder is not eligible to participate in the exchange offer or does not receive freely tradable new notes in the exchange offer other than by reason of such holder being an affiliate of ours (it being understood that the requirement that a participating broker-dealer deliver this prospectus in connection with sales of new notes shall not result in such new notes being not "freely tradable"), we will, at our cost, (a) as promptly as practicable, file a shelf registration statement covering resales of the old notes or the new notes, as the case may be, (b) use commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act and (c) use commercially reasonable efforts to keep the shelf registration statement effective until two years after its effective date. We will, in the event a shelf registration statement is filed, among other things, provide to each holder for whom such shelf registration statement was filed copies of the prospectus which is a part of the shelf registration statement, notify each such holder when the shelf registration statement has become effective and take certain other actions as are required to permit unrestricted resales of the old notes or the new notes, as the case may be. A holder selling such notes pursuant to the shelf registration statement generally would be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the registration rights agreement which are applicable to such holder (including certain indemnification obligations).

If (a) on or prior to the 120^{th} day following the date of original issuance of the old notes, the registration statement with respect to the new 2015 notes or the new 2035 notes, as applicable, has not been filed with the SEC, (b) on or prior to the 180th day following the date of original issuance of the old notes, neither the registration statement nor the shelf registration statement with respect to the new 2015 notes or the new 2035 notes, as applicable, or the old 2015 notes or the old 2035 notes, as applicable, has been declared effective, (c) on or prior to the 225^{th} day following the date of original issuance of the old notes, neither the exchange offer with respect to the new 2015 notes or the new 2035 notes, as applicable, has been consummated nor the shelf registration statement with respect to the new 2015 notes or the new 2035 notes, as applicable, or the old 2015 notes or the old 2035 notes, as applicable, has been declared effective, or (d) after either the registration statement with respect to the new 2015 notes or the new 2035 notes, as applicable, or the shelf registration statement with respect to the new 2015 notes or the new 2035 notes, as applicable, or the old 2015 notes or the old

2035 notes, as applicable, has been declared effective, such registration statement thereafter ceases to be effective or usable (subject to certain exceptions) in connection with resales of the notes in accordance with and during the periods specified in the registration rights agreement (each such event referred to in clauses (a) through (d), a "registration default"), interest ("special interest") will accrue on the principal amount of the old 2015 notes or the old 2035 notes, as applicable, and the applicable new notes (in addition to the stated interest on the applicable old notes and new notes) from and including the date on which any such registration default shall occur to but excluding the date on which all registration defaults have been cured. Special interest will accrue at a rate of 0.25% per annum during the 120-day period immediately following the occurrence of such registration default and will increase by 0.25% per annum at the end of such 120-day period, but in no event shall such rate exceed 0.50% per annum.

The summary herein of certain provisions of the registration rights agreement does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which has been filed as an exhibit to the registration statement of which this prospectus is a part.

Once the exchange offer is complete, we will have no further obligation to register any of the old notes not tendered to us in the exchange offer. See "Risk Factors Risks Related to the Notes and the Exchange Offer Failure to tender the old notes in the exchange offer may affect their marketability."

Effect of the Exchange Offer

Based on interpretations by the SEC staff set forth in Exxon Capital Holdings Corporation (available May 13, 1988), Morgan Stanley & Co. Incorporated (available June 5, 1991), Shearman & Sterling (available July 2, 1993) and other no-action letters issued to parties unrelated to us, we believe that you may offer for resale, resell and otherwise transfer the new notes issued to you in the exchange offer without compliance with the registration and prospectus delivery requirements of the Securities Act, provided:

- you are acquiring the new notes in the ordinary course of your business;
- you are not engaging in and do not intend to engage in a distribution of the new notes;
- you have no arrangements or understandings with any person to participate in the exchange offer for the purpose of distributing the new notes; and
- you are not our "affiliate," within the meaning of Rule 405 under the Securities Act.

If you are not able to make these representations, you are a "restricted holder." As a restricted holder, you will not be able to participate in the exchange offer, you may not rely on the existing interpretations of the SEC staff set forth above and you may only sell your old notes in compliance with the registration and prospectus delivery requirements of the Securities Act or under an exemption from the registration requirements of the Securities Act or in a transaction not subject to the Securities Act.

In addition, each participating broker-dealer that is not a restricted holder that receives new notes for its own account in exchange for old notes that it acquired as a result of market-making activities or other trading activities may be a statutory underwriter and must acknowledge in the letter of transmittal that it will deliver a prospectus meeting the requirements of the Securities Act upon any resale of such new notes. This prospectus may be used by those participating broker-dealers to resell new notes they receive pursuant to the exchange offer. We have agreed that, for a period of one year after the completion of the exchange offer, we will make this prospectus available to any participating broker-dealer for use by the participating broker-dealer in any resale. By acceptance of this exchange offer, each broker-dealer that receives new notes under the exchange offer agrees to notify us prior to using this prospectus in a sale or transfer of new notes. See "Plan of Distribution."

Except as described above, this prospectus may not be used for an offer to resell, resale or other transfer of new notes.

To the extent old notes are tendered and accepted in the exchange offer, the principal amount of old notes that will be outstanding will decrease with a resulting decrease in the liquidity in the market for the old notes. Old notes that are still outstanding following the completion of the exchange offer will continue to be subject to transfer restrictions.

Terms of the Exchange Offer

Upon the terms and subject to the conditions of the exchange offer described in this prospectus and in the accompanying letter of transmittal, we will accept for exchange all old notes validly tendered and not withdrawn before 5:00 p.m., New York City time, on the expiration date. We will issue U.S.$100,000 principal amount of new notes and integral multiples of U.S.$1,000 in excess thereof, in exchange for each U.S.$100,000 principal amount of old notes and integral multiples of U.S.$1,000 in excess thereof accepted in the exchange offer. You may tender some or all of your old notes pursuant to the exchange offer. However, old notes may be tendered only in a minimum principal amount of U.S.$100,000 and in integral multiples of U.S.$1,000 in excess thereof.

The new notes will be substantially identical to the old notes, except that:

- the offering of the new notes has been registered under the Securities Act;
- the new notes will not be subject to transfer restrictions; and
- the new notes will be issued free of any covenants regarding registration rights and free of any provision for special interest.

The new notes will evidence the same debt as the old notes and will be issued under and be entitled to the benefits of the same respective indentures under which the old notes were issued. The old notes and the new notes will be treated as a single series of debt securities under the respective indentures. For a description of the terms of the indentures and the new notes, see "Description of the Notes."

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered for exchange. As of the date of this prospectus, an aggregate of U.S.$200,000,000 principal amount of old 6.375% Notes due 2015 and an aggregate of U.S.$600,000,000 principal amount of old 7.500% Notes due 2035 is outstanding. This prospectus is being sent to all registered holders of old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the applicable requirements of the Securities Act and the Exchange Act and the rules and regulations of the SEC. Holders of old notes do not have any appraisal or dissenters' rights under law or under the indentures in connection with the exchange offer. Old notes that are not tendered for exchange in the exchange offer will remain outstanding and continue to accrue interest and will be entitled to the rights and benefits their holders have under the indentures relating to the old notes.

We will be deemed to have accepted for exchange validly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent. The exchange agent will act as agent for the tendering holders of old notes for the purposes of receiving the new notes from us and delivering the new notes to the tendering holders. Subject to the terms of the registration rights agreement, we expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions specified below under " Conditions." All old notes accepted for exchange will be exchanged for new notes promptly following the expiration date. We will deliver to the trustee for cancellation all old notes so accepted for exchange. If we decide for any reason to delay for any period our acceptance of any old notes for exchange, we will extend the expiration date for the same period.

If we do not accept for exchange any tendered old notes because of an invalid tender, the occurrence of certain other events described in this prospectus or otherwise, such unaccepted old notes will be returned, without expense, to the holder tendering them or the appropriate book-entry will be made, in each case, as promptly as practicable after the expiration date.

We are not making, nor is our board of directors making, any recommendation to you as to whether to tender or refrain from tendering all or any portion of your old notes in the exchange offer. No one has been authorized to make any such recommendation. You must make your own decision whether to tender in the exchange offer and, if you decide to do so, you must also make your own decision as to the aggregate amount of old notes to tender after reading this prospectus and the letter of transmittal and consulting with your advisers, if any, based on your own financial position and requirements.

Expiration Date; Extensions; Amendments

The term "expiration date" means 5:00 p.m., New York City time, on , 2005, unless we, in our sole discretion, extend the exchange offer, in which case the term "expiration date" shall mean the latest date and time to which the exchange offer is extended. The exchange offer will be open for not less than 30 days (or longer if required by applicable law) and not more than 45 days after the date notice of the exchange offer is mailed to the holders of the notes.

If we determine to extend the exchange offer, we will notify the exchange agent of any extension by oral or written notice. We will notify the registered holders of old notes of the extension no later than 9:00 a.m., New York City time, on the business day immediately following the previously scheduled expiration date.

We reserve the right, in our sole discretion:

- to delay accepting for exchange any old notes;
- to extend the exchange offer or to terminate the exchange offer and to refuse to accept old notes not previously accepted if any of the conditions set forth below under " Conditions" have not been satisfied by the expiration date; or
- subject to the terms of the registration rights agreement, to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed as promptly as practicable by oral or written notice to the registered holders of old notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose the amendment in a manner reasonably calculated to inform the holders of the old notes of the amendment.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension, termination or amendment of the exchange offer, we will have no obligation to publish, advertise or otherwise communicate any public announcement, other than by making a timely release to a financial news service.

During any extension of the exchange offer, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange. We will return any old notes that we do not accept for exchange for any reason without expense to the tendering holder as promptly as practicable after the expiration or earlier termination of the exchange offer.

Interest on the New Notes and the Old Notes

Any old 6.375% Notes due 2015 and old 7.500% Notes due 2035 not tendered or accepted for exchange will continue to accrue interest at the rate of 6.375% and 7.500% per annum, respectively, in accordance with their terms. The new notes will accrue interest at the rate of 6.375% and 7.500% per annum, as applicable, from the date of the last periodic payment of interest on the applicable old notes or, if no interest has been paid, from the original issue date of the applicable old notes. Interest on the new notes and any old notes not tendered or accepted for exchange will be payable semi-annually in arrears on January 27 and July 27 of each year, commencing on January 27, 2006.

Procedures for Tendering

Only a registered holder of old notes may tender those notes in the exchange offer. To tender in the exchange offer, a holder must properly complete, sign and date the letter of transmittal, have the signatures thereon guaranteed if required by the letter of transmittal, and mail or otherwise deliver such letter of transmittal, together with all other documents required by the letter of transmittal, to the exchange agent at one of the addresses set forth below under " Exchange Agent," before 5:00 p.m., New York City time, on the expiration date. In addition, either:

- the exchange agent must receive, before the expiration date, a timely confirmation of a book-entry transfer of the tendered old notes into the exchange agent's account at The Depository Trust Company, or DTC, or the depositary, according to the procedure for book-entry transfer described below; or

- the holder must comply with the guaranteed delivery procedures described below.

A tender of old notes by a holder that is not withdrawn prior to the expiration date will constitute an agreement between that holder and us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

The method of delivery of letters of transmittal and all other required documents to the exchange agent, including delivery through DTC, is at the holder's election and risk. Instead of delivery by mail, we recommend that holders use an overnight or hand delivery service. If delivery is by mail, we recommend that holders use certified or registered mail, properly insured, with return receipt requested. In all cases, holders should allow sufficient time to assure delivery to the exchange agent before the expiration date. Holders should not send letters of transmittal or other required documents to us. Holders may request their respective brokers, dealers, commercial banks, trust companies or other nominees to effect the above transactions for them.

Any beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender those notes should contact the registered holder promptly and instruct it to tender on the beneficial owner's behalf.

We will determine, in our sole discretion, all questions as to the validity, form, eligibility (including time of receipt), acceptance of tendered old notes and withdrawal of tendered old notes, and our determination will be final and binding. We reserve the absolute right to reject any and all old notes not properly tendered or any old notes the acceptance of which would, in the opinion of us or our counsel, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular old notes either before or after the expiration date. Our interpretation of the terms and conditions of the exchange offer as to any particular old notes either before or after the expiration date, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes for exchange must be cured within such time as we shall determine. Although we intend to notify holders of any defects or irregularities with respect to tenders of old notes for exchange, neither we nor the exchange agent nor any other person shall be under any duty to give such notification, nor shall any of them incur any liability for failure to give such notification. Tenders of old notes will not be deemed to have been made until all defects or irregularities have been cured or waived. Any old notes delivered by book-entry transfer within DTC, will be credited to the account maintained within DTC by the participant in DTC which delivered such old notes, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration date.

In addition, we reserve the right in our sole discretion (a) to purchase or make offers for any old notes that remain outstanding after the expiration date, (b) as set forth below under " Conditions," to terminate the exchange offer and (c) to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions or otherwise. The terms of any such purchases or offers could differ from the terms of the exchange offer.

By signing, or otherwise becoming bound by, the letter of transmittal, each tendering holder of old notes (other than certain specified holders) will represent to us that it is acquiring the new notes in the ordinary course of its business, that it has no arrangement or understanding with any person to participate in the distribution of the new notes and that it is not an affiliate of us, as such terms are interpreted by the SEC.

If the tendering holder is a broker-dealer that will receive new notes for its own account in exchange for old notes that were acquired as a result of market-making activities or other trading activities, it may be deemed to be an "underwriter" within the meaning of the Securities Act. Any such holder will be required to acknowledge in the letter of transmittal that it will deliver a prospectus in connection with any resale or transfer of these new notes. However, by so acknowledging and by delivering a prospectus, the holder will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act.

