

SOUTHERN COPPER CORP/  
Form 10-Q  
April 30, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended: March 31, 2013**

**or**

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

**For the transition period from                      to**

**Commission File Number: 1-14066**

**SOUTHERN COPPER CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**13-3849074**

(I.R.S. Employer Identification No.)

**1440 East Missouri Avenue Suite 160 Phoenix, AZ**

(Address of principal executive offices)

**85014**

(Zip Code)

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of April 30, 2013 there were outstanding 845,550,550 shares of Southern Copper Corporation common stock, par value \$0.01 per share.

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Southern Copper Corporation ( SCC )

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Exhibit 32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	1
Exhibit 32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	1
Exhibit 101	Financial statements for the quarter ended March 31, 2013 Formatted in XBRL: (i) the Condensed Consolidated Statement of Earnings, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheet, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements, tagged in detail.	Submitted electronically with this report

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## PART I FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended March 31,	
	2013	2012
	(in thousands, except per share amounts)	
Net sales (including sales to related parties 2013 - \$36,608 and 2012 - \$10,972)	\$ 1,623,002	\$ 1,805,936
Operating costs and expenses:		
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	726,682	721,927
Selling, general and administrative	25,374	25,431
Depreciation, amortization and depletion	90,572	76,944
Exploration	10,324	8,725
Total operating costs and expenses	852,952	833,027
Operating income	770,050	972,909
Interest expense	(65,290)	(47,175)
Capitalized interest	12,239	2,861
Other income (expense)	848	7,235
Interest income	5,969	3,847
Income before income taxes	723,816	939,677
Income taxes	234,946	318,769
Net income before equity earnings of affiliate	488,870	620,908
Equity earnings of affiliate, net of income tax	8,163	2,654
Net income	497,033	623,562
Less: Net income attributable to the non-controlling interest	1,641	2,132
Net income attributable to SCC	\$ 495,392	\$ 621,430
Per common share amounts attributable to SCC:		
Net earnings - basic and diluted	\$ 0.59	\$ 0.73
Dividends paid	\$ 0.24	\$ 0.54
Weighted average shares outstanding - basic and diluted	845,551	849,978

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

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## Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	3 Months Ended March 31,		
	2013	(in thousands)	2012
Net income	\$	497,033	\$ 623,562
Other comprehensive income (loss) net of tax:			
Derivative instruments classified as cash flow hedge:			
Unrealized net loss on derivative instruments classified as cash flow hedges (net of income taxes of \$3,459)			(5,447)
Total comprehensive income	\$	497,033	\$ 618,115
Comprehensive income attributable to the non-controlling interest	\$	1,641	\$ 2,154
Comprehensive income attributable to SCC	\$	495,392	\$ 615,961

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

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## Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

	March 31, 2013	December 31, 2012
	(in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,462,350	\$ 2,459,488
Short-term investments	204,488	134,298
Accounts receivable trade	566,756	669,333
Accounts receivable other (including related parties 2013 - \$ 34,165 and 2012 - \$ 25,740)	105,549	82,636
Inventories	692,369	682,749
Deferred income tax	148,505	103,193
Other current assets	180,217	156,262
Total current assets	4,360,234	4,287,959
Property, net	5,349,196	5,156,731
Leachable material, net	284,290	262,795
Intangible assets, net	108,806	109,300
Related parties receivable	173,377	183,950
Deferred income tax	222,553	205,939
Other assets	278,413	177,075
Total assets	\$ 10,776,869	\$ 10,383,749
<b>LIABILITIES</b>		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Accounts payable (including related parties 2013 -\$4,113 and 2012 - \$20,310)	518,543	475,566
Accrued income taxes	35,851	12,198
Accrued workers participation	232,176	266,571
Accrued interest	91,177	70,582
Other accrued liabilities	33,898	22,218
Total current liabilities	921,645	857,135
Long-term debt	4,204,121	4,203,863
Deferred income taxes	167,382	141,426
Non-current taxes payable	214,934	214,934
Other liabilities and reserves	65,459	59,065
Asset retirement obligation	120,005	118,226
Total non-current liabilities	4,771,901	4,737,514
Commitments and contingencies (Note 10)		
<b>STOCKHOLDERS EQUITY</b>		
Common stock	8,846	8,846
Additional paid-in capital	3,334,024	3,320,927
Retained earnings	2,642,584	2,350,126



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Accumulated other comprehensive income	4,032	4,032
Treasury stock, at cost, common shares	(931,224)	(918,791)
Total Southern Copper Corporation stockholders' equity	5,058,262	4,765,140
Non-controlling interest	25,061	23,960
Total equity	5,083,323	4,789,100
Total liabilities and equity	\$ 10,776,869	\$ 10,383,749

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

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## Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	2013	3 Months Ended March 31, (in thousands)	2012
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 497,033		\$ 623,562
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Depreciation, amortization and depletion	90,572		76,944
Equity earnings of affiliate	(8,163)		(2,654)
Loss on currency translation effect	13,894		7,531
Deferred income taxes benefit	(5,745)		(12,509)
Loss (gain) on short-term investments	(1,438)		(5,835)
Cash provided from (used for) operating assets and liabilities:			
Accounts receivable	79,664		59,047
Inventories	(31,115)		11,812
Accounts payable and accrued liabilities	64,510		(34,855)
Other operating assets and liabilities	(104,740)		(2,636)
Net cash provided from operating activities	594,472		720,407
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(316,798)		(177,417)
(Purchase of) proceeds on sale of short-term investments, net	(70,190)		294,694
Repayment of loan from related parties, net	10,573		
Sales of property	224		98
Net cash (used for) provided from investing activities	(376,191)		117,375
<b>FINANCING ACTIVITIES</b>			
Cash dividends paid to common stockholders	(202,932)		(159,811)
Distributions to non-controlling interest	(472)		(472)
Other	258		153
Net cash used for financing activities	(203,146)		(160,130)
Effect of exchange rate changes on cash and cash equivalents	(12,273)		(7,589)
Increase in cash and cash equivalents	2,862		670,063
Cash and cash equivalents, at beginning of period	2,459,488		848,118
Cash and cash equivalents, at end of period	\$ 2,462,350		\$ 1,518,181
<b>Non-cash transactions</b>			
Effect of common stock dividend:			
Retained earnings		\$	296,590

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Treasury stock	(151,458)
Additional paid-in capital	(145,132)

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

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## Southern Copper Corporation

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**NOTE 1 DESCRIPTION OF THE BUSINESS:**

In the opinion of Southern Copper Corporation, (the Company or SCC), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to state fairly the Company's financial position as of March 31, 2013 and the results of operations, comprehensive income and cash flows for the three months ended March 31, 2013 and 2012. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year. The December 31, 2012 balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (GAAP). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2012 and notes included in the Company's 2012 annual report on Form 10-K.

**NOTE 2 SHORT-TERM INVESTMENTS:**

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

	March 31, 2013	December 31, 2012
Trading securities	\$ 198.0	\$ 127.8
Weighted average interest rate	1.43%	1.87%
Available for sale	\$ 6.5	\$ 6.5
Weighted average interest rate	0.44%	0.43%
Total	\$ 204.5	\$ 134.3

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

Available for sale investments consist of securities issued by public companies. Each security is independent of the others and, as of March 31, 2013, included corporate bonds and asset and mortgage backed obligations. As of March 31, 2013 and December 31, 2012, gross unrealized gains and losses on available for sale securities were not material.

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

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

	Three months ended	
	March 31,	
	2013	2012
<b>Trading:</b>		
Interest earned	\$ 0.6	\$ 0.8
Unrealized gain (loss)	\$ 1.1	\$ 5.0
<b>Available for sale:</b>		
Interest earned	(*)	(*)
Investment redeemed	\$	\$ 0.3

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(\*) Less than \$0.1 million.

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Inventories were as follows:

(in millions)	March 31, 2013	December 31, 2012
Inventory, current:		
Metals at lower of average cost or market:		
Finished goods	\$ 93.5	\$ 101.1
Work-in-process	303.6	297.4
Supplies at average cost	295.3	284.2
Total current inventory	\$ 692.4	\$ 682.7
Inventory, long-term:		
Leach stockpiles	\$ 284.3	\$ 262.8

In the first quarter 2013 and 2012 total leaching costs capitalized as long-term inventory of leachable material amounted to \$68.2 million and \$52.7 million, respectively. Leachable material inventories recognized as cost of sales amounted to \$26.7 million and \$18.4 million for the first quarter 2013 and 2012, respectively.

**NOTE 4 INCOME TAXES:**

The income tax provision and the effective income tax rate for the first quarter 2013 and 2012 were as follows (\$ in millions):

	2013	2012
Income tax provision	\$ 234.9	\$ 318.8
Effective income tax rate	32.5%	33.9%

These provisions include income taxes for Peru, Mexico and the United States. The decrease in the effective tax rate for the first quarter of 2013 from the same period in the prior year is primarily due to a reduction in taxes allocated to the current quarter caused by a one-time net tax benefit discrete to this quarter.

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

Special Mining tax

In September 2011, the Peruvian government enacted a tax for the mining industry. This tax is based on operating income and its rate ranges from 2% to 8.4%. It begins at 2% for operating income margin up to 10% and increases by 0.4% of operating income for each additional 5% of operating income until 85% of operating income is reached. The Company has accrued \$15.5 million and \$11.9 million of special mining tax as part of the income tax provision for the first quarter 2013 and 2012, respectively.

**NOTE 5 PROVISIONALLY PRICED SALES:**

At March 31, 2013, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the March 31, 2013 market price per pound. These sales are subject to final pricing based on the average monthly London Metal Exchange ( LME ), or New York Commodities Exchange ( COMEX ), copper prices and Dealer Oxide molybdenum prices in the future month of settlement.

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Following are the provisionally priced copper and molybdenum sales outstanding at March 31, 2013:

<b>Copper</b> <b>(million lbs.)</b>		<b>Priced at</b>	<b>Month of Settlement</b>
8.8	\$	3.41	April 2013

<b>Molybdenum</b> <b>(million lbs.)</b>		<b>Priced at</b>	<b>Month of Settlement</b>
9.3	\$	10.85	April through June 2013

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

**NOTE 6 DERIVATIVE INSTRUMENTS:**

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

Copper hedges:

In 2011, the Company entered into copper zero cost collar derivative contracts to reduce price volatility and to protect a portion of its sales value for the first quarter of 2012. Under these contracts the Company protected 46.3 million pounds at an average cap price of \$5.18 and a floor price of \$3.50. These transactions meet the requirements of hedge accounting. There were no realized gains and losses from these transactions.

As of March 31, 2013, the Company does not hold copper derivative contracts.

**NOTE 7 - ASSET RETIREMENT OBLIGATION:**

The Company maintains an estimated asset retirement obligation for its mining properties in Peru, as required by the Peruvian Mine Closure Law. In accordance with the requirements of this law the Company's closure plans were approved by the Peruvian Ministry of Energy and Mines ( MINEM ). As part of the closure plans, commencing in January 2010 and, as amended in 2012, the Company is required to provide annual



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guarantees over the estimated life of the mines, based on a present value approach, and to furnish the funds for the asset retirement obligation. This law requires a first review after three years and then successive reviews every five years. Currently and for the near-term future, the Company has pledged the value of its Lima office complex as support for this obligation. The accepted value of the Lima office building, for this purpose, is \$17 million. Through March 2013, the Company has provided guarantees of \$10.5 million. The closure cost recognized for this liability includes the cost, as outlined in its closure plans, of dismantling the Toquepala and Cuajone concentrators, the smelter and refinery in Ilo, and the shops and auxiliary facilities at the three units, including the Ilo marine trestle. In the last quarter of 2012, the Company submitted updates to the closure plans for Toquepala, Cuajone and Ilo in accordance with the requirement of the Mine Closure Law. As a result of these revised plans, the Company adjusted its asset retirement obligation.

In 2012, the Company decided to recognize an estimated asset retirement obligation for its mining properties in Mexico as part of its environmental commitment. Even though, there is currently no enacted law, statute, ordinance, or written or oral contract requiring the Company to carry out mine closure and environmental remediation activities, the Company considered that a constructive obligation presently exists based on, among other things, the remediation caused by the closure of the San Luis Potosi smelter in 2010. The overall cost recognized for mining closure includes the estimated costs of dismantling concentrators, smelter and refinery plants, shops and other facilities.

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The following table summarizes the asset retirement obligation activity for the three months ended March 31, 2013 and 2012 (in millions):

	2013		2012
Balance as of January 1	\$ 118.2	\$	62.0
Changes in estimates			
Additions			
Accretion expense	1.8		0.8
Balance as of March 31,	\$ 120.0	\$	62.8

**NOTE 8 RELATED PARTY TRANSACTIONS:**

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

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

	March 31, 2013	As of	December 31, 2012
Related parties receivable current:			
Grupo Mexico S.A.B de C.V. and affiliates	\$ 0.8	\$	1.8
Asarco LLC.	9.2		
Compania Perforadora Mexico S.A.P.I. de C.V.	0.6		0.5
Compania Minera Coimolache S.A.	23.4		23.4
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	0.2		
	\$ 34.2	\$	25.7
Related parties receivable non-current:			
Mexico Generadora de Energia S.de R.L. ( MGE )	\$ 173.4	\$	184.0
Related parties payable:			
Grupo Mexico S.A.B. de C.V. and affiliates	\$ 0.7	\$	
Asarco LLC			15.3
Higher Technology S.A.C.	0.1		0.2
Breaker, S.A. de C.V.	0.3		
Mexico Transportes Aereos S.A. de C.V. ( Mextransport )	0.4		0.1
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates			2.1
Ferrocarril Mexicano S.A. de C.V.	2.6		2.6
	\$ 4.1	\$	20.3

**Purchase Activity:**

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The following table summarizes the purchase activity with related parties in the three months ended March 31, 2013 and 2012 (in millions):

	As of March 31,	
	2013	2012
<b>Grupo Mexico and affiliates:</b>		
Grupo Mexico Servicios S.A de C.V	\$ 3.5	\$ 3.5
Asarco LLC.	32.9	5.6
Ferrocarril Mexicano S.A de C.V.	5.8	4.1
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	9.3	11.2
Cia Perforadora Mexico S.A.P.I. de C.V and affiliates	0.6	0.1
<b>Other Larrea family companies:</b>		
Mextranport	0.6	0.7
<b>Companies with relationships to SCC executive officers families:</b>		
Higher Technology S.A.C.	0.3	0.3
Servicios y Fabricaciones Mecanicas S.A.C.	0.1	
Sempertrans France Belting Technology	0.1	
Breaker S.A. de C.V.	0.8	0.5
Total purchases	\$ 54.0	\$ 26.0

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

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

In the first quarter of 2013 and 2012, the Company's Peruvian operations paid fees for engineering and construction services provided by subsidiaries of Mexico Proyectos y Desarrollos S.A. de C.V., a subsidiary of Grupo Mexico.

In 2005, the Company organized MGE, as a subsidiary of Minera Mexico, for the construction of two power plants to supply power to the Company's Mexican operations. In May 2010, the Company's Mexican operations granted a \$350 million line of credit to MGE for the construction of the power plants. That line of credit was due on December 31, 2012 and carried an interest rate of 5.75%. In the first quarter of 2012, Controladora de Infraestructura Energetica Mexico, S. A. de C. V., an indirect subsidiary of Grupo Mexico, acquired 99.999% of MGE through a capital subscription of 1,928.6 million of Mexican pesos (approximately \$150 million), reducing Minera Mexico's participation to less than 0.001%. As consequence, of this change in control MGE became an indirect subsidiary of Grupo Mexico. Additionally, at the same time, MGE paid \$150 million to the Company's Mexican operations partially reducing the total debt. At December 31, 2012, the outstanding balance of \$184.0 million was restructured as subordinated debt of MGE. The \$184.0 million includes \$37.6 million drawn on the line of credit in 2012 and \$146.4 million drawn through December 31, 2011. It is expected that MGE will complete the construction of the first power plant in 2013 and the second in 2014. MGE will repay its debt to the Company using a percentage of its profits until such time as the debt is satisfied. At March 31, 2013 the remaining balance of the debt was \$173.4 million and was recorded as non-current related party receivable on the condensed consolidated balance sheet. Related to this loan the Company received \$2.7 million of interest in the first quarter of 2013.

In December 2012, the Company signed a power purchase agreement with MGE, whereby MGE will supply certain of the Company's Mexican operations with power through 2032; see also Note 10 - Commitments and Contingencies, Other commitments.

**Other Larrea family companies:** The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including aviation, and real estate. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the Larrea family relating to the lease of office space and air transportation. In 2007, the Company's Mexican subsidiaries provided guaranties for two loans obtained by MexTransport, a company controlled by the Larrea family, from Bank of Nova Scotia in Mexico. One of these loans has been repaid and the remaining loan requires semi-annual repayments. Conditions and balance as of March 31, 2013 are as follows:

	<b>Loan</b>	
Original loan balance (in millions)	\$	8.5
Maturity		August 2013
Interest rate		Libor + 0.15%
Remaining balance at March 31, 2013 (in millions)	\$	0.6

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

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

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

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

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

The following table summarizes the sales and other revenue activity with related parties in the first quarter of 2013 and 2012 (in millions):

		As of March 31,		
	2013		2012	
Asarco	\$	36.6	\$	11.0
Mexico Proyectos y Desarrollos, S.A. de C.V.		0.2		0.1
Cia Perforadora Mexico S.A.P.I. de C.V and affiliates		0.1		
MGE		0.1		
Mextransport		0.1		0.7
Total	\$	37.1	\$	11.8

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

**Equity Investment in Affiliate:** The Company has a 44.2% participation in Coimolache S.A. ( Coimolache ), which it accounts for on the equity method. Coimolache owns Tantahuatay, a gold mine located in the northern part of Peru. To support the cost of the development of Tantahuatay, the Company loaned \$56.6 million to Coimolache. Conditions and balance of the loan as of March 31, 2013 are as follows (in millions):

	Loan	
Total loan granted	\$	56.6
Interest rate		6 months Libor + 3% (approximately 3.45)%
Remaining balance at March 31, 2013	\$	23.4
Interest earned in the first quarter 2013	\$	0.4

Interest earned in the first quarter 2012	\$	0.5
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On April 2, 2013, Coimolache repaid the Company \$16.5 million of the outstanding loan balance.