Book-Entry Transfer

The exchange agent will establish a new account or utilize an existing account with respect to the old notes at DTC promptly after the date of this prospectus, and any financial institution that is a participant in DTC's systems may make book-entry delivery of old notes by causing DTC to transfer these old notes into the exchange agent's account in accordance with DTC's procedures for transfer. However, the exchange for the old notes so tendered will only be made after timely confirmation of this book-entry transfer of old notes into the exchange agent's account, and timely receipt by the exchange agent of an agent's message and any other documents required by the letter of transmittal. The term "agent's message" means a message transmitted by DTC to, and received by, the exchange agent and forming a part of a book-entry confirmation, that states that DTC has received an express acknowledgment from a participant in DTC tendering old notes that are the subject of the book-entry confirmation stating (1) the aggregate principal amount of old notes that have been tendered by such participant, (2) that such participant has received and agrees to be bound by the terms of the letter of transmittal and (3) that we may enforce such agreement against the participant.

Although delivery of old notes must be effected through book-entry transfer into the exchange agent's account at DTC, the letter of transmittal, properly completely and validly executed, with any required signature guarantees, or an agent's message in lieu of the letter of transmittal, and any other required documents, must be delivered to and received by the exchange agent at one of its addresses listed below under " Exchange Agent," before 5:00 p.m., New York City time, on the expiration date, or the guaranteed delivery procedure described below must be complied with.

Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

All references in this prospectus to deposit or delivery of old notes shall be deemed to also refer to DTC's book-entry delivery method.

Guaranteed Delivery Procedures

Holders who wish to tender their old notes and (1) who cannot deliver a confirmation of book-entry transfer of old notes into the exchange agent's account at DTC, the letter of transmittal or any other required documents to the exchange agent prior to the expiration date or (2) who cannot complete the procedure for book-entry transfer on a timely basis, may effect a tender if:

- the tender is made through an eligible institution;

- before the expiration date, the exchange agent receives from the eligible institution a properly completed and duly executed notice of guaranteed delivery, by facsimile transmission, mail or hand delivery, listing the principal amount of old notes tendered, stating that the tender is being made thereby and guaranteeing that, within three New York Stock Exchange, Inc. trading days after the expiration date, a duly executed letter of transmittal together with a confirmation of book-entry transfer of such old notes into the exchange agent's account at DTC, and any other documents required by the letter of transmittal and the instructions thereto, will be deposited by such eligible institution with the exchange agent; and

- the properly completed and executed letter of transmittal and a confirmation of book-entry transfer of all tendered old notes into the exchange agent's account at DTC and all other documents required by the letter of transmittal are received by the exchange agent within three New York Stock Exchange, Inc. trading days after the expiration date.

Upon request to the exchange agent, a notice of guaranteed delivery will be sent to holders who wish to tender their old notes according to the guaranteed delivery procedures described above.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, tenders of old notes may be withdrawn at any time prior to 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective, the exchange agent must receive a written or facsimile transmission notice of withdrawal at one of its addresses set forth below under " Exchange Agent." Any notice of withdrawal must:

- specify the name of the person who tendered the old notes to be withdrawn;

- identify the old notes to be withdrawn, including the principal amount of such old notes;

- be signed by the holder in the same manner as the original signature on the letter of transmittal by which the old notes were tendered and include any required signature guarantees; and

- specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of DTC.

We will determine, in our sole discretion, all questions as to the validity, form and eligibility (including time of receipt) of any notice of withdrawal, and our determination shall be final and binding on all parties. Any old notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer and no new notes will be issued with respect thereto unless the old notes so withdrawn are validly retendered. Properly withdrawn old notes may be retendered by following one of the procedures described above under " Procedures for Tendering" at any time prior to the expiration date.

Any old notes that are tendered for exchange through the facilities of DTC but that are not exchanged for any reason will be credited to an account maintained with DTC for the old notes as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer.

Conditions to the Exchange Offer

Despite any other term of the exchange offer, we will not be required to accept for exchange, or to issue new notes in exchange for, any old notes, and we may terminate the exchange offer as provided in this prospectus prior to the expiration date, if:

- the exchange offer, or the making of any exchange by a holder of old notes, would violate applicable law or any applicable interpretation of the SEC staff; or
- the old notes are not tendered in accordance with the exchange offer;
- you do not represent that (i) you are acquiring the new notes in the ordinary course of your business, (ii) you are not engaging in and do not intend to engage in a distribution of the new notes, (iii) you have no arrangement or understanding with any person to participate in the distribution of the new notes, (iv) you are not an affiliate of us as such term is interpreted by the SEC, and (v) you are not acting on behalf of any person who could not truthfully make these statements;
- you do not make any representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to render available the use of an appropriate form for registration of the new notes under the Securities Act;
- any action or proceeding is instituted or threatened in any court or by or before any governmental agency with respect to the exchange offer which, in our judgment, would reasonably be expected to impair our ability to proceed with the exchange offer; or
- any governmental approval has not been obtained, which we believe, in our sole discretion, is necessary for the consummation of the exchange offer as outlined in this prospectus.

These conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any of these conditions or may be waived by us, in whole or in part, at any time and from time to time in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights shall not be deemed a waiver of the right and each right shall be deemed an ongoing right which may be asserted at any time and from time to time.

If we determine in our reasonable judgment that any of the conditions are not satisfied, we may:

- refuse to accept and return to the tendering holder any old notes or credit any tendered old notes to the account maintained within DTC by the participant in DTC which delivered the old notes; or
- extend the exchange offer and retain all old notes tendered before the expiration date, subject to the rights of holders to withdraw the tenders of old notes (see " Withdrawal of Tenders" above); or
- waive the unsatisfied conditions with respect to the exchange offer prior to the expiration date and accept all properly tendered old notes that have not been withdrawn or otherwise amend the terms of the exchange offer in any respect as provided above under " Expiration Date; Extensions; Amendments." If we waive a condition, we may be required, above in order to comply with applicable securities laws, to extend the expiration date of the exchange offer.

In addition, we will not accept for exchange any old notes tendered, and we will not issue new notes in exchange for any of the old notes, if at that time any stop order is threatened or in effect with

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respect to the registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939.

Exchange Agent

The Bank of New York has been appointed as the exchange agent for the exchange offer. All signed letters of transmittal and other documents required for a valid tender of your old notes should be directed to the exchange agent at one of the addresses set forth below. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the exchange agent addressed as follows:

By Hand Delivery:	*By Registered Mail or Overnight Carrier:*
The Bank of New York Attn: Corporate Trust Operations Reorganization Unit 101 Barclay Street 7 East New York, NY 10286	The Bank of New York Attn: Corporate Trust Operations Reorganization Unit 101 Barclay Street 7 East New York, NY 10286

Facsimile Transmission:
212-815-1915
Confirm by Telephone:
212-815-5920
For information with respect to the exchange offer, call:
of the Exchange Agent
at telephone:

Delivery to other than the above addresses or facsimile number will not constitute a valid delivery.

Fees and Expenses

We will bear all expenses of soliciting tenders. We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to brokers, dealers or others soliciting acceptance of the exchange offer. The principal solicitation is being made by mail; however, additional solicitation may be made by facsimile, telephone or in person by our officers and employees.

We will pay the expenses to be incurred in connection with the exchange offer. These expenses include fees and expenses of the exchange agent and the trustee, accounting and legal fees, printing costs, and related fees and expenses.

Transfer Taxes

Holders who render their old notes for exchange will not be obligated to pay any transfer taxes in connection with the exchange offer.

Accounting Treatment

We will record the new notes in our accounting records at the same carrying values as the old notes on the date of the exchange. Accordingly, we will recognize no gain or loss, for accounting purposes, as a result of the exchange offer. Expenses of the exchange offer will be incurred by us.

Consequences of Failure to Exchange

Holders of old notes who do not exchange their old notes for new notes pursuant to the exchange offer will continue to be subject to the restrictions on transfer of the old notes as set forth in the legend printed thereon as a consequence of the issuance of the old notes pursuant to an exemption from the Securities Act and applicable state securities laws. In general, the old notes may not be offered or sold unless registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Upon completion of the exchange offer, holders of old notes will not be entitled to any rights to have the resale of old notes registered under the Securities Act, and we currently do not intend to register under the Securities Act the resale of any old notes that remain outstanding after completion of the exchange offer.

Old 6.375% Notes due 2015 and old 7.500% Notes due 2035 not exchanged pursuant to the exchange offer will continue to accrue interest at 6.375% and 7.500% per annum, respectively and the old notes will otherwise remain outstanding in accordance with their terms.

Your participation in the exchange offer is voluntary, and you should carefully consider whether to participate. We urge you to consult your financial and tax advisors in making a decision whether or not to tender your old notes. Please refer to the section in this prospectus entitled "Summary of Certain Tax Considerations U.S. Federal Income Tax Considerations."

As a result of the making of, and upon acceptance for exchange of all validly tendered old notes pursuant to the terms of, the exchange offer, we will have fulfilled a covenant contained in the registration rights agreement. If you do not tender your old notes in the exchange offer, you will be entitled to all the rights and limitations applicable to the old notes under the indentures, except for any rights under the registration rights agreement that by their terms end or cease to have further effectiveness as a result of the making of the exchange offer. To the extent that old notes are tendered and accepted in the exchange offer, the trading market for untendered, or tendered but unaccepted, old notes could be adversely affected. Please refer to the section in this prospectus entitled "Risk Factors Risks Related to the Notes and the Exchange Offer If you do not properly tender your old notes for new notes, you will continue to hold unregistered notes that are subject to transfer restrictions."

We may in the future seek to acquire untendered old notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. However, we have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

Holders of the old notes and new notes which remain outstanding after consummation of the exchange offer will vote together as a single class for purposes of determining whether holders of the requisite percentage thereof have taken certain actions or exercised certain rights under the indenture governing the old notes and the new notes.

USE OF PROCEEDS

We will not receive any cash proceeds from the exchange offer. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement entered into in connection with the issuance of the old 2015 notes and old 2035 notes. In consideration for issuing the new notes, we will receive old notes in an aggregate principal amount equal to the value of the new notes. The old notes surrendered in exchange for the new notes will be retired and cancelled. Accordingly, the issuance of the new notes will not result in any change in our indebtedness.

We received approximately U.S.$790.0 million in net proceeds, after deducting the discounts and commissions to the initial purchasers and offering expenses, from the issuance of the old notes on July 27, 2005. We used approximately U.S.$680.0 of the net proceeds to repay all of our indebtedness outstanding under our U.S.$200 million credit facility (in respect of which, approximately U.S.$200.0 million was outstanding as of June 30, 2005, excluding accrued interest) and Minera México's U.S.$600 million credit facility (in respect of which, approximately U.S.$480.0 million was outstanding as of June 30, 2005, excluding accrued interest). The remaining net proceeds of the original offering may be used to repay additional indebtedness and for general corporate purposes. For a description of our outstanding indebtedness as of June 30, 2005, see "Management's Discussion and Analysis of Financial Condition and Results of operations Liquidity and Capital Resources" in our Quarterly Report of Form 10-Q for the quarter ended June 30, 2005 incorporated by reference herein.

EXCHANGE RATES

Exchange Rates in Peru

Since March 1991, there have been no exchange controls in Peru and all foreign exchange transactions are based on free market exchange rates. During the previous two decades, however, the Peruvian currency had experienced a significant number of large devaluations. Therefore, Peru has adopted and operated under various exchange rate control practices and exchange rate determination policies. These policies have ranged from strict control over exchange rates to market-determination of rates. Investors are allowed to purchase foreign currency at free market exchange rates through any member of the Peruvian banking system.

The following table shows, for the periods and dates indicated, the period-end, average, high and low exchange rates for U.S. dollars, as published by the *Banco Central de Reserva del Peru* (Central Reserve Bank of Peru, or BCRP) expressed in nuevos soles per U.S. dollar. The Federal Reserve Bank of New York does not report a noon buying rate for nuevos soles. The information in this table reflects Peruvian nuevos soles at historical values rather than in constant Peruvian nuevos soles. The high and low exchange rates provided in the table are the highest and lowest of the twelve month-end exchange rates for each year based on the BCRP exchange rate. The average rate is in each case the average of month-end exchange rates during such period.

	BCRP Rate(1)			
Year Ended December 31,	**Period End**	**Average**	**High**	**Low**
2000	3.527	3.495	3.529	3.445
2001	3.446	3.510	3.628	3.435
2002	3.515	3.500	3.646	3.434
2003	3.464	3.477	3.496	3.462
2004	3.283	3.413	3.502	3.282
2005 (through October 19)	3.394	3.272	3.395	3.250

(1)
Source: *Banco Central de Reserva del Perú*

The exchange rate for U.S. dollars as of October 19, 2005 was 3.394 nominal nuevos soles per U.S. dollar.

Exchange Rates in Mexico

On December 21, 1994, Banco de México implemented a floating foreign exchange rate regime under which the peso is allowed to float freely against the U.S. dollar and other foreign currencies. Banco de México has indicated it will intervene directly in the foreign exchange market only to reduce what it deems to be excessive short-term volatility. Since mid-2003, Banco de México has been conducting auctions of U.S. dollars in an attempt to reduce the levels of its foreign reserves. Banco de México conducts open market operations on a regular basis to determine the size of Mexico's monetary base. Changes in Mexico's monetary base have an impact on the exchange rate. Banco de México may increase or decrease the reserve of funds that financial institutions are required to maintain. If the reserve requirement is increased, financial institutions will be required to allocate more funds to their reserves, which will reduce the amount of funds available for operations. This causes the amount of available funds in the market to decrease and the cost, or interest rate, to obtain funds to increase. The opposite happens if reserve requirements are lowered. This mechanism, known as "corto" or "largo," as the case may be, or more formally "the daily settlement balance target," represents a device used by Banco de México to adjust the level of interest and foreign exchange rates.