**NOTE 9 BENEFIT PLANS:**

*Post retirement defined benefit plans*

The Company has two noncontributory defined benefit pension plans covering former salaried employees in the United States and certain former employees in Peru. Effective October 31, 2000, the Board of Directors amended the qualified pension plan to suspend the accrual of benefits.

In addition, our Mexican subsidiaries have a defined contribution benefit pension plan for salaried employees and a noncontributory defined benefit pension plan for union employees.

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The components of the net periodic benefit costs for the three months ended March 31, 2013 and 2012 are as follows (in millions):

	2013		2012	
Service cost	\$	0.3	\$	0.3
Interest cost		0.3		0.3
Expected return on plan assets		(0.9)		(0.9)
Amortization of net actuarial loss		(0.2)		(0.2)
Amortization of net loss (gain)		(*)		(*)
Net periodic benefit costs	\$	(0.5)	\$	(0.5)

(\*) amount is lower than \$0.1 million

*Post-retirement health care plan*

Peru: The Company adopted a post-retirement health care plan for retired salaried employees eligible for Medicare in 1996. The plan is unfunded. The Company manages the plan and is currently providing health benefits to retirees. The plan is accounted for in accordance with ASC 715 Compensation retirement benefits.

Mexico: Through 2007, the Buenavista unit provided health care services free of charge to employees and retired unionized employees and their families through its own hospital at the Buenavista unit. In 2011, the Company signed an agreement with the Secretary of Health of the State of Sonora to provide these services to its retired workers and their families at a lower cost for the Company but still free of charge to the retired workers.

The components of the net periodic benefit cost for the three months ended March 31, 2013 and 2012 are as follows (in millions):

	2013		2012	
Interest cost	\$	0.4	\$	0.4
Amortization of net loss (gain)		(*)		(0.1)
Amortization of prior service cost (credit)		(*)		(*)
Net periodic benefit cost	\$	0.3	\$	0.3

(\*) amount is lower than \$0.1 million

**NOTE 10 COMMITMENTS AND CONTINGENCIES:**



**Environmental matters:**

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

Environmental capital expenditures in the three months ended March 31, 2013 and 2012 were as follows (in millions):

	2013		2012	
Peruvian operations	\$	0.7	\$	1.1
Mexican operations		10.5		8.3
	\$	11.2	\$	9.4

Peruvian operations

The Company's operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through the Environmental Ministry conducts annual audits of the Company's Peruvian mining and metallurgical operations.

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Through these environmental audits, matters related to environmental commitments, compliance with legal requirements, atmospheric emissions, and effluent monitoring are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

Peruvian law requires that companies in the mining industry provide for future closure and remediation. In accordance with the requirements of this law the Company's closure plans were approved by MINEM. As part of the closure plans, the Company is providing guarantees to ensure that sufficient funds will be available for the asset retirement obligation. See Note 7, Asset retirement obligation, for further discussion of this matter.

Mexican operations

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

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

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

In addition in 2011, amendments to the Civil Federal Procedures Code (CFPC) were published in the Official Gazette and are now in force. These amendments establish three categories of collective actions, by means of which 30 or more people claiming injury derived from environmental, consumer protection, financial services and economic competition issues will be considered to be sufficient in order to have a legitimate interest to seek through a civil procedure restitution or economic compensation or suspension of the activities from which the alleged injury derived. The amendments to the CFPC may result in more litigation, with plaintiffs seeking remedies, including suspension of the activities alleged to cause harm.

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

In March 2010, the Company announced to the Mexican federal environmental authorities the closure of the copper smelter plant at San Luis Potosi. The Company initiated a program for plant demolition and soil remediation with a budget of \$35.7 million, of which the Company has spent \$33.5 million through March 31, 2013. Plant demolition and construction of a confinement area at the south of the property were completed in 2012 and the Company expects to complete soil remediation and the construction of a second confinement by the end of 2013. The Company will deposit in the confinement areas metallurgical and other waste material resulting from plant demolition. The program also includes the construction of a recreational park, a plant nursery to improve the environmental culture, and a logistic center for raw material and finished goods from the San Luis Potosi zinc plant, which the Company expects will improve the flow of traffic in the west of the city. The Company expects that once the site is remediated, the Company will be able to promote an urban development to generate a net gain on the disposal of the property.

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

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

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**Litigation matters:**

Peruvian operations

*Garcia Ataucuri and Others against SCC's Peruvian Branch:*

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

The labor share litigation is based on claims of former employees for ownership of labor shares that the plaintiffs state that the Branch did not issue during the 1970s until 1979 under a former Peruvian mandated profit sharing system. In 1971, the Peruvian government enacted legislation providing that mining workers would have a 10% participation in the pre-tax profits of their employing enterprises. This participation was distributed 40% in cash and 60% in an equity interest of the enterprise. In 1978, the equity portion, which was originally delivered to a mining industry workers' organization, was set at 5.5% of pre-tax profits and was delivered, mainly in the form of labor shares to individual workers. The cash portion was set at 4.0% of pre-tax earnings and was delivered to individual employees also in proportion to their time of employment with the Branch. In 1992, the workers' participation was set at 8%, with 100% payable in cash and the equity participation was eliminated from the law.

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

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

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

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

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

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

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

2) In addition, there are filed against SCC's Branch the following lawsuits, involving approximately 800 plaintiffs, which seek the same number of labor shares as in the Garcia Ataucuri case, plus interest, labor shares resulting from capital increases and

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dividends: Armando Cornejo Flores and others v. SCC's Peruvian Branch (filed May 10, 2006); Alejandro Zapata Mamani and others v. SCC's Peruvian Branch (filed June 27, 2008); Arenas Rodríguez and others, represented by Mr. Cornejo Flores, v. SCC's Peruvian Branch (filed January 2009); Eduardo Chujutalli v. SCC's Peruvian Branch (filed May 2011); Edgardo García Ataucuri, in representation of 216 of SCC's Peruvian Branch former workers, v. SCC's Peruvian Branch (filed May 2011); Silvestre Macedo Condori v. SCC's Peruvian Branch (filed June 2011); Juan Guillermo Oporto Carpio v. SCC's Peruvian Branch (filed August 2011); Rene Mercado Caballero v. SCC's Peruvian Branch (filed November 2011); Enrique Salazar Alvarez and others v. SCC's Peruvian Branch (filed December 2011); Indalecio Carlos Perez Cano and others v. SCC Peruvian Branch (filed March 2012); Jesús Mamani Chura and others v. SCC's Peruvian Branch (filed March, 2012); Armando Cornejo Flores, in representation of 37 of SCC's Peruvian Branch former workers v. SCC's Peruvian Branch (filed March, 2012) and Porfirio Ochochoque Mamani and others v. SCC's Peruvian Branch (filed July, 2012). SCC's Peruvian Branch has answered the complaints and denied the validity of the claims.

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

*The Virgen María Mining Concessions of the Tía María Mining Project*

The Tía María project includes various mining concessions, totaling 32,989.64 hectares. One of the concessions is the Virgen María mining concession totaling 943.72 hectares or 2.9% of the total mining concessions.

Related to the Virgen María mining concessions, the Company is party to the following lawsuits:

a) Exploraciones de Concesiones Metalicas S.A.C. ( Excomet ): In August 2009, a lawsuit was filed against SCC's Branch by the former stockholders of Excomet. The plaintiffs allege that the acquisition of Excomet's shares by the Branch is null and void because the \$2 million purchase price paid by the Branch for the shares of Excomet was not fairly negotiated by the plaintiffs and the Branch. In 2005, the Branch acquired the shares of Excomet after lengthy negotiations with the plaintiffs, and after the plaintiffs, which were all the stockholders of Excomet, approved the transaction in a general stockholders' meeting. Excomet was at the time owner of the Virgen María mining concession. In October 2011, the civil court dismissed the case on the grounds that the claim had been barred by the statute of limitations. On appeal by the plaintiffs, the superior court reversed the lower court decision. As of March 31, 2013, the case is pending resolution.

b) Sociedad Minera de Responsabilidad Limitada Virgen Maria de Arequipa (SMRL Virgen Maria): In August 2010, a lawsuit was filed against SCC's Branch and others by SMRL Virgen Maria, a company which until July 2003 owned the mining concession Virgen Maria. SMRL Virgen Maria sold this mining concession in July 2003 to Excomet (see a) above). The plaintiff alleges that the sale of the mining concession Virgen Maria to Excomet is null and void because the persons who attended the shareholders' meeting of SMRL Virgen Maria, at which the purchase was agreed upon, were not the real owners of the shares. The plaintiff is also pursuing the nullity of all the subsequent acts regarding the mining property (acquisition of the shares of Excomet by SCC's Branch, noted above, and the sale of this concession to SCC's Branch by Excomet). On October, 2011, the civil court dismissed the case on the grounds that the claim had been barred by the statute of limitations. Upon appeal by the plaintiffs, the superior court remanded the proceedings to the lower court, ordering the issuance of a new decision. As of March 31, 2013, the case is pending resolution.

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c) Omar Nuñez Melgar: In May 2011, Mr. Omar Nuñez Melgar commenced a lawsuit against the Peruvian Mining and Metallurgical Institute ( INGEMMET ) and MINEM challenging the denial of his request of a new mining concession that conflicted with SCC's Branch's Virgen Maria mining concession. SCC's Branch has been made a party to the proceedings as the owner of the Virgen Maria concession. SCC's Branch has answered the complaint and denied the validity of the claim. As of March 31, 2013, this case is pending resolution.

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

Special Regional Pasto Grande Project ( Pasto Grande Project )

In the last quarter of 2012, the Pasto Grande Project, an entity of the Regional Government of Moquegua, filed a lawsuit against SCC's Peruvian Branch alleging property rights over a certain area used by the Peruvian Branch and seeking the demolition of the tailings dam where SCC's Peruvian Branch has deposited its tailings from the Toquepala and Cujone operations since 1995. The Peruvian Branch has had title to use the area in question since 1960 and has constructed and

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operated the tailing dams also with proper governmental authorization, since 1995. SCC's Peruvian Branch asserts that the lawsuit is without merit and is vigorously defending against the lawsuit. As of March 31, 2013, this case is pending resolution.

Mexican Operations

*Pasta de Conchos Accident:*

On February 19, 2010, three widows of miners, who perished in the 2006 Pasta de Conchos accident, filed a complaint for damages in the United States District Court for the District of Arizona against the defendants, Grupo Mexico, AMC and SCC. The plaintiffs allege that the defendants' purported failure to maintain a safe working environment at the mine amounted to a violation of several laws and treaties. On April 13, 2010, the Company filed a motion to dismiss the plaintiffs' complaint. On March 29, 2011, the District Court for the District of Arizona dismissed the case for lack of subject-matter jurisdiction. On April 5, 2011, the plaintiffs filed a notice of appeal in this case. On November 7, 2012, the United States Court of Appeals for the Ninth Circuit affirmed the decision of the United States District Court of the District of Arizona, which had dismissed in its entirety the case for lack of subject-matter jurisdiction. As the time for further appeals has expired on February 28, 2013, this case is now closed.

**Labor matters:**

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

Peruvian Operations

Approximately 65% of the Company's 4,574 Peruvian employees were unionized at March 31, 2013, represented by eight separate unions. Three of these unions, one at each major production area, represent 2,229 workers. Also, there are five smaller unions, representing the balance of workers. The Company conducted negotiations with the eight unions whose collective bargaining agreements expired in 2012. During the first two months of 2013, the Company has signed three-year agreements with all the unions. The agreements included, among other things, annual salary increases of 6.5%, 5% and 5% for each of the three years, respectively, for all workers.

On December 24 and 25, 2012, the three major unions held a two-day illegal work stoppage which did not have a material impact on production. There were no strikes in the first quarter of 2013 and 2012.

Mexican operations



In recent years, the Mexican operations have experienced a positive improvement of their labor environment, as its workers, in a free decision, opted to change their affiliation from the Sindicato Nacional de Trabajadores Mineros, Metalúrgicos y Similares de la Republica Mexicana (National Union of Mine and Metal Workers and Similar Activities of the Mexican Republic or the National Mining Union ) to other unions. In 2006, workers of Mexicana del Cobre mining complex and IMMISA joined the Sindicato Nacional de Trabajadores de la Exploración, Explotación y Beneficio de Minas en la Republica Mexicana (National Union of Workers Engaged in Exploration, Exploitation and Processing of Mines in the Mexican Republic), and the Mexicana del Cobre metallurgical workers joined the Sindicato de Trabajadores de la Industria Minero Metalurgica (Union of Workers of the Mine and Metals Industry or the CTM ). Finally, in 2011 Buenavista del Cobre workers joined the CTM. This positive labor environment allows the Company to increase its productivity and to develop its capital expansion programs.

The workers of the San Martin and Taxco mines, still under the National Mining Union, have been on strike since July 2007. On December 10, 2009, a federal court confirmed the legality of the San Martin strike. In order to recover the control of the San Martin mine and resume operations, on January 27, 2011, the Company filed a court petition requesting that the court, among other things define the termination payment for each unionized worker. The court denied the petition alleging that, according to federal labor law, the union was the only legitimate party to file such petition. On appeal by the Company, on May 13, 2011, the Mexican federal tribunal accepted the petition. In July 2011, the National Mining Union appealed the favorable court decision before the Supreme Court. On November 7, 2012, the Supreme Court affirmed the decision of the federal tribunal. The Company filed a new proceeding before the labor court on the basis of the Supreme Court decision, which recognized the right of the labor court to define responsibility for the strike and the termination payment for each unionized worker. A favorable decision of the labor court in this new proceeding would have the effect of terminating the protracted strike at San Martin. As of March 31, 2013, the case is pending resolution.

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In July 2012, Minera Krypton, a Mexican mining company, not affiliated with Grupo Mexico or the Company, hired 130 workers for the rehabilitation of its mining unit at Chalchihuites, Zacatecas. Most of these workers, which are or were workers of the San Martin mine, in order to work for Minera Krypton joined a new union called the Sindicato de Trabajadores de la Industria Minera y Similares de la Republica Mexicana (Union of Workers of the Mine and Metals Industry and Similar Activities of the Mexican Republic or the Union of Mexican Mine and Metal Workers ). On August 31, 2012, the Union of Mexican Mine and Metal Workers filed a petition with the labor authorities to replace the existing union at the San Martin mine. On September 1, 2012, the workers affiliated with the Union of Mexican Mine and Metal Workers took over the San Martin mine evicting the workers on strike. Several hearings took place during September 2012 with the federal labor authorities. On October 12, 2012, the federal labor court ordered and enforced a recount in order to establish which union will hold the collective bargaining agreement. The Union of Mexican Mine and Metal Workers lost the recount. The result of the recount was challenged by the Union of Mexican Mine and Metal Workers and as of March 31, 2013, this case is pending resolution.

In the case of the Taxco mine, following the workers refusal to allow exploration of new reserves, the Company commenced litigation seeking to terminate the labor relationship with workers of the Taxco mine (including the related collective bargaining agreement). On September 1, 2010, the federal labor court issued a ruling approving the termination of the collective bargaining agreement and all the individual labor contracts of the workers affiliated with the Mexican mining union at the Taxco mine. The ruling was based upon the resistance of the mining union to allow the Company search for reserves at the Taxco mine. The mining union appealed the labor court ruling before a federal court. In September 2011, the federal court accepted the union s appeal and requested that the federal labor court reviews the procedure and takes into account all the evidence to issue a new resolution. On January 3, 2012, the federal labor court issued a new resolution, approving the termination of the collective bargaining agreement and all the individual labor contracts of the workers affiliated with the National Mining Union at the Taxco mine. On January 25, 2012, the National Mining Union appealed the resolution before the federal court. On June 14, 2012, the federal court accepted the union s appeal and requested that the federal labor court issue a new resolution, taking into account all the evidence submitted by the parties. On August 6, 2012, the federal labor court issued a new decision disapproving the termination of the collective bargaining agreement and the individual labor contracts of the workers affiliated with the National Mining Union at the Taxco mine. On August 29, 2012, the Company filed a proceeding seeking relief from the decision before a federal court. On January 25, 2013, the Company filed a new proceeding before the labor court on the basis of the Supreme Court decision in the San Martin case, which recognized the right of the labor court to define responsibility for the strike and the termination payment for each unionized worker. A favorable decision of the labor court in this new proceeding would have the effect of terminating the protracted strike at San Martin. As of March 31, 2013, this case is pending resolution.

It is expected that operations at these mines will remain suspended until these labor issues are resolved.

**Other legal matters:**

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

**Other Contingencies:**

*Tia Maria:*

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

The Company is preparing a new EIA study that we believe will take into account local community concerns and new government guidance. The Company considers that this new EIA process will alleviate all the concerns previously raised by the Tia Maria project's neighboring communities, provide them with an independent source of information and reaffirm the validity of the Company's assessment of the project. The Company is confident that this initiative will have a positive effect on its stakeholders and will allow the Company to obtain the approval for the development of the 120,000 ton annual production copper project. In view of the delays, the mining operations for the project have been rescheduled to start-up in 2016.

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contingent upon receiving all required governmental approvals in the time frame provided by law. No assurances can be given as to the specific timing of each such approval.

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

In view of the suspension of this project, the Company has reviewed the carrying value of this asset to ascertain whether impairment exists. Total spending on the project, through March 31, 2013, was \$495.6 million of which \$196.5 million of Tia Maria equipment has been reassigned to other Company operations. Should the Tia Maria project not be restarted, the Company is confident that most of the project equipment will continue to be used productively, through reassignment to other mine locations operated by the Company. The Company believes that an impairment loss, if any, will not be material.