We cannot assure you, however, that Banco de México will maintain its current policies with respect to the peso or that the peso will not depreciate significantly in the future. Moreover, we cannot assure you that the Mexican government will not impose exchange controls or otherwise restrict foreign exchange, including the exchange of pesos into U.S. dollars, in the future, which has been the case in the past.

Banco de México has provided for risk management and hedging mechanisms against fluctuations in the peso to dollar exchange rate. Banco de México allows Mexican banks and brokerage houses to participate in futures markets for the peso and to conduct derivative transactions that are intended to hedge against currency fluctuations. In April 1995, the Chicago Mercantile Exchange introduced peso futures contracts and options on peso futures contracts and started trading these options and futures. On December 18, 1998, trading started at the Mexican Derivatives Exchange, including peso futures contracts.

In the event of shortages of foreign currency, we cannot assure you that foreign currency would continue to be available to private-sector companies in Mexico or that foreign currency needed by us to service foreign currency obligations would continue to be available without substantial additional cost.

The following table sets forth, for the periods indicated, the period-end, average, high and low noon buying rate in New York City for cable transfers in pesos published by the Federal Reserve Bank of New York, expressed in pesos per U.S. dollar. The rates have not been restated in constant currency units and therefore represent nominal historical figures.

	FRBNY Rate(1)			
Year Ended December 31,	**Period End**	**Average**	**High**	**Low**
2000	9.618	9.458	10.087	9.183
2001	9.156	9.335	9.972	8.946
2002	10.425	9.663	10.425	9.001
2003	11.242	10.795	11.406	10.113
2004	11.154	11.290	11.635	10.805
2005 (through October 19)	10.88	10.95	11.41	10.58

(1)
Source: *Federal Reserve Bank of New York*

On October 19, 2005 the noon buying rate was 10.88 pesos per U.S. dollar.

CAPITALIZATION

The following table sets forth our combined cash, cash equivalents and marketable securities and combined capitalization as of June 30, 2005 on a historical basis and on an as adjusted basis, giving effect to (1) the offering of the old notes and the application of the net proceeds thereof, (2) the capitalization of U.S.$10 million of expenses related to the offering of the old notes and (3) the payment of the U.S.$1.043 per share ($153.6 million aggregate amount) dividend that we paid on August 19, 2005. The as adjusted column does not give effect to the payment of accrued interest on the debt being repaid or to any charges associated with the elimination of deferred financing fees. This table should be read in conjunction with our Audited Combined Financial Statements included herein and the unaudited condensed combined interim financial statements for the six months ended June 30, 2004 and 2005 incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 and is qualified in its entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the table below reflect our April 1, 2005 acquisition of Minera México as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and result of operations for SCC and Minera México on a combined basis through March 31, 2005 and on consolidated basis for periods beginning April 1, 2005. See "Presentation of Financial and Other Information Financial Information."

	As of June 30, 2005(1)	As adjusted(1)
	(dollars in thousands)	
Cash, cash equivalents and marketable securities(2)	$ 471,166	$ 427,610
Current portion of long-term debt:		
Minera México U.S.$600 million credit facility	31,250	
Mitsui credit agreement	10,000	10,000
Total current portion of long-term debt	41,250	10,000
Long-term debt		
8.25% Yankee bonds Series A due 2008	221,683	221,683
9.25% Yankee bonds Series B due 2028	125,000	125,000
6.375% Notes due 2015 offered hereby		200,000
7.500% Notes due 2035 offered hereby		600,000
Minera México U.S.$600 million credit facility	448,750	
SCC U.S.$200 million credit facility	200,000	
Mitsui credit agreement	75,000	75,000
Total long-term debt	1,070,433	1,221,683
Minority interest	10,765	10,765
Stockholders' equity	2,972,020	2,818,554
Total capitalization	$ 4,094,468	$ 4,061,002

(1) Financial information as of June 30, 2005 on an actual and as adjusted basis is unaudited.

(2) Cash, cash equivalents and marketable securities are not part of the calculation of our total capitalization.

SELECTED COMBINED FINANCIAL INFORMATION

The following tables present our selected combined financial information and other data for the periods indicated. These tables should be read in conjunction with the Audited Combined Financial Statements and the notes thereto included elsewhere in this prospectus and are qualified in their entirety by the information contained therein. Information for the six months ended June 30, 2004 and 2005 should be read in conjunction with our unaudited condensed consolidated interim financial statements for such periods ended and the notes thereto incorporated by reference from our 10-Q for the quarter ended June 30, 2005 and is qualified in its entirety by the information contained therein. Our Audited Combined Financial Statements, unaudited interim financial statements and the financial information in the tables below reflect our acquisition of Minera México, completed April 1, 2005, as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SCC and Minera México on a combined basis through March 31, 2005 and on consolidated basis for periods beginning April 1, 2005. See "Presentation of Financial and Other information Financial Information." For information regarding our results of operations for the six months ended June 30, 2004 and 2005, see our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 incorporated by reference herein.

Combined Statement of Earnings

	Year Ended December 31,					Six Months Ended June 30,	
	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
	(dollars in thousands, except for per share data)						
Net sales	$ 1,823,161	$ 1,560,028	$ 1,388,421	$ 1,576,641	$ 3,096,697	$ 1,324,748	$ 1,904,087
Operating cost and expenses:							
Cost of sales (exclusive of depreciation, amortization and depletion)	1,287,107	1,232,764	961,201	992,383	1,334,330	574,024	802,675
Selling, general and administrative	80,605	70,174	69,351	63,597	71,778	33,998	39,003
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586	95,300	131,511
Exploration	19,582	15,939	13,345	17,869	15,610	7,236	10,844
Total operating costs and expenses	1,548,023	1,484,778	1,201,505	1,250,907	1,614,304	710,558	984,033
Operating income	275,138	75,250	186,916	325,734	1,482,393	614,190	920,054
Interest expense	162,279	171,242	128,747	117,009	107,904	63,639	44,812
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)	(4,545)	(6,260)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)	(3,625)	(8,490)
Loss on derivative instruments							12,121
(Gain) loss on debt prepayments	(1,246)	2,159	12,400	5,844	16,500		10,099
Gain on disposal of properties					(53,542)		
Other expense (income)	2,483	435	(7,202)	4,174	9,689	(19,447)	1,588
Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	133,224	(65,792)	65,288	209,468	1,420,871	578,168	866,184
Income taxes	(106,627)	(46,942)	88,496	(120,129)	(433,758)	(171,923)	(252,870)
Minority interest	(5,837)	2,819	(8,855)	(4,262)	(4,727)	(7,729)	(3,022)
Cumulative effect of change in accounting principle, net of income tax				(1,541)			
Net earnings (loss)	$ 20,760	$ (109,914)	$ 144,929	$ 83,536	$ 982,386	$ 398,516	$ 610,292
Per common share amounts:(2)							
Earnings before cumulative effect of change in accounting principle	$ 0.14	$ (0.75)	$ 0.98	$ 0.57	$ 6.67	$ 2.71	$ 4.15
Net earnings basic and diluted	0.14	(0.75)	0.98	0.57	6.67	2.71	4.15
Dividends paid	$ 0.18	$ 0.19	$ 0.19	$ 0.31	$ 1.30	$ 0.81	$ 3.63
Weighted average shares outstanding basic (in thousands)	147,216	147,210	147,213	147,220	147,224	147,222	147,226

(1) Financial information as of and for the years ended December 31, 2000 and 2001 and for the six months ended June 30, 2004 and 2005 is unaudited.

(2)

For purposes of these combined financial statements, the issuance of 67,207,640 shares related to the acquisition of Minera México have been reflected as if they had been outstanding as of January 1, 2000.

Combined Consolidated Balance Sheet

	As of December 31,					As of June 30,
	2000(1)	2001(1)	2002	2003	2004	2005(1)
	(dollars in thousands)					
Assets						
Current assets:						
Cash and cash equivalents	$ 172,895	$ 260,499	$ 175,071	$ 351,610	$ 755,974	$ 471,166
Cash retained in collateral accounts			88,048			
Marketable securities					45,267	
Accounts receivable:						
Trade	178,120	164,530	117,125	169,279	425,790	301,154
Affiliates	8,202		7,221	6,968	15,664	15,677
Other	105,211	42,133	69,169	20,163	32,770	30,450
Inventories	412,509	357,844	324,453	306,913	352,377	366,046
Prepaid taxes and other assets	37,771	34,906	16,355	51,159	52,966	81,350
Total current assets	914,708	859,912	797,442	906,092	1,635,541	1,265,843
Property, net	3,295,486	2,977,851	3,136,837	3,040,700	3,068,486	3,109,552
Capitalized mine stripping costs, net	170,572	182,070	255,449	291,490	318,116	315,009
Leachable material, net		46,677	77,504	100,014	134,621	161,344
Intangible assets, net	19,881	381,180	129,059	126,049	123,496	105,044
Other assets, net	54,047	32,892	22,739	26,683	38,933	69,880
Total assets	$ 4,454,694	$ 4,480,582	$ 4,419,030	$ 4,491,028	$ 5,319,193	$ 5,026,672
Liabilities						
Current liabilities:						
Current portion of long-term debt	$ 250,667	$ 1,441,213	$	$ 115,307	$ 152,314	$ 41,250
Trade accounts payable	93,599	129,289	198,891	99,735	142,362	214,466
Income taxes	9,973	36,104	54,841	58,704	293,295	127,866
Other current liabilities	296,567	272,409	232,225	208,824	373,947	38,919
Total current liabilities	650,806	1,879,015	485,957	482,570	961,918	573,643
Due to affiliates Grupo México		56,216	52,468	52,468		12,154
Long-term debt	1,439,808	273,121	1,621,231	1,555,924	1,177,974	1,070,433
Deferred income taxes	334,154	383,800	246,020	185,866	243,600	277,193
Other liabilities	28,176	41,112	46,862	103,790	105,179	117,026
Asset retirement obligation				5,267	5,643	5,830
Total non-current liabilities	1,802,138	754,249	1,966,581	1,903,315	1,532,396	1,470,482
Minority interest	99,634	95,459	85,040	82,398	11,284	10,527
Stockholders' equity	1,902,116	1,751,859	1,881,452	2,022,745	2,813,595	2,972,020
Total liabilities, minority interest and stockholders' equity	$ 4,454,694	$ 4,480,582	$ 4,419,030	$ 4,491,028	$ 5,319,193	$ 5,026,672

(1) Financial information as of and for the years ended December 31, 2000 and 2001 and for the six months ended June 30, 2004 and 2005 is unaudited.

Other Financial Information

	Year Ended December 31,					Six Months Ended June 30,	
	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
	(dollars in thousands, except per share data)						
EBITDA(2)	$ 434,630	$ 238,558	$ 339,326	$ 492,774	$ 1,702,332	$ 728,937	$ 1,027,757
Capitalized mine stripping cost and leachable material	72,724	107,861	91,954	79,704	92,797	43,844	52,545
Capital expenditure excluding capitalized mine stripping cost and leachable material	214,462	180,921	85,380	64,880	228,299	(89,232)	(142,617)

Financial Ratios

	Year Ended December 31,					Six Months Ended June 30,	
Financial Ratios	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
	(dollars in thousands, except per share data)						
Gross margin(3)	20.6%	10.3%	19.4%	25.8%	50.7%	49.5%	50.9%
Operating income margin(4)	15.1%	4.8%	13.5%	20.7%	47.9%	46.4%	48.3%
Net margin(5)	1.1%	(7.0)%	10.4%	5.3%	31.7%	30.1%	32.1%
Net debt(8)/total capitalization(6)	44.4%	45.4%	43.4%	39.5%	17.0%		17.7%
Ratio of Earnings to Fixed Charges(7)	1.8x		1.5x	2.7x	12.4x	10.1x	16.8x

(1)

Financial information as of and for the years ended December 31, 2000 and 2001 and as of and for the six months ended June 30, 2004 and 2005 is unaudited.

(2)

EBITDA is net earnings; plus cumulative effect of change in accounting principle, minority interest, income taxes, interest expense and depreciation, amortization and depletion; minus interest income and interest capitalized. EBITDA is used as a measure of performance by our management and is not a measure of performance under generally accepted accounting principles, or GAAP. We present EBITDA because we believe it provides management and investors with useful information by which to measure our consolidated performance. EBITDA should not be construed as an alternative to (a) net income as an indicator of our operating performance or (b) cash flow from our operating activities as a measure of liquidity. EBITDA also does not represent funds available for dividends, reinvestment or other discretionary uses. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures presented by other companies.

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page 75.

(3)

Represents net sales less cost of sales (including depreciation, amortization and depletion), divided by net sales as a percentage.

(4)

Represents operating income divided by sales as a percentage.

(5)

Represents net earnings divided by sales as a percentage.

(6)

Represents net debt divided by net debt plus stockholders' equity.

(7)

Represents earnings divided by fixed charges. Earnings are defined as earnings before income taxes, minority interest and cumulative effect of change in accounting principle, plus fixed charges and amortization of interest capitalized, less interest capitalized. Fixed charges are defined as the sum of interest expensed and interest capitalized, plus amortized premiums, discounts and capitalized expenses related to indebtedness. For the year 2001, we would have had to have generated additional earnings of U.S.$75,392,000 to achieve a ratio of earnings to fixed charges of 1:1.