**Other commitments:**

Peruvian Operations

*Power purchase agreement - Enersur*

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

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

*Toquepala Concentrator Expansion*

In connection with the EIA of the Toquepala expansion project, some community groups raised concerns related to water usage and pollution. As a result of these issues the Peruvian government started discussions with the local communities and the regional authorities to resolve this impasse. On February 8, 2013, the Company reached a final agreement with the province of Candarave, one of the three provinces neighboring

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the Toquepala unit, which commits the Company to funding S/.255 million (approximately \$100 million) for development projects in the province. This agreement is contingent upon receiving approval for the project.

Mexican operations

### *Power purchase agreement - MGE*

MGE, a subsidiary of Grupo Mexico, is constructing two power plants in Mexico to supply power to some of the Company's Mexican operations. In December 2012, the Company signed a power supply agreement with MGE, whereby MGE will supply the Company with power through 2032. The estimated monthly capacity charge is approximately \$4.3 million.

### **Tax contingency matters:**

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

### **NOTE 11 SEGMENT AND RELATED INFORMATION:**

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

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

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

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

	Three Months Ended March 31, 2013 (in millions)				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	\$ 862.6	\$ 89.9	\$ 670.5		\$ 1,623.0
Intersegment sales		32.0		\$ (32.0)	
Cost of sales (exclusive of depreciation, amortization and depletion)	380.7	73.1	316.9	(44.0)	726.7
Selling, general and administrative	8.8	3.8	12.1	0.7	25.4
Depreciation, amortization and depletion	40.2	6.7	41.4	2.3	90.6
Exploration	0.9	6.1	3.3		10.3
Operating income	\$ 432.0	\$ 32.2	\$ 296.8	\$ 9.0	770.0
Less:					
Interest, net					(47.1)
Other income (expense)					0.8
Income taxes					(234.9)
Equity earnings of affiliate					8.2
Non-controlling interest					(1.6)
Net income attributable to SCC					\$ 495.4
Capital expenditure	\$ 250.6	\$ 17.9	\$ 39.3	\$ 9.0	\$ 316.8
Property, net	\$ 2,694.0	\$ 359.7	\$ 2,213.9	\$ 81.6	\$ 5,349.2
Total assets	\$ 4,647.7	\$ 892.7	\$ 3,425.1	\$ 1,811.4	\$ 10,776.9

	Three Months Ended March 31, 2012 (in millions)				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	\$ 878.8	\$ 100.6	\$ 826.5		\$ 1,805.9
Intersegment sales		37.9		(37.9)	
Cost of sales (exclusive of depreciation, amortization and depletion)	319.6	75.5	359.2	(32.4)	721.9
Selling, general and administrative	8.7	3.6	12.5	0.6	25.4
Depreciation, amortization and depletion	33.6	6.3	39.0	(2.0)	76.9

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Exploration		0.7		6.2		1.8		8.7		
Operating income	\$	516.2	\$	46.9	\$	414.0	\$	(4.1)	973.0	
Less:										
Interest, net								(40.5)		
Other income (expense)								7.2		
Income taxes								(318.8)		
Equity earnings of affiliate								2.6		
Non-controlling interest								(2.1)		
Net income attributable to SCC							\$	621.4		
Capital expenditure	\$	135.1	\$	14.4	\$	27.9	\$	\$	177.4	
Property, net	\$	1,913.7	\$	327.7	\$	2,204.0	\$	50.5	\$	4,495.9
Total assets	\$	3,849.7	\$	764.5	\$	3,170.5	\$	709.2	\$	8,493.9

Table of Contents**NOTE 12 STOCKHOLDERS' EQUITY:***Treasury Stock:*

Activity in treasury stock in the three-month period ended March 31, 2013 and 2012 is as follows (in millions):

	<b>2013</b>	<b>2012</b>
<b>Southern Copper common shares</b>		
Balance as of January 1,	\$ 729.8	\$ 734.1
Purchase of shares		
Stock dividend		(151.4)
Balance as of March 31,	729.8	582.7
<b>Parent Company (Grupo Mexico) common shares</b>		
Balance as of January 1,	189.0	163.7
Other activity, including dividend, interest and currency translation effect	12.4	13.7
Balance as of March 31,	201.4	177.4
Treasury stock balance as of March 31,	\$ 931.2	\$ 760.1

On February 28, 2012, the Company paid a stock dividend of 0.0107 shares of common stock per share of SCC common stock. The stock dividend was paid with shares of common stock held in treasury by SCC. Shares held in treasury on the record date were not entitled to receive cash or stock dividend.

*Southern Copper Common Shares:*

At March 31, 2013 and 2012, there were in treasury 39,045,536 and 34,617,600 SCC s common shares, respectively.

*Parent Company common shares:*

At March 31, 2013 and 2012 there were in treasury 76,394,108 and 83,717,588 of Grupo Mexico s common shares, respectively.

*Employee Stock Purchase Plan:*



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In January 2007, the Company offered to eligible employees a stock purchase plan (the Employee Stock Purchase Plan ) through a trust that acquires shares of Grupo Mexico stock for sale to its employees, employees of subsidiaries, and certain affiliated companies. The purchase price is established at the approximate fair market value on the grant date. Every two years employees will be able to acquire title to 50% of the shares paid in the previous two years. The employees will pay for shares purchased through monthly payroll deductions over the eight year period of the plan. At the end of the eight year period, the Company will grant the participant a bonus of 1 share for every 10 shares purchased by the employee.

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

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

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

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

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

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

The stock based compensation expense for the first quarter 2013 and 2012, under the Employee Stock Purchase Plan and the unrecognized compensation expense as of March 31, 2013 and 2012 under this plan were as follows (in million):

	2013	2012
Stock based compensation expense	\$ 0.5	\$ 0.5
Unrecognized compensation expense	\$ 3.7	\$ 5.9

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

The following table presents the stock award activity of the Employee Stock Purchase Plan for the three months ended March 31, 2013 and 2012:

	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2013	6,955,572	\$ 1.16
Granted		
Exercised	(2,349,157)	\$ 1.16
Forfeited	(29,639)	\$ 1.16
Outstanding shares at March 31, 2013	4,576,776	\$ 1.16
Outstanding shares at January 1, 2012	7,270,341	\$ 1.16
Granted		
Exercised	(36,303)	\$ 1.16
Forfeited	(90,204)	\$ 1.16
Outstanding shares at March 31, 2012	7,143,834	\$ 1.16

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

The stock based compensation expense for the first quarter 2013 and 2012, under the New Employee Stock Purchase Plan and the unrecognized compensation expense as of March 31, 2013 and 2012 under this plan were as follows (in million):

	2013		2012	
Stock based compensation expense	\$	0.1	\$	0.1
Unrecognized compensation expense	\$	3.0	\$	3.7

The unrecognized compensation expense under this plan is expected to be recognized over the remaining five year and nine month period.

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The following table presents the stock award activity of the New Employee Stock Purchase Plan for the three months ended March 31, 2013:

	Shares		Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2013	2,944,742	\$	2.05
Granted			
Exercised			
Forfeited	(22,638)	\$	2.05
Outstanding shares at March 31, 2013	2,922,104	\$	2.05
Outstanding shares at January 1, 2012	3,807,146	\$	2.05
Granted			
Exercised	(636,945)	\$	2.05
Forfeited	(51,675)	\$	2.05
Outstanding shares at March 31, 2012	3,118,526	\$	2.05

**NOTE 13 NON-CONTROLLING INTEREST**

The following table presents the non-controlling interest activity for the three months ended March 31, 2013 and 2012:

	2013		2012	
Balance as of January 1,	\$	24.0	\$	21.0
Net earnings		1.6		2.1
Dividend paid		(0.5)		(0.5)
Other				
Balance as of March 31,	\$	25.1	\$	22.6

**NOTE 14 FINANCIAL INSTRUMENTS:**

Subtopic 810-10 of ASC Fair value measurement and disclosures Overall establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Subtopic 810-10 are described below:

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

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

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

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable (other than accounts receivable associated with provisionally priced sales) and accounts payable approximate fair value due to their short maturities. Consequently, such financial instruments are not included in the following table that provides information about the carrying amounts and estimated fair values of other financial instruments that are not measured at fair value in the condensed consolidated balance sheet as of March 31, 2013 and December 31, 2012 (in millions):

	As of March 31, 2013		As of December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Liabilities:</b>				
Long-term debt	\$ 4,214.1	\$ 4,654.4	\$ 4,213.9	\$ 4,870.6

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

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Fair values of assets and liabilities measured at fair value on a recurring basis were calculated as follows as of March 31, 2013 and December 31, 2012 (in millions):

Description	Fair Value as of March 31, 2013	Fair Value at Measurement Date Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
<b>Short term investment:</b>				
- Trading securities	\$ 198.0	\$ 198.0		
- Available for sale debt securities:				
Corporate bonds	0.5		\$ 0.5	
Asset backed obligations	0.1		0.1	
Mortgage backed securities	5.9		5.9	
<b>Accounts receivable:</b>				
- Derivatives - Not classified as hedges:				
Provisionally priced sales:				
Copper	30.1	30.1		
Molybdenum	100.7	100.7		
Total	\$ 335.3	\$ 328.8	\$ 6.5	\$

Description	Fair Value as of December 31, 2012	Fair Value at Measurement Date Using: Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets:</b>				
<b>Short term investment:</b>				
- Trading securities	\$ 127.8	\$ 127.8		
- Available-for-sale debt securities:				
Corporate bonds	0.4		\$ 0.4	
Asset backed securities	0.1		0.1	
Mortgage backed securities	6.0		6.0	
<b>Accounts receivable:</b>				
- Derivatives - Not classified as hedges:				
Provisionally priced sales:				
Copper	70.8	70.8		
Molybdenum	102.9	102.9		
Total	\$ 308.0	\$ 301.5	\$ 6.5	\$

The Company's short-term trading securities investments are classified as Level 1 because they are valued using quoted prices of the same securities as they consist of bonds issued by public companies and publicly traded. The Company's short-term available-for-sale investments are classified as Level 2 because they are valued using quoted prices for similar investments.

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

**NOTE 15. ADOPTION OF NEW ACCOUNTING PRINCIPLE**

The following Updates to the Accounting Standards Codification are effective beginning in the first quarter of 2013:

ASU No. 2012-02: On July 27, 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2012-02, *Intangibles - Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for*

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*Impairment.* This update simplifies the guidance for testing the impairment of indefinite-lived intangible assets other than goodwill. The amendments allow an organization the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. If the Company elects to perform a qualitative assessment, it is no longer required to calculate the fair value of an indefinite-lived intangible asset unless the organization determines, based on a qualitative assessment, that it is more likely than not that the asset is impaired. This update eliminates the prior requirement to test impairment on at least an annual basis by comparing the fair value of the asset with its carrying amount. If the carrying amount of an indefinite-lived intangible asset exceeded its fair value, an impairment loss was recognized in an amount equal to the difference.

The amendments in this update are effective for annual and interim impairment tests performed for fiscal periods beginning after September 15, 2012. Therefore beginning in the first quarter of 2013, the Company is applying this guidance on the testing of the impairment of its indefinite-lived intangible assets.

ASU No. 2011-11: On December 16, 2011, the FASB issued ASU No. 2011-11 *Disclosures about Offsetting Assets and Liabilities* an amendment of ASC topic 210 Balance Sheet. The objective of this ASU is to improve disclosures about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position. Entities are required to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS.

This ASU is effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. This update was clarified by the ASU No. 2013-01.

ASU No. 2013-01: On January 31, 2013, the FASB issued ASU No. 2013-01 *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*. The objective of this update is to clarify the scope of the offsetting disclosures and address any unintended consequences. This update clarifies that the scope of ASU No. 2011-11, *Disclosures about offsetting Assets and Liabilities*, applies to derivatives including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Topic 210 *Balance Sheet* or Topic 815 *Derivatives and Hedging* or are subject to a master netting arrangement or similar agreement. We are required to apply the amendments of ASU No. 2011-11 and ASU No. 2013-01 for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods. As of March 31, 2013, we did not have any transactions to report.

ASU No. 2013-02: On February 5, 2013, the FASB issued ASU No. 2013-02 *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This update improves the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S.GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S.GAAP that provide additional detail about those amounts.



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The amendments in this update apply to all entities that issue financial statements that are presented in conformity with U.S.GAAP and that report items of other comprehensive income. It is required to comply with these amendments for all reporting periods presented, including interim periods. The amendments of this update are effective prospectively for reporting periods beginning after December 15, 2012 and we will apply it in any material reclassification out of accumulated other comprehensive income in the future.

### **NOTE 16 SUBSEQUENT EVENTS:**

Dividends:

On April 18, 2013, the Company announced a quarterly cash dividend of \$0.20 per share payable on May 21, 2013, to SCC shareholders of record at the close of business on May 8, 2013.

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Part I

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

*The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Southern Copper Corporation and its subsidiaries (collectively, "SCC", the Company, "our", and "we"). This item should be read in conjunction with our interim unaudited Condensed Consolidated Financial Statements and the notes thereto included in this quarterly report. Additionally, the following discussion and analysis should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included in Part II of our annual report on Form 10-K for the year ended December 31, 2012.*

EXECUTIVE OVERVIEW

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

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

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

- **Changes in copper and molybdenum prices.** The average copper price was \$3.60 per pound in the first quarter of 2013 about 4.5% lower than in the first quarter of 2012. Average molybdenum and silver prices in the first quarter of 2013 decreased 20% and 8.1%, respectively, from average prices in the first quarter of 2012. During the first quarter of 2013 per pound LME spot copper prices ranged from \$3.42 to \$3.74 and averaged \$3.60, as compared to an average of \$3.59 in the last quarter of 2012. The LME spot price for copper closed at \$3.44 per pound on March 28, 2013.

- **Sales structure.** In the first quarter of 2013 approximately 77% of our revenue came from the sale of copper, 6% from molybdenum, 8% from silver and 9% from various other products, including zinc, gold and other materials.

- Metals market. Regarding the copper market, even though we believe this metal's fundamentals are sound; its price has been affected by concerns about Chinese growth, LME stock increases and macroeconomic worries related to the U.S. fiscal deficit and Europe's debt crisis. Of these factors, the increments in the LME and other warehouses inventories are creating some concerns regarding the copper market balance. We believe this is part of the commodities cycle and a temporary event. We expect in the following quarters a recovery of demand, particularly from Asia, which currently represents approximately 60% of the world demand.

Regarding China, its gross domestic product ( GDP ) is growing at almost 8% per year. Generally speaking, due to its urbanization process, China's GDP growth produces a growth in copper demand higher than its GDP growth rate. We expect this trend to restart in the next few quarters as China ends its destocking phase.

In the United States demand appears to be stronger as consumer confidence has increased and the economy is recovering. This has been reinforced by positive news related to new housing starts, the recovery of the car industry and decreases in the unemployment rate. This good news has somehow offset macroeconomic concerns related to the U.S. fiscal balance.

Even though the United States represents today only about 8% of the world demand for refined copper, the recovery of its economy is key to copper demand since the United States is the most important secondary copper consumer, effecting copper demand in other economies.

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On the supply side, we think that several structural factors, such as labor stoppages, technical problems and other issues are affecting and will continue to affect copper supply, reducing the impact of production coming from new projects and expansions. As a consequence of this, copper inventories should move to a more balanced market or even to one with some moderate undersupply.

We believe that, if the world's economies continue to improve, we are positioned to take advantage of the positive future outlook of the copper market, through our aggressive investment program of organic growth, aimed at increasing production from our current capacity of 650,000 tons to 1.2 million tons by 2017.

- Molybdenum. we saw a 2.6% molybdenum demand growth in 2012, which helped to reduce the surplus of supply to demand from approximately 8% to 6%. We expect that in 2013 the balance between supply and demand will continue reducing the market surplus, thereby improving molybdenum prices in the near future.
- Silver. we believe that silver prices will have strong support due to its industrial uses as well as being perceived as a value shelter in times of economic uncertainty.
- Zinc. we also believe that zinc has very good long term fundamentals due to its significant industrial consumption; however, inventories are currently at a relatively high level, which tends to maintain a relatively weak zinc price.
- Production. We maintain our 2013 production guidance of 650,000 tons of copper, which includes approximately 3% of copper purchased from third parties. We expect molybdenum production in 2013 to be about 19,800 tons. Additionally, in 2013 we expect to produce and sell 16.3 million ounces of silver and produce 99,100 tons of zinc.
- Capital Expenditures. In the first quarter 2013, we spent \$316.8 million on capital expenditures, 78.5% higher than in the first quarter 2012, which represents 63.9% of net income. Our current plans aim to increase copper production by approximately 84% by 2017.

KEY MATTERS:

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

Earnings: Net sales and net income in the first quarter 2013 were lower than the first quarter of 2012 by \$182.9 million and \$126.0 million, respectively. These decreases were mainly the result of lower prices for copper and our main by-products and lower sales volume of copper

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(-4.3%) and zinc (-4.9%), partially offset by higher molybdenum (+5.8%) and silver (+9.5%) sales volume in the 2013 period.

We strongly believe that our Company's best potential for growth and enhancement of shareholder value is in copper, which currently represents about 80% of our sales. With stable, low-cost and growing production from our existing mines and continued success in advancing our growth pipeline, we are optimistic that we will see a period of sustained high performance for our Company in 2013 and beyond, if the world's economies continue to improve. A good example of this is the expansion of our Buenavista unit, where our projects should increase its production capacity from 180,000 tons to 488,000 tons of copper by 2015.