(8)

Net debt is defined as total debt minus cash balance.

Selected Operating Data

The following table sets out certain operating data for each of the periods indicated.

	Year Ended December 31,					Six Months Ended June 30,	
Mining Production	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Material mined (thousands of tons)	360,871	385,666	357,635	356,600	386,364	193,193	211,872
Contained copper in concentrate (tons)	542,665	533,616	491,828	547,172	603,907	304,664	273,739
Electrowon copper metal (tons)	111,625	114,989	122,190	118,744	114,100	58,103	56,702
Total copper (tons)	654,290	648,605	614,018	665,916	718,007	362,766	330,441
Contained molybdenum in concentrate (tons)	14,090	13,869	11,747	12,521	14,373	6,411	7,614
Contained zinc in concentrate (tons)	167,798	149,252	135,442	128,760	133,778	66,947	71,789

	Year Ended December 31,					Six Months Ended June 30,	
Smelter/Refinery Production	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Copper metal (tons)	622,620	676,038	579,905	537,501	594,278	311,846	334,842
Zinc metal (tons)	105,879	107,005	92,012	101,069	102,556	49,303	46,995
Silver metal ('000 ounces)	16,354	15,813	15,536	12,147	10,796	5,402	6,152

	Year Ended December 31,					Six Months Ended June 30,	
Net Metal Sales(1)	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Net copper sold (tons)	743,831	721,412	645,107	660,485	709,668	346,640	334,538
Net molybdenum sold (tons)	14,250	13,890	11,695	12,498	14,350	6,429	7,233
Net zinc sold (tons)	155,255	141,913	126,499	122,217	120,922	60,901	71,759
Net silver sold ('000 ounces)	26,167	24,924	20,371	19,498	20,212	10	10

	Year Ended December 31,					Six Months Ended June 30,	
Average Realized Prices	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Copper price (U.S.$ per pound)	$ 0.86	$ 0.75	$ 0.74	$ 0.81	$ 1.36	$ 1.25	$ 1.51
Molybdenum price (U.S.$ per pound)	2.28	2.08	3.42	5.32	20.55	11.42	33.29
Zinc price (U.S.$ per pound)	0.54	0.42	0.39	0.40	0.51	0.48	0.59
Silver price (U.S.$ per ounce)	$ 4.91	$ 4.25	$ 4.52	$ 4.87	$ 6.35	$ 6.48	$ 7.07

	Year Ended December 31,					Six Months Ended June 30,	
Operating Cash Costs(2)	**2000**	**2001**	**2002**	**2003**	**2004**	**2004**	**2005**
Cash cost per pound of copper produced	$ 0.63	$ 0.52	$ 0.43	$ 0.44	$ 0.18	$ 0.30	$ (0.09)
Cash cost per pound of copper produced (without byproduct revenue)	$ 0.99	$ 0.81	$ 0.74	$ 0.74	$ 0.85	$ 0.79	$ 0.99

(1) Includes finished metal (including blister, cathode and rod) sales and payable metal in concentrate sales to third parties, less payable metal in third-party concentrate purchases. "Payable metal" refers to the content of metal contained in concentrates that is actually valued and paid for.

(2) Operating cash costs per pound of copper produced is an overall benchmark we use and a common industry metric to measure performance. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented beginning on page 74. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges, third party copper purchases; less byproducts revenue, depreciation, amortization and depletion, workers' participation and inventory change. Operating cash costs also exclude the portion of our mine stripping costs that we capitalize. We calculate operating cash cost for the company on a consolidated basis. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Operating Cash Costs."

Selected Reserves Data

The table below details our copper and molybdenum reserves as estimated at December 31, 2004. Pursuant to SEC guidance, the reserves information in this prospectus is calculated using average metals prices over the most recent three years, unless otherwise stated. We refer to these three-year average metals prices as "current average prices." Our current average prices for copper are calculated using prices quoted by COMEX, and our current average prices for molybdenum are calculated according to Platts *Metals Week*. Unless otherwise stated, reserves estimates in this prospectus use U.S.$0.939 per pound for copper and U.S.$8.425 per pound for molybdenum, both current average prices as of December 31, 2004. The current average prices for copper and molybdenum were U.S.$0.751 and U.S.$3.81, respectively, as of December 31, 2003 and U.S.$0.760 and U.S.$2.88, respectively, as of December 31, 2002. For a further discussion of how we calculate our reserves, see "Business Reserves."

	Cuajone Mine(1)	Toquepala Mine(1)	Cananea Mine(1)	La Caridad Mine(1)	Total Open-Pit Mines	Immsa(2)
Mineral Reserves						
Metal prices:						
Copper ($/lb.)	$0.939	$0.939	$0.939	$0.939	$0.939	$ 0.939
Molybdenum ($/lb.)	$8.425	$8.425	$8.425	$8.425	$8.425	$ 8.425
Cut-off grade	0.356%	0.365%	0.287%	0.325%		
Sulfide ore reserves (thousands of tons)	1,395,244	1,382,678	2,524,785	555,747	5,858,454	32,601
Average grade:						
Copper	0.616%	0.665%	0.571%	0.427%	0.590%	0.53%
Molybdenum	0.020%	0.036%		0.025%	0.027%	
Leachable material (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	4,510,564	
Leachable material grade	0.424%	0.203%	0.278%	0.195%	0.225%	
Waste (thousands of tons)	2,956,952	3,755,389	3,392,097	268,532	10,372,970	
Total material (thousands of tons)	4,374,959	7,025,334	7,320,363	2,021,332	20,741,988	
Stripping ratio	2.14x	4.08x	1.90x	2.64x	2.54x	
Leachable material						
Reserves in stock (thousands of tons)	25,137	790,462	553,599	435,635	1,804,833	
Average copper grade	0.478%	0.139%	0.279%	0.250%	0.214%	
In-pit reserves (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	4,510,564	
Average copper grade	0.424%	0.203%	0.278%	0.195%	0.225%	
Total leachable reserves (thousands of tons)	47,900	2,677,729	1,957,680	1,632,688	6,315,997	
Average copper grade	0.452%	0.184%	0.278%	0.210%	0.222%	
Copper contained in ore reserves (thousands of tons)(3)	8,691	13,026	18,318	4,707	44,742	172.78

(1) The Cuajone, Toquepala, Cananea and La Caridad concentrator recoveries calculated for these reserves were 83.8%, 90.3%, 81.0% and 78.4%, respectively, obtained by using recovery formulas according to the different milling capacities and geo-metallurgical zones.

(2) The Immsa Unit includes the Charcas, Santa Bárbara, San Martin, Santa Eulalia and Taxco mines. The information above does not include information for the Santa Eulalia mine as it was recently reopened.

(3) Copper contained in ore reserves for open-pit mines is (i) the product of sulfide ore reserves and the average copper grade plus (ii) the product of in-pit leachable reserves and the average copper grade. Copper contained in ore reserves for underground mines is the product of sulfide ore reserves and the average copper grade.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations relates to and should be read together with our Audited Combined Financial Statements as of and for each of the years in the three-year period ended December 31, 2004 included herein and our unaudited condensed consolidated combined financial statements for the three and six months ended June 30, 2004 and 2005 incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005. Our financial statements in this prospectus reflect the accounts of Southern Copper Corporation, as well as those of Minera México. Effective April 1, 2005, Southern Copper Corporation acquired substantially all of the outstanding common stock of Minera México. The acquisition was accounted for in a manner similar to a pooling of interests as it involved the reorganization of entities under common control. Under such accounting, the financial statements of SCC and Minera México are combined on a historical cost basis for all the periods presented since they were under the indirect common control of Grupo México during all of these periods. Therefore, unless otherwise noted, the discussion below of our financial condition and results of operations is for us, including our Minera México subsidiary, on a combined basis for all periods. Our combined financial results may not be indicative of the results of operations that actually would have been achieved had the acquisition of Minera México taken place at the beginning of the periods presented and do not purport to be indicative of our future results.

This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in the forward-looking statements as a result of a number of factors. See "Forward-Looking Statements."

Overview

Our business is primarily the production and sale of copper. In the process of producing copper, a number of valuable metallurgical byproducts are recovered, such as molybdenum, zinc, silver, lead and gold, which we also produce and sell. The sales prices for our products are largely determined by market forces outside of our control. Our management, therefore, focuses on production enhancement and cost control to improve profitability. We believe we 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 discuss below several matters that our management believes are important to understand our results of operations and financial condition. These matters include (i) our "operating cash costs" as a measure of our consolidated performance, (ii) metals prices, (iii) our recent acquisition of Minera México, (iv) our business segments and (v) the effects of inflation and other local currency issues.

Since our inception, we have principally maintained operations in Peru. However, in recent years, we have refocused our plans and begun steps to internationalize our operations and broaden our market exposure. In 2003, we acquired exploration properties in Chile, which we are evaluating for potential exploitation. Beginning in 2004, we began tolling copper into rod in Amarillo, Texas. The biggest step, in our new focus, however, is our acquisition of Minera México (MM). See " Minera México Acquisition" below.

Operating Cash Costs

An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented under " Non-GAAP Information Reconciliation," below. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges and third party copper purchases; less byproducts revenue, depreciation, amortization and depletion, workers' participation and other inventory change. In our calculation of operating cash cost per pound of copper produced, we credit against our costs, the revenues from the sale of byproducts, principally molybdenum, zinc and silver. We account for this as byproduct revenue because we consider our principal business to be the production and sale of copper. We believe that our company is viewed by the investment community as a copper company and is valued, in large part, by the investment community's view of the copper market and our ability to produce copper at a reasonable cost. The recent surge in the price of molybdenum, however, has had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs below with and without crediting the byproduct revenues against our costs.

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 inventory charges, items of a non-recurring nature, and the portion of our mine stripping costs that we capitalize.

Our operating cash costs per pound, as defined, are presented in the table below for each of the years in the three year period ended December 31, 2004. We present cash costs with and without the inclusion of byproduct revenues below, as the recent increases in the price of molybdenum have significantly affected our calculation of cash costs.

	2002	2003	2004
		(dollars per pound)	
Operating cash cost per pound of copper produced	$ 0.429	$ 0.435	$ 0.182
Operating cash cost per pound of copper produced (without byproduct revenue)	$ 0.743	$ 0.743	$ 0.852

A reconciliation of our operating cash costs per pound to our GAAP cost of sales is presented beginning on page 74 under "Non-GAAP Information Reconciliation."

The reduction in the cash costs per pound of copper produced (including byproduct revenue) in 2004 is to a large extent attributable to the increase in the sales price of molybdenum. The credit to the above costs for molybdenum sales amounted to U.S.$0.061 per pound in 2002, U.S.$0.102 per pound in 2003 and U.S.$0.412 per pound in 2004. The cash cost without byproduct revenue in 2004 was U.S.$0.852 per pound, compared with U.S.$0.743 per pound in 2003, an increase of U.S.$0.109 per pound. This increase was attributable to cost increases, including the cost of power, maintenance expenses and the cost of replacement parts. We believe our operating cash costs will increase as a result of the EITF consensus, which we describe below under "Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material."

Metals Prices

The profitability of our operations depends 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. Metals 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 metal production and sales are the same as in the first six months of 2005, that tax rates are unchanged and giving no effect to potential hedging programs or changes in past production, metal price sensitivity factors would indicate the estimated change in net earnings in 2005 resulting from metal price changes in 2005 as provided in the table below:

	Copper	Molybdenum	Zinc	Silver
Change in metal prices (per pound)	$ 0.01	$ 1.00	$ 0.01	$ 1.00
Annual change in net earnings (in millions)	$ 9.4	$ 17.9	$ 1.8	$ 10.4

For a further discussion regarding the important role metals prices have on our profitability and financial performance, see "Industry Metals Prices" and "Risk Factors Risks Relating to Our Business Generally Our financial performance is highly dependent on the price of copper and the other metals we produce."

Minera México Acquisition

On April 1, 2005, we acquired Minera México from Americas Mining Corporation, or AMC, a subsidiary of Grupo México, our controlling stockholder. Minera México is the largest mining company in Mexico and the eleventh largest copper producer in the world on a stand-alone basis. On April 1, 2005, we exchanged 67,207,640 newly-issued shares of our common stock for the outstanding shares of Minera México's direct majority stockholder, and Minera México became our 99%-owned subsidiary. As a part of this transaction, on March 1, 2005, we paid a special transaction dividend in the aggregate amount of U.S.$100 million to all of our stockholders. Upon completion of the merger, Grupo México increased its indirect beneficial ownership of our capital stock from approximately 54.2% to approximately 75.1%.

We are now in the process of integrating two companies that had previously been affiliated but operated independently. With this acquisition, we have increased our total copper reserves by 107%, or 23,199 million tons, based on year-end 2004 reserves, and have increased our annual copper production by 81%, equivalent to 320,000 tons of copper, based on 2004 production.

For a discussion of certain risks relating to our Minera México acquisition, see "Risk Factors Risks Relating to Our Business Generally The expected benefits of our recent acquisition of Minera México, including expected synergies, may not be realized."

Business segments

We operate in a single industry, the copper industry. With the acquisition of Minera México in April 2005, we determined that to best manage our business we needed to focus on three operating segments. These segments are our Peruvian operations, our Mexican open-pit operations and our Mexican underground mining polymetallic 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 facilities. Our Mexican open-pit operations include the La Caridad and Cananea mine complexes and smelting and refining plants and support facilities which service both complexes. Our IMMSA unit includes five underground mines that produce zinc, copper, silver and gold, a coal and coke mine, and several industrial processing facilities for zinc and silver. Segment information is included in our review of " Results of Operations" and also in Note 19 of our Audited Combined 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 either 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.