The table below highlights key financial and operational data of our Company for the three months ended March 31, 2013 and 2012:

	Three months ended March 31,		
	2013	2012	Variance
Net sales (in millions)	\$ 1,623	\$ 1,806	\$ (183)
Net income attributable to SCC (in millions)	\$ 495	\$ 621	\$ (126)
Earnings per share	\$ 0.59	\$ 0.73	\$ (0.14)
Dividends per share	\$ 0.24	\$ 0.54	\$ (0.30)
Average LME copper price	\$ 3.60	\$ 3.77	\$ (0.17)
Pounds of copper sold (in millions)	345	360	(15)

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**Production:** The table below highlights key mine production data for our Company for the three months ended March 31, 2013 and 2012:

	2013	Three months ended March 31,		Variance	%
		2012	Volume		
Copper (in million pounds)	329.6	337.1	(7.5)	(2.2)%	
Molybdenum (in million pounds)	10.6	10.2	0.4	4.1%	
Silver (in million ounces)	3.1	3.4	(0.3)	(7.9)%	
Zinc (in million pounds)	51.7	49.8	1.9	3.8%	

The table below highlights mine copper production data for our mines for the three months ended March 31, 2013 and 2012:

	2013	Three Months Ended March 31,		Variance	%
		2012	Volume		
<b>COPPER (in million pounds)</b>					
Toquepala	53.7	68.9	(15.2)	(22.1)%	
Cuajone	88.3	80.6	7.7	9.6%	
La Caridad	53.6	51.3	2.3	4.5%	
Buenavista	64.0	70.7	(6.7)	(9.5)%	
IMMSA	3.5	3.1	0.4	12.9%	
	263.1	274.6	(11.5)	(4.2)%	
SX-EW Toquepala	15.8	16.9	(1.1)	(6.5)%	
SX-EW La Caridad	12.6	12.6		%	
SX-EW Buenavista	38.1	33.0	5.1	15.5%	
	66.5	62.5	4.0	6.4%	
Total mined copper	329.6	337.1	(7.5)	(2.2)%	

Copper mined production in the first quarter of 2013 decreased 2.2% to 329.6 million pounds compared to 337.1 million pounds in the first quarter of 2012. This decrease was mainly the result of lower production at the Toquepala and Buenavista mine partially offset by higher production at the Cuajone and La Caridad mines. All variances in mine production were mainly the result of changes in ore grades and recoveries.

Molybdenum production increased 4.1% in the first quarter of 2013 to 10.6 million pounds, compared to 10.2 million pounds in the first quarter of 2012 due to higher production at the La Caridad mine as a result of higher grade and recovery. This was partially offset by lower production at the Toquepala and Cuajone mines.

Silver mine production decreased 7.9% in the first quarter of 2013 as result of lower production at all our mines except at the Buenavista where increased by 3.7%.

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Zinc production increased 3.8% in the first quarter of 2013, mainly due to higher grades and recoveries and higher production at the Santa Eulalia mine.

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

We have defined operating cash cost per pound as cost of sales (exclusive of depreciation, amortization and depletion), less the cost of purchased concentrates, plus selling, general and administrative charges, treatment and refining charges, net revenue (loss) on sale of metal purchased from third parties and by-product revenues, and sales premiums; less workers participation and other miscellaneous charges, including the Peruvian royalty charge, the special mining tax and the change in inventory levels; divided by total pounds of copper produced by our own mines. In our calculation of operating cash cost per pound of copper produced, we credit against our costs the revenues from the sale of by-products: molybdenum, zinc, silver, gold and other minor by-products and the premium over market price that we receive on copper sales. We account for the by-product revenues in this way because we consider our principal business to be the production and sale of copper. We believe that our

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Company is viewed by the investment community as a copper company, and is valued, in large part, by the investment community's view of the copper market and our ability to produce copper at a reasonable cost. The variation in recent years in the price of molybdenum, as well as variations in the prices of silver and zinc, have had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs with and without crediting the by-product revenues against our costs.

In conjunction with the review of our operating cash costs, please also see our annual report on Form 10-K for the year ended December 31, 2012, wherein Part II (Item 7, Key matters), we discuss our rationale for calculating operating cash costs.

Our operating cash costs per pound, as defined, are presented in the table below.

Operating Cash Cost per Pound of Copper produced

(cents per pound)	Without by-product revenue	By-product revenue	Including by-product revenue
1Q 2013	198.9	(107.5)	91.4
4Q 2012	187.4	(97.1)	90.3
3Q 2012	178.2	(96.2)	82.0
2Q 2012	170.5	(111.1)	59.4
1Q 2012	183.9	(130.2)	53.7
Year 2012	179.6	(108.3)	71.3
Variance: 1Q13 vs. 1Q12	8.2%	(17.4)%	70.2%
Variance: 1Q13 vs. 4Q12	6.1%	10.7%	1.2%

As seen in the table above, our cash cost, excluding by-product revenues, was higher by 15 cents per pound or 8.2% in the first quarter 2013 compared to the first quarter of 2012 due to higher production cost, mainly labor, fuel and operating material costs and lower copper production which increased the per pound cost.

In addition, our per pound cash cost for the three months ended March 31, 2013 when calculated with by-product revenues is 91.4 cents per pound compared with 53.7 cents per pound in the same period of 2012. The increase of 37.7 cents per pound or 70.2% was primarily result of the noted increases in production costs and lower prices for our major by-products.

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



We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, giving no effect to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated 2013 net income attributable to SCC resulting from metal price changes:

	Copper		Molybdenum		Zinc		Silver	
Change in metal prices (per pound, except silver per ounce)	\$	0.01	\$	1.00	\$	0.01	\$	1.00
Annual change in net income attributable to SCC (in millions)	\$	8.0	\$	25.9	\$	1.2	\$	9.1

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

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Segment information is included in our review of Results of Operations and also in Note 11 - Segment and Related Information of our condensed consolidated financial statements.

**Inflation and Exchange Rate Effect of the Peruvian Nuevo Sol and the Mexican Peso:** Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the nuevo sol or the peso to the dollar, our financial position, results of operations and cash flows could be adversely affected to the extent that the inflation/devaluation effects are passed onto us by our suppliers or reflected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the nuevo sol or the peso, resulting in a remeasurement loss in our financial statements. Recent inflation and devaluation rates are provided in the table below for the three months ended March 31, 2013 and 2012:

	Three Months Ended	
	March 31,	
	2013	2012
<b>Peru:</b>		
Peruvian inflation rate	0.9%	1.0%
Nuevo sol/dollar appreciation /(devaluation) rate	(1.5)%	1.1%
<b>Mexico:</b>		
Mexican inflation rate	1.5%	1.0%
Peso/dollar appreciation /(devaluation) rate	5.0%	8.1%

Capital Investment and Exploration Program

We made capital expenditures of \$316.8 million for the three months ended March 31, 2013, compared with \$177.4 million in the same period of 2012. In general, the capital expenditures and projects described below are intended to increase production and/or decrease costs.

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

Mexican operations:

**Buenavista Projects:** We continue the development of our \$2.8 billion investment program at this unit which will allow us to increase its production capacity by approximately 170% from 180,000 tons to 488,000 tons by 2015. The table below contains a summary of the program progress:

Project	Overall progress	Estimated start-up
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New concentrator with molybdenum circuit	42.7%	First half 2015
SXEW III	48.5%	First half 2014
Quebalix III	100%	First quarter 2013
Molybdenum plant	98.4%	Second quarter 2013

The new concentrator with molybdenum circuit project includes a new concentrator with an estimated annual production capacity of 188,000 tons of copper, and a 1,850 tons capacity molybdenum plant. The project will also produce annually 2.3 million ounces of silver and 21,000 ounces of gold. The total capital budget of the project is \$1,383.6 million with a total investment of \$214.8 million through March 31, 2013.

Through March 31, 2013, we have received two of eight shovels, 40 of 56 trucks and seven of eight drills. These units are currently in operation. The total capital budget of the mine equipment project is \$504.8 million with \$387.6 million expended through March 31, 2013.

The SXEW III project is moving forward. Plant equipment from Tia Maria has been installed in Mexico and will allow us to increase the annual plant capacity from 88,000 tons to 120,000 tons. The total capital budget of the project is \$444.0 million with \$170.6 million expended through March 31, 2013.

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The final testing of the Quebalix III concluded in February and it started operations in March 2013. The total capital budget of the project was \$75.6 million. This project will allow crushing of up to 15 million tons of mineral per year, improving SXEW copper production by increasing recovery and reducing hauling cost and the required time to extract copper from mineral.

The final testing of the molybdenum plant for the current concentrator started in April and it is expected to conclude in May 2013. The plant had a total cost of \$38 million and it is expected to have an average annual production of 2,000 tons of molybdenum.

Anganguero: The project is moving forward as scheduled to develop this underground polymetallic deposit in Michoacan, Mexico, which includes a concentrator with a milling capacity of 2,000 tons per day. The production plan indicates that Anganguero will have an estimated average annual metal content production of 10,400 tons of copper and 7,000 tons of zinc in the first seven years. The project is scheduled to begin production in the first half of 2015. Through March 31, 2013, we have spent \$10.8 million.

Pilares project: In 2008, we acquired 100% ownership of Pilares, with the intention of operating it as an open-pit facility. In 2011, the Board of Directors approved the development of the Pilares mine, with a budget of \$136.3 million. Current mineralized material is estimated at 43.4 million tons with 0.789% of copper sulfide content and 0.077% copper oxide. We expect to increase copper production by 40,000 tons per year by sending mineral from the Pilares site to our La Caridad concentrator. Pilares continues on hold while we solve a right of way issue with the local community.

El Arco: El Arco is a world class copper deposit in the central part of the Baja California peninsula, with ore reserves over 1.5 billion tons with an ore grade of 0.416% and 0.14 grams of gold per ton. In 2010, we concluded the feasibility study and an investment of \$56.4 million was approved for land acquisition required for the project. This project, when developed, is expected to produce 190,000 tons of copper and 105,000 ounces of gold annually. In 2013, we will continue to invest in land acquisition required for the project.