	Year Ended December 31,		
	2002	**2003**	**2004**
Peru			
Peruvian inflation (deflation) rate	1.5%	2.5%	3.5%
Nuevo sol/dollar (change in exchange rate year to year)	2.0	(1.5)	(5.2)
Mexico			
Mexican inflation (deflation) rate	5.7%	4.0%	5.2%
Peso/dollar (change in exchange rate year to year)	12.5	8.4	0.6

We describe certain exchange rate risks associated with our Company in "Risk Factors Risks Associated with Doing Business in Peru and Mexico Peruvian inflation, reduced economic growth and fluctuations in the nuevo sol exchange rate may adversely affect our financial condition and results of operations" and "Risk Factors Risks Associated with Doing Business in Peru and Mexico Mexican inflation, restrictive exchange control policies and fluctuations in the peso exchange rate may adversely affect our financial condition and results of operations."

Critical Accounting Policies and Estimates

Our discussion and analysis of our combined financial condition and results of operations, as well as quantitative and qualitative disclosures about market risks, are based upon our combined financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these combined 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 period. 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: carrying value of the ore reserves that are the basis for future cash flows estimates and units-of-production depreciation and amortization calculations; capitalized mine stripping costs and leachable material; revenue recognition; and asset retirement obligations. 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.

Ore Reserves

For purposes of our long-term planning, our management uses metal price assumptions of U.S.$0.90 per pound for copper and U.S.$4.50 per pound for molybdenum. These prices are intended to approximate average prices over the long term. Ore reserves based on these prices are the basis for our internal planning, including the preparation of the mine plans for our mines. Our management uses these price assumptions as it believes these prices reflect the full price cycle of the metals market.

However, pursuant to SEC guidance, the reserves information in this prospectus is calculated using average metals prices over the most recent three years, except as otherwise stated. We refer to these three-year average metals prices as "current average prices." Our current average prices for copper are calculated using prices quoted by COMEX, and our current average prices for molybdenum are calculated according to Platts Metals Week. Unless otherwise stated, reserves estimates in this prospectus use U.S.$0.939 per pound for copper and U.S.$8.425 per pound for molybdenum, both current average prices as of December 31, 2004. As of December 31, 2003, the current average prices were U.S.$0.751 for copper and U.S.$3.81 for molybdenum; as of December 31, 2002, the current average prices were U.S.$0.760 for copper and U.S.$2.88 for molybdenum.

In this prospectus certain financial information is based on reserve estimates based on certain metals price assumptions. These items include the amount of mine stripping that is capitalized, units of production amortization of capitalized mine stripping and amortization of intangible assets. For SCC, commencing in 2003, we have used reserve estimates based on current average metals prices as of the most recent year then ended to determine these items. For periods prior to 2003 for SCC, we have used reserves estimates based on metals prices intended to approximate average prices over the long term. In calculating such items for periods ended on or prior to December 31, 2004 for Minera México, we have used reserves estimates based on these longer term price assumptions. For periods ended after December 31, 2004, such items for Minera México have been calculated using reserves estimates based on current average prices.

For further information regarding our reserves, see "Business Reserves" and "Risk Factors Risks Relating to Our Business Generally Our actual reserves may not conform to our current estimates of our ore deposits."

Capitalized Mine Stripping Costs and Leachable Material

In carrying out our mining operations, we are required to remove waste material to access mineral deposits. Because the concentration of mineral deposits is not evenly distributed throughout the ore body, there are periods during the life of the mine in which we mine more waste as compared to ore produced, and periods during which we mine less waste as compared to ore produced. These mining costs are commonly referred to as "stripping" costs.

For each of our existing mines in the production stage, our mine engineers have calculated a life-of-mine stripping ratio that represents our estimate of the total amount of waste to be removed at each mine divided by the estimated total proven and probable reserves at such mine. The mine stripping ratios are used to determine the amount of mine production costs to be charged against earnings. In periods when the actual ratio of waste to mineral ore extracted exceeds the life-of-mine stripping ratios, we capitalize production costs associated with mining operations in proportion to the excess waste mined. Such capitalized costs are included in net capitalized mine stripping, and are amortized to operations using the units of production method. This charge to operations for the amortization of deferred stripping costs could differ materially between reporting periods to the extent that there were material changes in the value of proven and probable reserves. Copper resources contained in piles of leachable materials that have been extracted from the mines are not included in the determination of units of production amortization. Conversely, in periods when the actual ratio of waste to mineral ore mined is less than the life-of-mine stripping ratio, we reduce the net capitalized mine stripping asset proportionally with a charge to amortization expense. During periods when we are stripping at the higher rates, increased mining costs associated with the higher tonnages are incurred. Costs of this nature are necessary in a mining operation to ensure the availability of mineable ore in future periods. The deferred stripping accounting method is generally accepted in the mining industry where mining operations have diverse grades and waste-to-mineral ore ratios; however, industry practice does vary.

At the March 17, 2005 meeting of the Emerging Issues Task Force, or EITF, the EITF reached a consensus that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced (extracted) during the period that the stripping costs are incurred. The EITF noted that the consensus does not address the accounting for stripping costs incurred during the pre-production phase of a mine. The consensus with respect to this issue was ratified by the FASB on March 30, 2005, and will be effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. In its June 15-16, 2005 meeting, the EITF also approved a modification to the transition provisions. We are reviewing this consensus and expect to adopt a new accounting policy. Adoption of the EITF consensus will significantly change the accounting for capitalized stripping costs incurred during the production phase. At December 31, 2004, we had on our balance sheet U.S.$318.1 million of capitalized mine stripping costs, net, which may be impacted by this consensus. We anticipate that a significant portion of this asset may be written off and equity and net income would be reduced accordingly. In addition, future operating income could be negatively impacted to the extent that costs previously capitalized are expensed.

If we were to have expensed all production stripping costs associated with our mining operations as incurred, net operating costs would have increased by U.S.$91.9 million for the year ended December 31, 2002, U.S.$79.7 million for the year ended December 31, 2003 and U.S.$92.7 million for the year ended December 31, 2004.

We further discuss capitalized mine stripping costs and leachable material in Notes 2 and 5 to our Audited Combined Financial Statements included herein.

Asset Retirement Obligation

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs we will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. These estimates are based on inflation assumptions using the U.S. Consumer Price Index and using our risk-free credit rate (which is based on our credit status). Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by us. Any such increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Revenue Recognition

For certain of our sales of copper and molybdenum products, customers are given the option to select a monthly average LME or COMEX price (as is the case for sales of copper products) or the molybdenum oxide proprietary market price estimate of Platts *Metals Week* (as is the case for sales of molybdenum products), generally ranging between one and three months subsequent to shipment. In such cases, revenue is recorded at a provisional price at the time of shipment. The provisionally priced copper sales are adjusted to reflect forward copper prices based on LME or COMEX prices at the end of each month until a final adjustment is made to the price of the shipments upon settlement with customers pursuant to the terms of the contract. In the case of molybdenum sales, for which there are no published forward prices, the provisionally priced sales are adjusted to reflect the market prices at the end of each month until a final adjustment is made to the price of the shipments upon settlement with customers pursuant to the terms of the contract.

The following are the provisionally priced copper and molybdenum sales outstanding at December 31, 2002, 2003 and 2004:

Provisionally Priced Sales	Year Ended December 31, 2002	2003	2004
Copper			
Millions of pounds	43.8	51.1	179.7
Priced at (per pound)	$ 0.73	$ 1.08	$ 1.46
Molybdenum			
Millions of pounds	0.5	3.7	6.3
Priced at (per pound)	$ 3.20	$ 7.60	$ 32.38

Provisional sales adjustments included in accounts receivable and net sales were as follows at December 31, 2002, 2003 and 2004:

Provisional Sales Adjustments	Year Ended December 31, 2002	2003	2004
	(dollars in millions)		
Copper	$ 3.8	$ 8.4	$ 15.9
Molybdenum	(0.8)	6.9	69.2
Total	$ 3.0	$ 15.3	$ 85.1

Results of Operations for each of the three years in the three year period ended December 31, 2004

The following table highlights key combined financial and operating results for each of the years in the three-year period ended December 31, 2004.

Statement of Earnings Data	Year Ended December 31, 2002	2003	2004
	(dollars in thousands)		
Net sales	$ 1,388,421	$ 1,576,641	$ 3,096,697
Cost of sales (exclusive of depreciation, amortization and depletion)	961,201	992,383	1,334,330
Selling, general and administrative	69,351	63,597	71,778
Depreciation, amortization and depletion	157,608	177,058	192,586
Exploration	13,345	17,869	15,610
Operating income	186,916	325,734	1,482,393
Interest expense	128,747	117,009	107,904
Interest capitalized	(8,220)	(5,563)	(10,681)
Interest income	(4,097)	(5,198)	(8,348)
Loss on debt prepayments	12,400	5,844	16,500
Gain on disposal of properties			(53,542)
Other (income) expense	(7,202)	4,174	9,689
Income taxes	88,496	(120,129)	(433,758)
Minority interest	(8,855)	(4,262)	(4,727)
Net earnings	$ 144,929	$ 83,536	$ 982,386

The table below outlines the average prices (rounded to the nearest cent) at which we sold our metals for each of the years ended December 31, 2002, 2003 and 2004:

Average Metals Prices Realized

	Year Ended December 31,			% Change 2002 to 2003	% Change 2003 to 2004
	2002	2003	2004		
Copper (pounds)	$ 0.74	$ 0.81	$ 1.36	9.5%	67.9%
Molybdenum (pounds)	3.42	5.32	20.55	55.6	286.3
Zinc (pounds)	0.39	0.41	0.51	5.1	24.4
Silver (ounces)	4.52	4.87	6.35	7.7	30.4
Gold (ounces)	$ 308.67	$ 360.28	$ 388.57	16.7%	7.8%

The following tables set forth information regarding the volume of sales of copper and our significant byproducts by segment, for each of the years in the three year period ended December 31, 2004:

Copper and Significant Byproduct Sales by Segment

	Year Ended December 31,		
	2002	2003	2004
Copper Sales (tons)			
Peruvian operations	365,433	375,160	392,083
Mexican open-pit	280,355	294,859	308,732
Mexican IMMSA unit	25,707	22,271	24,463
Intersegment elimination	(26,388)	(31,805)	(15,610)
Total copper sales	645,107	660,485	709,668
Byproduct Sales			
Peruvian operations:			
Molybdenum contained in concentrate (tons)	8,245	9,050	10,661
Silver ('000 ounces)	4,034	4,192	4,598
Mexican open-pit operations:			
Molybdenum contained in concentrate (tons)	3,450	3,448	3,689
Zinc-refined and in concentrate (tons)	43,358	40,866	45,846
Silver ('000 ounces)	11,147	8,458	7,544
IMMSA unit			
Zinc-refined and in concentrate (tons)	124,489	124,666	122,048
Silver ('000 ounces)	14,046	12,136	12,585
Intersegment elimination			
Zinc (tons)	(41,348)	(43,315)	(46,972)
Silver ('000 ounces)	(8,856)	(5,288)	(4,515)
Total significant byproduct sales			
Molybdenum contained in concentrate (tons)	11,695	12,498	14,350
Zinc-refined and in concentrate (tons)	126,499	122,217	120,922
Silver ('000 ounces)	20,371	19,498	20,212

Results of Operations for the Year Ended December 31, 2004 Compared with Year Ended December 31, 2003.

Net sales

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Net sales	$ 1,576,641	$ 3,096,697	$ 1,520,056	96.4%

Our net sales in 2004 were U.S.$3,096.7 million, compared with U.S.$1,576.6 million in 2003, an increase of U.S.$1,520.1 million. The increase was principally attributable to significant increases in metals prices in 2004, particularly those of copper, for which our average sales prices rose 67.9%, and molybdenum, for which our sales prices rose 286.3%. In addition to increased metals prices, increased mine production was also an important factor in increasing our net sales in 2004. Copper production for 2004 was 718,007 tons, compared with 665,916 tons in 2003, an increase of 7.8%.

The table below presents information regarding the volume of our copper sales for each of the years ended December 31, 2003 and 2004:

	Year Ended December 31,	
Copper sales	**2003**	**2004**
	(thousands of tons)	
Refined	383.8	358.6
Blister	40.9	42.6
Concentrates	37.2	48.9
SX/EW	127.2	108.5
Rod	71.4	151.1
Total	660.5	709.7

The table below presents information regarding the volume of our sales of byproducts for each of the years ended December 31, 2003 and 2004:

	Year Ended December 31,	
Byproduct sales	**2003**	**2004**
Molybdenum contained in concentrate (tons)	12,498	14,350
Zinc refined and concentrate (tons)	122,217	120,922
Silver ingots ('000 ounces)	19,498	20,212

All four of our open-pit copper mines recorded increased output in 2004 compared with 2003. The Cananea mine recorded the most significant increase of 20.7%, equivalent to 29,003 additional tons of copper, primarily due to a 29.3% increase in mill throughput. The Toquepala mine registered the second highest production percentage increase of 6.8%, contributing an additional 12,849 tons of copper. The increase in production at the Toquepala mine was primarily attributable to a higher ore grade of 0.817% in 2004 compared with 0.749% in 2003. The Cuajone and La Caridad mines also delivered higher production output with Cuajone contributing an additional 9,861 tons and La Caridad contributing an additional 3,454 tons in 2004 compared with 2003. Cuajone's additional output was primarily as a result of higher ore grades, while La Caridad's higher output was as a result of increased production despite marginally lower ore grades. Copper made up 68.1% of our net sales in 2004 compared with 74.7% in 2003.

Our sales of byproducts in 2004 totaled U.S.$987.8 million, compared with U.S.$398.9 million in 2003, an increase of 147.6%. The increase was principally attributable to significantly increased sales of molybdenum, resulting from the 286.3% increase in our average sales price for molybdenum in 2004 compared with 2003. The table below provides the sales of our byproducts as a percentage of our total net sales for each of the three years ended December 31, 2003 and 2004.

	Year Ended December 31,	
Byproduct Sales as a Percentage of Total Net Sales	**2003**	**2004**
Molybdenum	9.1%	20.9%
Zinc	6.4	4.1
Silver	6.0	4.1
Gold and other metals	3.8	2.8
Total	25.3%	31.9%

Cost of sales (exclusive of depreciation, amortization and depletion)

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in thousands)			
Cost of sales (exclusive of depreciation, amortization and depletion)	$ 992,383	$ 1,334,330	$ 341,947	34.5%

Our cost of sales in 2004 was U.S.$1,334.3 million, compared with U.S.$992.4 million in 2003, an increase of U.S.$341.9 million. Our higher cost of sales was principally due to increased production in 2004. As discussed above, copper mine production for 2004 increased 7.4% with all four of our open-pit copper mines registering increased output in 2004 compared with 2003. Cost of sales (exclusive of depreciation, amortization and depletion) also increased as a result of increases in the prices of certain inputs, including power, maintenance expenses and certain replacement parts. Cost of sales (exclusive of depreciation, amortization and depletion) additionally increased in 2004 as a result of an increase in the volume and cost of the copper concentrate we purchased from third parties in 2004. We purchase concentrate from third parties in order to produce additional copper rods for which we receive premium pricing, as well as to meet our commitments to customers. The cost of this purchased copper, acquired at prevailing market prices, was U.S.$76.8 million in 2004, compared with U.S.$20.0 million in 2003. The increase in the cost of purchased copper resulted primarily from the increased volume purchased.

Other factors contributing to the increased costs in 2004 included a provision of U.S.$17.6 million for the recently enacted mining royalty charge in Peru. This mining royalty charge will be 1% to 3% of sales of the concentrates produced by our Toquepala and Cuajone mines. In 2004 the sales of concentrates produced by these two mines was U.S.$83.9 million.

We expect that cost of sales will increase in the future as a result of the recently issued Emerging Issues Task Force, or EITF, consensus, which we describe above under " Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material."

Selling, general and administrative

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in thousands)			
Selling, general and administrative	$ 63,597	$ 71,778	$ 8,181	12.9%

Our selling, general and administrative expense in 2004 was U.S.$71.8 million, compared with U.S.$63.6 million in 2003, an increase of U.S.$8.2 million. Our higher selling, general and administrative expense in 2004 was principally as a result of U.S.$13.8 million in management fees paid to Grupo México. The increase in management fees payable to Grupo México is largely attributable to the transfer of some corporate staff from Minera México to Grupo México. Such management fees, which were not payable in 2003, were partially offset by a payroll reduction of U.S.$2.7 million and a reduction in lease expenses of U.S.$2.6 million. Management fees include corporate, legal, accounting, finance, and commercial and similar costs.

Depreciation, amortization and depletion

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in thousands)			
Depreciation, amortization and depletion	$ 177,058	$ 192,586	$ 15,528	8.8%

Our depreciation, amortization and depletion expense in 2004 was U.S.$192.6 million, compared with U.S.$177.1 million, an increase of U.S.$15.5 million. Our depreciation, amortization and depletion expense increased principally as a result of the increase in the amortization of capitalized mine stripping costs and leachable materials of U.S.$10.6 million. The increase was also as a result of an increase in maintenance capital expenditures. In addition, the depreciation expense increased U.S.$6.2 million as a result of a larger amount of capital expenditures incurred in 2004. Our total capital expenditures in 2004 were U.S.$228.3 million compared with U.S.$64.9 million in 2003. Our average depreciation rate was approximately 3% for 2004. We expect amortization will decrease in the future as a result of the aforementioned EITF consensus.

Exploration

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in thousands)			
Exploration	$ 17,869	$ 15,610	$ (2,259)	(12.6)%

Our exploration expense in 2004 was U.S.$15.6 millon, compared with U.S.$17.9 million, a decrease of U.S.$2.3 million. Our exploration expense decreased principally as a result of an acquisition in 2003 of exploration properties in Chile for U.S.$3.7 million. Excluding acquisition costs, exploration expense increased as a result of exploration and drilling in Mexico.

Interest expense

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in thousands)			
Interest expense	$ 117,009	$ 107,904	$ (9,105)	(7.8)%

Our interest expense in 2004 was U.S.$107.9 million, compared with U.S.$117.0 million, a decrease of U.S.$9.1 million. Our interest expense decreased in 2004 compared with 2003 principally as a result of a reduction in the amount of our debt outstanding. In addition, in the last quarter in 2004, we refinanced a portion of our debt outstanding at a reduced interest rate in connection with our new U.S.$600 million credit facility.

Interest capitalized

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Interest capitalized	$ 5,563	$ 10,681	$ 5,118	92.0%

Our interest capitalized in 2004 was U.S.$10.7 million, compared with U.S.$5.6 million in 2003, an increase of U.S.$5.1 million. Interest capitalized increased principally as a result of an increase in our capital expenditures from U.S.$64.9 million in 2003 to U.S.$228.3 million in 2004. This increase was partially offset by a decrease of our interest expense as described above.

Interest income

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Interest income	$ 5,198	$ 8,348	$ 3,150	60.6%

Our interest income in 2004 was U.S.$8.3 million, compared with U.S.$5.2 million in 2003, an increase of U.S.$3.1 million. Despite decreases in prevailing interest rates, our interest income increased in 2004 compared with 2003, principally due to increased levels of cash invested, principally in short-term securities.

Loss on debt prepayments

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Loss on debt prepayments	$ (5,844)	$ (16,500)	$ (10,656)	(182.3)%

Our loss on debt prepayments in 2004 was U.S.$16.5 million, compared with U.S.$5.8 million in 2003, an increase of U.S.$10.7 million. Loss on debt prepayments increased in 2004 compared with 2003 as a result of our increased financing activity. In 2004 we incurred U.S.$10 million of prepayment fees, U.S.$2.8 million of additional interest surcharges and the cancellation of debt issuance of U.S.$3.7 million. In 2003 we incurred debt refinancing expenses of U.S.$5.8 million, including prepayment fees and amortization of debt issuance costs.

Gain on disposal of properties

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Gain on disposal of properties		$ 53,542	$ 53,542	

Our gain on disposal of properties in 2004 was U.S.$53.5 million, compared with U.S.$0.0 million in 2003, an increase of U.S.$53.5 million. Gain on disposal of properties increased due to the sale of non-core assets in 2004 by Minera México.

Other expense

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Other expense	$ 4,174	$ 9,689	$ 5,515	132.1%

Our other expense in 2004 was U.S.$9.7 million, compared with U.S.$4.2 million in 2003, an increase of U.S.$5.1 million. Other expense increased principally due to fees paid to third parties in connection with merger-related costs.

Income taxes

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Income taxes	$ 120,129	$ 433,758	$ 313,629	261.1%

Our income taxes in 2004 were U.S.$433.8 million, compared with U.S.$120.1 million in 2003, an increase of U.S.$313.7 million. The increase was primarily due to a U.S.$1,211.4 million increase in pre-tax income. Such increase was partially offset by the effect of the changes in our permanent differences from 2004 to 2003. Our effective tax rates were 30.4% in 2004 based on pre-tax income of U.S.$1,420.9 million and 57.3% in 2003 based on pre-tax income of U.S.$209.5 million. See Note 7 to our Audited Combined Financial Statements.

Minority interest

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Minority interest	$ 4,262	$ 4,727	$ 465	10.9%

Our minority interest in 2004 was U.S.$4.7 million, compared with U.S.$4.3 million in 2003, an increase of U.S.$0.4 million. Minority interest increased due to improved after-tax earnings. This increase was partially offset by the elimination of certain minority interests upon the purchase of such interests by Minera México in 2004.

Net earnings

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			
Net earnings	$ 83,536	$ 982,386	$ 898,850	1,076.0%

Our net earnings in 2004 were U.S.$982.4 million, compared with U.S.$83.5 million in 2003, an increase of U.S.$898.9 million. Net earnings increased as a result of the factors described above.

Segment Results

Peruvian operations

The following table sets forth net sales, operating costs and expenses and operating income for our Peruvian operations segment, for each of the years ended December 31, 2003 and 2004:

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in millions)			
Net sales	$ 798.4	$ 1,715.9	$ 917.5	114.9%
Operating costs and expenses	581.6	788.8	207.2	35.6%
Operating income	$ 216.8	$ 927.1	$ 710.3	327.6%

Net sales at our Peruvian operations in 2004 were U.S.$1,715.9 million, compared with U.S.$798.4 million in 2003, an increase of U.S.$917.5 million. The increase in net sales at our Peruvian operations was principally due to significant increases in the price of copper and molybdenum. In addition, copper sales volume increased by 37.3 million pounds in 2004 as production increased at both the Toquepala and Cuajone mines. Increased throughput at the Toquepala mill and better recoveries and higher ore grades treated at both mills increased copper production by 28,340 tons. A decrease of 5,631 tons in SX/EW copper production caused by lower PLS grades reduced the overall increase. The volume of sales of molybdenum and silver, the principal byproducts of our Peruvian operations, also increased in 2004. We anticipate a reduction in the volume of 2005 copper production of approximately 8% at our Peruvian operations as a result of an expected decline in ore grade at our Cuajone mine.

Operating costs and expenses at our Peruvian operations in 2004 were U.S.$788.8 million, compared with U.S.$581.6 million in 2003, an increase of U.S.$207.2 million. The increase was a result of higher sales volume, higher cost of fuel and power, workers' participation provision, Peruvian royalty charges and increased depreciation, amortization and depletion.

Sales of copper produced by our Peruvian mines in 2004 increased by 21.6 million pounds compared with 2003 and sales of copper processed from purchased third party material increased by 15.7 million pounds. We pay prevailing market prices for this purchased material, which were significantly higher in 2004. Cost of copper purchased from third parties increased to U.S.$49.7 million in 2004 from U.S.$6.1 million in 2003. Power and fuel costs, a key component of our costs, were significantly higher in 2004. Our cost for workers' participation increased U.S.$67.5 million in 2004. This cost is calculated based on 8% of our Peruvian operations pre-tax earnings and increases as our profits increase. A provision for a new Peruvian royalty charge added U.S.$17.6 million to our costs in 2004. This Peruvian royalty was put in place in mid-year 2004 and will continue to affect our 2005 results. In addition, depreciation, amortization and depletion increased by U.S.$4.2 million in 2004, principally due to capitalization and depreciation of new projects. In addition, our Peruvian operation paid management fees of U.S.$7.0 million to Grupo México in 2004.

Mexican open-pit operations

The following table sets forth net sales, operating costs and expenses and operating income for our Mexican open-pit operations segment, for each of the years ended December 31, 2003 and 2004:

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in millions)			
Net sales	$ 649.3	$ 1,189.7	$ 540.4	83.2%
Operating costs and expenses	567.2	665.9	98.7	17.4%
Operating income	$ 82.1	$ 523.8	$ 441.7	538.0%

Net sales from our Mexican open-pit operations in 2004 were U.S.$1,189.7 million, compared with U.S.$649.3 million in 2003, an increase of U.S.$540.4 million. The increase in net sales was principally a result of significant increases in the price of copper and molybdenum and increased sales volume. Copper sales volume increased by 30.6 million pounds in 2004 compared with 2003 as production at both open-pit mines increased. The Cananea mine recorded the most significant increase, 20.7%, equivalent to 29,003 additional tons of copper, primarily due to a 29.3% increase in mill throughput. The La Caridad mine increased production of copper in 2004 by 3,454 tons, primarily because of higher mill recoveries.

Operating costs and expenses at our Mexican open-pit operations in 2004 were U.S.$665.9 million, compared with U.S.$649.3 million in 2003, an increase of U.S.$98.7 million. The increase was principally the result of higher sales volumes, increased fuel and power costs, and increased cost and consumption of other production inputs and increased maintenance activity. In 2004, sales of copper produced by our open-pit mines increased and sales of copper processed from third party material increased. Costs of copper purchased from third parties increased to U.S.$21.5 million in 2004 from U.S.$17.0 million in 2003. U.S.$14.0 million of the copper purchased in 2004 was purchased from IMMSA. In addition, a devaluation of the Mexican Peso caused a decrease in exchange gain of U.S.$12.2 million in 2004. Our Mexican open-pit operation paid management fees of U.S.$4.5 million to Grupo México in 2004.

IMMSA unit

The following table sets forth net sales, operating costs and expenses and operating income for our IMMSA unit segment, for each of the years ended December 31, 2003 and 2004:

	Year Ended December 31,			
	2003	**2004**	**Change**	**% Change**
	(dollars in millions)			
Net sales	$ 230.9	$ 317.1	$ 86.2	37.3%
Operating costs and expenses	217.0	272.9	55.9	25.8%
Operating income	$ 13.9	$ 44.2	$ 30.3	218.0%

Net sales at our IMMSA unit in 2004 were U.S.$317.1 million, compared with U.S.$230.9 million in 2003, an increase of U.S.$86.2 million. This increase was due to higher sales prices in 2004 for copper, zinc and silver, its principal products. In addition, an increase in sales volume of copper and silver added to the 2004 sales increase.

Operating costs and expenses at our IMMSA unit were U.S.$272.9 million in 2004, compared with U.S.$217.0 million in 2003, an increase of U.S.$55.9 million. This increase was the result of increased sales volume of copper and silver and increases in power and fuel and other operating costs, and contractor services. Cost of copper purchased from third parties increased to U.S.$89.6 million in 2004 from U.S.$22.8 million in 2003. U.S.$70.0 million of the amount of copper purchased in 2004 was purchased from the Mexican open-pit operations. In addition, a devaluation of the Mexican Peso caused an increase in exchange loss of U.S.$2.1 million in 2004. Our IMMSA unit paid management fees of U.S.$2.3 million to Grupo México in 2004.

Results of Operations for the Year Ended December 31, 2003 Compared with Year Ended December 31, 2002

Net sales

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Net sales	$ 1,388,421	$ 1,576,641	$ 188,220	13.6%

Our net sales in 2003 were U.S.$1,576.6 million compared with U.S.$1,388.4 million in 2003, an increase of U.S.$188.2 million. Our net sales benefited principally from increases in metals prices, particularly those of copper, for which our average sales prices rose 9.5%, and molybdenum, for which our sales price rose 55.6%.

In addition to increased metals prices, increased mine production was also a factor in increasing our net sales in 2003. Copper production for 2003 increased 8.5% to 665,916 tons, compared with 614,018 tons in 2002. The table below presents information regarding the volume of our copper sales for each of the years ended December 31, 2002 and 2003:

	Year Ended December 31,	
Copper Sales	**2002**	**2003**
	(thousands of tons)	
Refined	390.3	383.8
Blister	29.2	40.9
Concentrates	(0.5)	37.2
SX/EW	119.9	127.2
Rod	106.2	71.4
Total	645.1	660.5

The table below presents information regarding the volume of our sales of byproducts for each of the years ended December 31, 2002 and 2003:

	Year Ended December 31,	
Byproduct sales	**2002**	**2003**
Molybdenum concentrate (tons)	11,695	12,498
Zinc refined and concentrate (tons)	126,499	122,217
Silver ingots ('000 ounces)	20,371	19,498
Gold ingots ('000 ounces)	43	42

Two of our four open-pit copper mines recorded increased output in 2003 compared with 2002. The Toquepala mine recorded the most significant increase of 6.7%, equivalent to 11,851 additional tons of copper, due to an expansion Toquepala's milling capacity from 45,000 tons per day to 60,000 tons per day. The Cananea mine registered the second highest production increase of 5.1%, contributing an additional 6,939 tons of copper, primarily due to a 6.7% increase in mill throughput. Copper made up 74.7% of our net sales in 2003, compared with 75.2% in 2002.

Our sales of byproducts in 2003 totaled U.S.$399.6 million compared with U.S.$343.9 million in 2002, an increase of 16.2%. The increase was principally attributable to significantly increased sales of molybdenum resulting from the 55.6% increase in our average sales price for molybdenum in 2003 compared with 2002. The table below provides the sales of our byproducts as a percentage of our total net sales.

	Year Ended December 31,	
Byproduct Sales as a Percentage of Total Net Sales	**2002**	**2003**
Molybdenum	6.1%	9.1%
Zinc	6.7	6.4
Silver	6.6	6.0
Gold and other metals	5.4	3.8
Total	24.8%	25.3%

Cost of sales (exclusive of depreciation, amortization and depletion)

	Year Ended December 31,			
	2002	**2003**	**Change**	**% Change**
	(dollars in thousands)			
Cost of sales (exclusive of depreciation, amortization and depletion)	$ 961,201	$ 992,383	$ 31,182	3.2%

Our cost of sales in 2003 was U.S.$992.4 million, compared with U.S.$961.2 million in 2002, an increase of U.S.$31.1 million. Our higher cost of sales was principally as a result of higher fuel and power costs. Our increased fuel and power costs in 2003 were significantly offset by a decrease in costs relating to a decrease in the copper we purchased from third parties from U.S.$59.6 million in 2002 to U.S.$20.0 million in 2003.

Selling, general and administrative

	Year Ended December 31,			
	2002	**2003**	**Change**	**% Change**
	(dollars in thousands)			
Selling, general and administrative	$ 69,351	$ 63,597	$ (5,754)	(8.3)%

Our selling, general and administrative expense in 2003 was U.S.$63.6 million, compared with U.S.$69.4 million in 2002, a decrease of U.S.$5.8 million. Our lower selling, general and administrative expense was primarily as a result of the positive impact of the devaluation of the Mexican peso on salaries and certain expenses paid in Mexican pesos and expressed in U.S. dollars at our Minera México subsidiary.

Depreciation, amortization and depletion

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Depreciation, amortization and depletion	$ 157,608	$ 177,058	$ 19,450	12.3%

Our depreciation, amortization and depletion expense in 2003 was U.S.$177.1 million, compared with U.S.$157.6 million in 2002, an increase of U.S.$19.5 million. Our depreciation, amortization and depletion expense increased principally as a result of the increase in amortization of capitalized mine stripping costs and leachable materials of approximately U.S.$13.5 million. In addition, an increase in depreciation of approximately U.S.$4.0 million resulted from capitalized projects. Lastly, depreciation expense also increased U.S.$1.0 million as a result of amortization of mine and development studies conducted in prior years.

Exploration

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Exploration	$ 13,345	$ 17,869	$ 4,524	33.9%

Our exploration expense in 2003 was U.S.$17.9 million, compared with U.S.$13.3 million in 2002, an increase of U.S.$4.6 million. Higher exploration expense was principally as a result of our purchase of exploration properties in Chile for U.S.$3.7 million and U.S.$0.8 million for other mining projects. Exploration expense relating to our exploration properties in Peru and Mexico was mostly unchanged.

Interest expense

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Interest expense	$ 128,747	$ 117,009	$ (11,738)	(9.1)%

Our interest expenses in 2003 was U.S.$117.0 million, compared with U.S.$128.7 million in 2002, a decrease of U.S.$11.7 million. Our lower interest expense was primarily as a result of lower U.S. market interest rates and a decrease in average outstanding indebtedness.

Interest capitalized

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Interest capitalized	$ 8,220	$ 5,563	$ (2,657)	(32.3)%

Our interest capitalized in 2003 was U.S.$5.6 million, compared with U.S.$8.2 million in 2002, a decrease of U.S.$2.6 million. Interest capitalized decreased as a result of lower capital expenditures due to completion of the Toquepala concentrator expansion in 2002.

Interest income

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Interest income	$ 4,097	$ 5,198	$ 1,101	26.9%

Our interest income in 2003 was U.S.$5.2 million, compared with U.S.$4.1 million in 2002, an increase of U.S.$1.1 million. Our higher interest income was principally due to increased levels of cash invested, principally in short-term securities.

Loss on debt prepayments

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Loss on debt prepayments	$ 12,400	$ 5,844	$ (6,556)	(52.8)%

Our loss on debt prepayments in 2003 was U.S.$5.8 million, compared with U.S.$12.4 million in 2002, a decrease of U.S.$6.6 million. In 2002, we prepaid the remaining balance of our Secured Export Notes Financing, paying a premium of U.S.$11.4 million and expensing U.S.$1.0 million of the unamortized deferred commission. We incurred our 2003 loss on debt prepayments in connection with Minera México's debt restructuring.

Other (income) expense

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Other (income) expense	$ (7,202)	$ 4,174	$ 11,376	158%

Our other expense in 2003 was U.S.$4.2 million, compared with other income of U.S.$7.2 million in 2002, an increase of U.S.$11.4 million. Other income for 2002 principally resulted from a recovery in a legal proceeding and income related to management services provided to an affiliated company. Other expense for the year 2003 was mainly derived from the disposal of certain fixed assets.

Income taxes

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Income taxes	$ (88,496)	$ 120,129	$ 208,625	235.7%

Our income taxes in 2003 were U.S.$120.1 million, compared with a credit of U.S.$88.5 million in 2002, an increase of U.S.$208.6 million. Our income taxes increased primarily due to U.S.$144.2 million higher pre-tax income. In addition, income taxes were impacted by a significant tax benefit to our Minera México subsidiary in 2002. The increase in income taxes from 2002 to 2003 was partially offset by the effect of the change in our permanent difference from 2003 to 2002. Our effective tax rates were 57.3% in 2003, based on pre-tax income of U.S.$209.5 million and (135.3)% in 2002, based on pre-tax income of U.S.$65.2 million. The factors that most significantly impact our effective tax rates are various permanent items and the changes in our valuation allowance, as more fully described in Note 7 to our Audited Combined Financial Statements.

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Minority interest

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Minority interest	$ 8,855	$ 4,262	$ (4,593)	(51.9)%

Our minority interest in 2003 was U.S.$4.3 million, compared with U.S.$8.9 million in 2002, a decrease of U.S.$4.6 million. Minority interest decreased principally due to a decrease in net earnings before minority interest in 2003 of Minera México.

Net earnings

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in thousands)			
Net earnings	$ 144,929	$ 83,536	$ (61,393)	(42.4)%

Our net earnings in 2003 were U.S.$83.5 million, compared with U.S.$144.9 million in 2002, a decrease of U.S.$61.4 million. Net earnings decreased as a result of the factors described above.

Segment Results

Peruvian operations

The following table sets forth net sales, operating costs and expenses and operating income for our Peruvian operations segment, for each of the years ended December 31, 2002 and 2003:

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in millions)			
Net sales	$ 664.7	$ 798.4	$ 133.7	20.1%
Operating costs and expenses	545.7	581.6	35.9	6.6%
Operating income	$ 119.0	$ 216.8	$ 97.8	82.2%

Net sales at our Peruvian operations in 2003 were U.S.$798.4 million, compared with U.S.$664.7 million in 2002, an increase of U.S.$133.7 million. The increase was mainly due to higher sales prices and higher sales volume for copper and molybdenum. Copper sales volume in 2003 increased by 21.5 million pounds due to an increase in our production as result of the completion of the Toquepala mill expansion in the second half of 2002, which increased its milling capacity by 15,000 tons per day and also due to higher ore grades and recoveries at the Cuajone mine. Sales of our own mined copper increased by 62.1 million pounds and our need for third party concentrates was reduced. The average copper price increased by approximately 10 cents per pound in 2003. Molybdenum sales increased in 2003 as the price increased by 41% and sales volume increased by 1.8 million pounds.

Operating costs and expenses at out Peruvian operations in 2003 were U.S.$581.6 million, compared with U.S.$545.7 million in 2002, an increase of U.S.$35.9 million. This increase was primarily due to increases in fuel and power cost, workers' participation provision, depreciation, amortization and depletion and exploration costs and a one-time payment of U.S.$4.0 million to our energy provider. The provision for workers' participation increased by U.S.$9.5 million to U.S.$22.7 million in 2003. In addition, we made a one-time contractual payment of

U.S.$4.0 million to Enesur S.A., our power provider under terms of a new agreement in 2003. Depreciation, amortization and depletion was U.S.$5.8 million higher in 2003 as new projects were capitalized and depreciated. Exploration cost in the 2003 was U.S.$4.5 million higher then in the prior year. This increase was principally due to our purchase of exploration properties for U.S.$3.7 million from Asarco, an affiliated company.

Mexican open-pit operation

The following table sets forth net sales, operating costs and expenses and operating income for our Mexican open-pit operations segment, for each of the years ended December 31, 2002 and 2003:

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in millions)			
Net sales	$ 598.2	$ 649.3	$ 51.1	8.5%
Operating costs and expenses	525.3	567.2	41.9	8.0%
Operating income	$ 72.9	$ 82.1	$ 9.2	12.6%

Net sales from our Mexican open-pit operations in 2003 were U.S.$649.3 million, compared with U.S.$598.2 million in 2002, an increase of U.S.$51.1 million. This increase was principally due to increases in metal prices, particularly those of copper, for which the average published price rose by approximately 12.5% (COMEX) and molybdenum, for which the average published price rose by approximately 41.1%, and also due to an increase in copper sales volume.

Operating costs and expenses at our Mexican open-pit operations in 2003 were U.S.$567.2 million, compared with U.S.$525.3 million in 2002, an increase of U.S.$41.9 million. This increase was primarily due to higher fuel and power costs in 2003 then in the prior year. This increase was partially offset by a devaluation of the Mexican peso which had the effect of reducing salary and certain other costs in 2003.

IMMSA unit

The following table sets forth net sales, operating costs and expenses and operating income for our Mexican open-pit operations segment, for each of the years ended December 31, 2002 and 2003:

	Year Ended December 31,			
	2002	2003	Change	% Change
	(dollars in millions)			
Net sales	$ 241.4	$ 230.9	$ (10.5)	(4.4)%
Operating costs and expenses	232.4	217.0	(15.4)	(6.6)%
Operating income	$ 9.0	$ 13.9	$ 4.9	54.4%

Net sales at our IMMSA unit in 2003 were U.S.$230.9 million, compared with U.S.$241.4 million in 2002, a decrease of U.S.$10.5 million. This decrease was caused by a decrease of 3.4 million pounds of copper sales volume and a decrease in silver sales volume of 1.9 million ounces, offset in part by higher metal prices.

Operating costs and expenses at our IMMSA unit in 2003 were U.S.$217.0 million, compared with U.S.$232.4 million in 2002, a decrease of U.S.$15.4 million. The decrease was principally attributable to lower sales volume. In addition, a devaluation of the Mexican peso caused a decrease of U.S.$19.5 million in 2003 as compared to 2002.

Results of Operations for the Six Months ended June 30, 2005 and 2004

For a discussion of our results of operations for the three and six months ended June 30, 2005 and 2004, see, "Management's Discussion and Analysis of Financial Condition and Results of Operations"

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in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 incorporated by reference herein.

Liquidity and Capital Resources

The following discussion relates to our liquidity and capital resources for each of the years in the three year period ended December 31, 2004. For a discussion of our liquidity and capital resources for the three and six months ended June 30, 2005 and 2004, see, "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 incorporated by reference herein.

Liquidity

	Year Ended December 31,		
	2002	2003	2004
	(dollars in thousands)		
Net cash provided from operating activities	$ 181,900	$ 61,302	$ 1,113,232
Net cash used for investing activities	(85,182)	(59,652)	(219,462)
Net cash (used for) provided from financing activities	(145,901)	185,570	(540,609)
Increase (decrease) in cash and cash equivalents	$ (44,135)	$ 176,539	$ 359,097

Cash Flows from Operating Activities

We generated significantly increased positive cash flows from operating activities in the year ended December 31, 2004. Net cash provided from operating activities in 2004 was U.S.$1,113.2 million for 2004 compared with U.S.$61.3 million for 2003, an increase of U.S.$1,051.9 million. This increase was principally attributable to:

- our operations becoming more profitable as metal prices increased;
- changes in non-cash operating items as detailed in the table below; and
- changes in both operating assets and liabilities, as a result of increases in accounts payable and accrued liabilities consisting mostly of increases in income tax payable of U.S.$234.6 million, accrued workers' participation of U.S.$67.1 million and trade accounts payable of U.S.$42.7 million, partially offset by increases in accounts receivable due to increases in the metal prices, and an increase in inventories.

We generated positive cash flows from operating activities in the years ended December 31, 2003 and 2002. Net cash provided from operating activities in 2003 was U.S.$61.3 million, compared with U.S.$181.9 million for 2002, a decrease of U.S.$120.6 million. The decrease in 2003 resulted mainly from:

- changes in non-cash operating items as detailed in the table below; and
- changes in both operating assets and liabilities as a result of a decrease in accounts payable and accrued liabilities consisting mostly of a decrease in trade accounts payable, increases in accounts receivable due to increases in the metal prices, and an increase in inventories.

The following tables summarize cash flows from operating activities for the periods indicated.

	Year Ended December 31,		
	2002	2003	2004
	(in thousands)		
Net earnings	$ 144,929	$ 83,536	$ 982,386
Cumulative effect of change in accounting principle, net of income tax		1,541	
Depreciation, amortization and depletion	157,608	177,058	192,586
Remeasurement loss (gain)	(54,431)	(21,982)	14,379
Loss on derivative instruments			
Capitalized mine stripping and leachable material	(91,954)	(79,704)	(92,797)
Provision for deferred income taxes	(142,839)	31,526	54,385
Minority interest	8,855	4,262	4,727
Write-off debt issuance cost			
Gain on disposal of properties			(53,542)
Other	21,541	12,388	19,905
Accounts receivable	14,264	(38,734)	(260,701)
Inventories	31,026	14,806	(54,330)
Accounts payable and accrued liabilities	70,161	(121,204)	310,343
Other operating assets and liabilities	4,504	828	551
Prepaid taxes	18,236	(3,019)	(4,660)
Net cash provided from operating activities	$ 181,900	$ 61,302	$ 1,113,232

Cash Flows from Investing Activities

Net cash used for investing activities was U.S.$219.5 million in 2004 compared to U.S.$59.7 million in 2003. We made capital expenditures in an aggregate amount of U.S.$228.3 million in 2004, including U.S.$65.6 million for the Ilo, Peru smelter modernization project, U.S.$40.5 million for the leach dump project in Peru and U.S.$122.2 million for equipment replacements and upgrades. In 2003, our capital expenditures were at an unusually low level, primarily in respect of our Mexican operations, as a result of Minera México's liquidity constraints. See "Business Capital Expenditures." During 2004, we purchased marketable securities for approximately U.S.$69.4 million. Cash flow provided by investing activities in 2004 was primarily due to the sales of marketable securities for U.S.$24.1 million, and proceeds from the sale of properties for approximately U.S.$60 million.

Net cash used for investing activities decreased U.S.$25.5 million in 2003 compared with 2002, principally as a result of a decrease in our capital expenditures from U.S.$85.4 million in 2002 to U.S.$64.9 million in 2003, reflecting a decrease in capital expenditures due to Minera México's liquidity constraints.

Cash Flows from Financing Activities

For the year ended December 31, 2004, cash used for financing activities amounted to U.S.$540.6 million mainly as a result of the repayment of part of our indebtedness totaling U.S.$940.9 million and dividends paid of U.S.$191.4 million, partially offset by the net proceeds received from the new U.S.$600 million credit facility.

For the year ended December 31, 2003, cash provided from financing activities amounted to U.S.$185.6 million mainly as a result of a net capital stock increase of U.S.$93.7 million related to Minera México, cash previously restricted as collateral of U.S.$88 million and received back as part of the repayment of debt, dividends paid to SCC common stockholders of U.S.$45.4 million, and net proceeds received from the issuance of our corporate notes due of U.S.$50 million.

For the year ended December 31, 2002, cash used for financing activities amounted to U.S.$145.9 million mainly as a result of the repayment of debt for U.S.$122.9 million, cash used and restricted as collateral of U.S.$46.8 million as part of the debt incurred, and dividends paid of U.S.$21.5 million. All these expenditures were partially offset by debt incurred of U.S.$30.3 million and a net capital stock increase of U.S.$16.8 million related to Minera México.

Other Liquidity Considerations

In June 2004, the Peruvian Congress enacted legislation imposing a royalty tax to be paid by mining companies in favor of the regional governments and communities where mining resources are located. See "Business Mining Rights and Concessions Peru" and "Business Legal Proceedings Peruvian Mining Royalty." Under the new law, we are subject to a 1% to 3% tax, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. We made a provision of U.S.$17.6 million in 2004 and U.S.$15.6 million in the first six months of 2005 for this new tax, which went into effect as of June 25, 2004. In addition, the Peruvian government is claiming that this royalty tax applies to our SX/EW operations. We are contesting this application of the royalty tax, which could result in approximately U.S.$3.8 million of additional liability as of June 30, 2005. In addition, the Constitutional Tribunal stated that this charge applied to all concessions held in the mining industry. We believe that this interpretation is incorrect and intend to protest an imposition of the royalty charge on our SX/EW production, which is operating under a tax stability agreement ("Guaranty and Promotional Measures for Investment Contract"). Provisions made by the Company for the royalty charge do not include approximately U.S.$2.0 million of additional potential liability relating to its SX/EW production from June 30, 2004 through December 31, 2004. It is anticipated that the royalty tax will have an adverse effect on our operating income and cash flow.

On July 15, 2005, we declared a dividend of U.S.$1.043 per share, totaling U.S.$153.6 million. This dividend was paid on August 19, 2005.

While our combined financial results show a positive cash position over the past three years, our Minera México subsidiary, which we acquired on April 1, 2005, has faced challenges to its liquidity as a result of low metals prices in previous years. These challenges resulted in its noncompliance with certain debt covenants in 2001 and 2002. In April 2003 Minera México restructured certain of its indebtedness, entering into a common agreement among Minera México, Minera México's principal subsidiaries (as guarantors) and the holders of such indebtedness. Minera México paid amounts owing under this agreement with proceeds from a new credit facility established in October 2004. See " Financing" below.

In May 2005, the Mexican Supreme Court rendered a decision that changed the method of computing the amount of statutory workers' profit sharing required to be paid by some Mexican companies, including our Minera México subsidiary. The Supreme Court's ruling in effect prohibited the application of net operating loss carryforwards in computing the income used as the base for determining the workers' profit sharing amounts. We are currently evaluating the possibility of a judicial challenge to this ruling. Nevertheless, we recognize in our results of operations for the first six months of 2005 a charge to earnings reflecting both our preliminary estimates of U.S.$28.2 million for workers' profit sharing related to 2004 and our current estimate of our potential 2005 liability. The 2004 workers' profit sharing liability estimate may vary in subsequent interim periods as we continue to evaluate the basis of this calculation. In addition, the ruling may affect our future results of operations and liquidity to the extent we pay higher workers' profit sharing amounts.

Financing

We expect to repay certain of the indebtedness described below, as described in "Use of Proceeds."

At December 31, 2004, we had outstanding borrowings of U.S.$1,330.3 million, compared with U.S.$1,671.2 million at December 31, 2003. At December 31, 2004, our outstanding debt as a percentage of total capitalization (the total of debt, minority interest and stockholders' equity) was 32.0%, compared with 44.3% at December 31, 2003. At December 31, 2004, our cash and marketable securities amounted to U.S.$756.0 million, compared with U.S.$351.6 million at December 31, 2003.

Below we describe our outstanding long-term indebtedness, as well as certain financial covenants that affect us. See Note 9 of our Audited Combined Financial Statements for a further description of our long-term indebtedness.

In 1998, Minera México issued U.S.$500 million of unsecured debt, which we refer to as its Yankee bonds. The Yankee bonds were offered in two series: Series A for U.S.$375 million, with an interest rate of 8.25% and a 2008 maturity, and Series B for U.S.$125 million, with an interest rate of 9.25% and a 2028 maturity date. The bonds contain a covenant regarding a ratio of EBITDA to interest expense of not less than 2.50 to 1.0, as such terms are defined by the bonds. In May 2005 we repurchased and canceled U.S.$94.56 million principal amount of the Yankee bonds.

In 1999, we established a U.S.$100 million credit facility with Mitsui & Co. The facility has a 15-year term with an interest rate of Japanese LIBO plus 1.25%. The facility is collateralized by the assignment of copper sales receivables of 31,000 tons of copper per year and by certain escrow accounts administered by Union Bank of California, N.A., as collateral agent. The facility requires that we maintain a minimum stockholders' equity of U.S.$750 million and a ratio of debt to equity no greater than 0.5 to 1.0, all as such terms are defined by the facility. Reduction of Grupo México's direct or indirect voting interest in our Company to less than a majority would constitute an event of default under the facility.

In October 2004, Minera México and its operating subsidiaries established a U.S.$600 million credit facility with Citibank, N.A. and other lenders. Minera México has drawn down the total amount of this facility, proceeds of which were used to repay in full the amounts outstanding under Minera México's common agreement with holders of its secured export notes and other financial institutions. Minera México made a prepayment of U.S.$120 million on March 30, 2005. In May 2005, we guaranteed this debt of Minera México. At such time, many of the covenants were amended and made more favorable from the point of view of Minera México and the security previously pledged was released. The covenants described below reflect these improved terms. The facility has a five-year term with an interest rate of LIBOR plus 1.125% for the first six months and LIBOR plus 0.875% to 2.0% based on our consolidated leverage ratio thereafter. Under the facility we and Minera México are required to maintain a total net worth at least equal to 80% of our and our subsidiaries net worth as of December 31, 2004, a ratio of EBITDA to gross interest of at least 2.5 to 1.0 and a leverage ratio of no greater than 3.0 to 1.0, all as such terms are defined by the facility.

In January 2005, SCC obtained a U.S.$150 million credit facility provided by a group of lenders, with Citibank, N.A. acting as administrative agent. In March 2005 this facility was amended to increase the amount of the facility to U.S.$200 million. The proceeds of this facility have been used to prepay all amounts outstanding under our Peruvian bond program. This credit facility has a five-year term with an interest rate of LIBOR plus 1.25% for the first year, increasing annually by 0.125% thereafter. The covenants in respect of total net worth, the EBITDA to gross interest ratio and the leverage ratio are the same as those contained in the Minera México facility described above. Amortization of the loan principal begins in April 2007.

While we recently prepaid all amounts outstanding under our Peruvian bond program, we are authorized by Peru's *Comisión Nacional Supervisora de Empresas y Valores* (CONASEV) to issue additional bonds.

Capital Expenditure Programs

A discussion of our capital programs is an important part of understanding our liquidity and capital resources. For information regarding our capital expenditure programs, see "Business Capital Expenditures."

Contractual Obligations

The following table summarizes our significant contractual obligations as of June 30, 2005:

	Payments due by Period				
	June 30, 2005	**2005**	**2006 to 2007**	**2008 to 2009**	**2010 and Thereafter**
	(dollars in millions)				
Long-term debt(1)	$ 1,560.5	$ 37.7	$ 427.8	$ 661.7	$ 433.3
Purchase obligations:					
Commitment to purchase energy	1,449.0	72.3	258.1	223.7	894.9
Capital purchase obligations	280.7	105.4	175.3		
Total	$ 2,841.4	$ 215.4	$ 861.2	$ 885.4	$ 1,328.2

(1) Includes long term debt as of June 30, 2005, ($1,111.7) plus interest thereafter.

For a description of our long-term debt arrangements and credit facilities, please refer to Note 9 of our Audited Combined Financial Statements included herein and Note G to our condensed consolidated combined interim financial statements incorporated by reference from our 10-Q for the quarter ended June 30, 2005.

We have a commitment to purchase power for our Peruvian operations from Energía del Sur, S.A. until 2017. Amounts indicated on the above table are based on power costs in 2004, which are subject to change as energy generation costs change and our forecasted power requirements through the life of the agreements change.

Pursuant to our *Programa de Adecuación y Manejo Ambiental* (Environmental Compliance and Management Program, known by its Spanish acronym, PAMA) we have committed to bring our operations into compliance with environmental standards established by the government of Peru. The capital purchase obligation in the above