Peruvian Operations:

Toquepala projects: Through March 31, 2013, we have spent \$234.8 million on Toquepala projects. We have continued with the construction of the new in-pit crusher and conveyor belt system to replace current rail haulage. This will reduce operating cost, allowing for future savings.

Our expansion project includes an increase in milling capacity of the Toquepala concentrator from 60,000 tons per day to 120,000 tons, which should increase annual production by 100,000 tons of copper and 3,100 tons of molybdenum.

As a result of protests from some community groups, the approval process for the EIA of this project has been delayed. These groups raised concerns related to water usage and pollution. As a result of these issues the Peruvian government has started discussions with the local communities and the regional authorities to resolve this impasse. On February 8, 2013, we reached a final agreement with the province of Candarave, one of the three provinces neighboring our Toquepala unit, which commits us to funding S/.255 million (approximately \$100 million) for development projects in the province. This agreement is contingent upon receiving approval for the project. We expect to continue working with the Candarave province and the other two provinces neighboring Toquepala to resolve all open issues during 2013. Assuming we

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receive approval of the EIA on a timely basis, project plant construction and other expansion related activities could start and its completion is scheduled for the first half of 2015.

Cuajone projects: Through March 31, 2013, we have spent \$138.9 million on two projects to increase productivity through technological improvements in this unit: the Variable Cut-off Ore Grade project and the HPGR project. We expect that both projects will be at full capacity by the second half of 2013.

Tailings disposal at Quebrada Honda: This project increases the height of the existing Quebrada Honda dam to impound future tailings from the Toquepala and Cuajone mills and will extend the expected life of this tailings facility by 25 years. The first stage and construction of the drainage system for the lateral dam are finished. We are preparing bidding documents for the second stage that includes engineering and procurement to improve and increase the dam's embankment. The project has a total budgeted cost of \$66.0 million with \$49.0 million expended through March 31, 2013.

Tia Maria project: We continue to work on a new EIA study that will address recent government guidance on these studies, in order to reach an agreement that is mutually satisfactory to all parties. We are also working with our stakeholders in order to develop a social program for the benefit of the local communities. We are confident that this initiative will have a positive effect on our stakeholders and will allow us to obtain approval for the development of the 120,000 ton annual production copper project.

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## Potential projects:

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

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

## ACCOUNTING ESTIMATES

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

## RESULTS OF OPERATIONS

The following highlights key financial results for the three months ended March 31, 2013 and 2012 (in millions):

	Three Months Ended	
	March 31,	
	2013	2012
Net sales	\$ 1,623.0	\$ 1,805.9
Operating costs and expenses	(853.0)	(832.9)
Operating income	770.0	973.0
Non-operating income (expense)	(46.3)	(33.3)
Income before income taxes	723.7	939.7
Income taxes	(234.9)	(318.8)
Equity earnings of affiliate	8.2	2.6
Net income attributable to non-controlling interest	(1.6)	(2.1)

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Net income attributable to SCC	\$	495.4	\$	621.4
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Average Metal Prices

The table below outlines the average metal prices during the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,		% Change
	2013	2012	
Copper (\$ per pound LME)	\$ 3.60	\$ 3.77	(4.5)%
Copper (\$ per pound COMEX)	\$ 3.60	\$ 3.78	(4.8)%
Molybdenum (\$ per pound)	\$ 11.28	\$ 14.10	(20.0)%
Zinc (\$ per pound LME)	\$ 0.92	\$ 0.92	
Silver (\$ per ounce COMEX)	\$ 30.03	\$ 32.69	(8.1)%

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Net Sales:

Net sales for the three months ended March 31, 2013 decreased by \$182.9 million from the three months ended March 31, 2012. This 10.1% decrease was attributable to the lower metal prices as shown above and lower copper and zinc sales volume partially offset by higher molybdenum and silver sales volume.

The table below presents information regarding the volume of our copper sales by segment for the three months ended March 31, 2013 and 2012:

Copper Sales (million pounds):

	Three Months Ended		Variance
	2013	2012	
	March 31,		
Peruvian operations	162.2	181.7	(19.5)
Mexican open-pit	182.4	178.3	4.1
Mexican IMMSA unit	4.7	4.6	0.1
Other and intersegment elimination	(4.7)	(4.6)	(0.1)
Total	344.6	360.0	(15.4)

The table below presents information regarding the volume of sales by segment of our significant by-products for the three months ended March 31, 2013 and 2012:

By-product Sales:

	Three Months Ended		Variance
	2013	2012	
	March 31,		
(in million pounds except silver in million ounces)			
Peruvian operations			
Molybdenum contained in concentrates	3.4	4.9	(1.5)
Silver	0.8	0.9	(0.1)
Mexican open-pit			
Molybdenum contained in concentrates	7.3	5.3	2.0
Silver	2.9	2.2	0.7
Mexican IMMSA unit			
Zinc refined and in concentrate	51.7	54.4	(2.7)
Silver	1.1	1.4	(0.3)



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Other and intersegment elimination			
Silver	(0.5)	(0.6)	0.1
Total by-product sales			
Molybdenum contained in concentrates	10.7	10.2	0.5
Zinc refined and in concentrate	51.7	54.4	(2.7)
Silver	4.3	3.9	0.4

Sales value per segment:

Three Months Ended March 31, 2013						
(in millions)						
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated	
Copper	\$ 663.6	\$ 15.0	\$ 590.8	\$ (15.0)	\$	1,254.4
Molybdenum	72.2		31.9			104.1
Zinc		50.6				50.6
Silver	88.4	33.1	23.3	(14.3)		130.5
Other	38.4	23.2	24.5	(2.7)		83.4
Total	\$ 862.6	\$ 121.9	\$ 670.5	\$ (32.0)	\$	1,623.0

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	Three Months Ended March 31, 2012					Consolidated
	(in millions)					
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination		
Copper	\$ 687.7	\$ 15.3	\$ 695.4	\$ (15.3)		\$ 1,383.1
Molybdenum	72.4		64.4			136.8
Zinc		53.8				53.8
Silver	72.1	44.5	29.5	(18.7)		127.4
Other	46.6	24.9	37.2	(3.9)		104.8
Total	\$ 878.8	\$ 138.5	\$ 826.5	\$ (37.9)		\$ 1,805.9

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

	Three Months Ended	
	March 31,	
	2013	2012
United States	\$ 346.4	\$ 500.6
Mexico	446.9	420.0
Europe	217.6	356.9
Asia	275.8	148.0
Brazil	119.6	132.8
Peru	98.9	77.5
Chile	96.8	138.3
Other Latin America	21.0	31.8
Total	\$ 1,623.0	\$ 1,805.9

Operating Costs and Expenses

Operating costs and expenses were \$853.0 million in the first quarter of 2013 compared with \$832.9 million in the first quarter of 2012. The increase of \$20.1 million was primarily due to:

- \$ 4.8 million of higher cost of sales (exclusive of depreciation, amortization and depletion), and
- \$13.7 million of higher depreciation, amortization and depletion, mainly at our Mexican operations due to higher assets in operations.

The table below summarized the production cost structure by major components for the three months ended March 31, 2013 and 2012 as a percentage of total production cost:

	Three months ended	
	March 31,	
	2013	2012
Power	20.5%	22.6%

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Fuel	14.3%	14.0%
Labor	16.2%	14.5%
Operating material	18.6%	17.7%
Maintenance	15.7%	16.7%
Other	14.7%	14.5%

Cost of sales (exclusive of depreciation, amortization and depletion) in the first quarter of 2013 was \$726.7 million compared with \$721.9 million in the same period of 2012. The increase of \$4.8 million was primarily due to:

- \$ 33.4 million of higher production cost. The increase in production cost was principally due to:
- \$13.9 million higher labor cost due to the appreciation of the Mexican peso and the recent wage agreement with our Peruvian unions,
- \$ 2.2 million of higher fuel and power and
- \$17.3 of other operating and repair material due to cost inflation, and,
- \$ 31.1 million of higher purchases of copper from third parties, partially reduced by
- \$ 22.7 million of lower workers participation due to lower earnings and
- \$ 36.1 million of lower metal inventory consumption mainly at our Peruvian operations.

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Non-operating income and expense was an expense of \$46.3 million in the first quarter of 2013 compared to an expense of \$33.3 million in the first quarter of 2012. The higher expense of \$13.0 million was primarily due to:

- \$18.1 million of higher interest expense as result of the issuance of \$1.5 billion of secured notes in November 2012.
- \$ 6.4 million of negative variance in other income (expense) mainly due lower mark to market gain on short-term investment partially offset by,
- \$ 9.4 million of higher capitalized interest due to higher capital expenditures related to our Mexican investment programs and
- \$ 2.2 million of higher interest income due to higher average amounts invested and rates.

Income taxes:

The income tax provision for the first quarter 2013 and 2012 was \$234.9 million and \$318.8 million, respectively. These provisions include income taxes for Peru, Mexico and the United States. The effective income tax rate in the first quarter 2013 was 32.5% compared with 33.9% in the first quarter 2012. The decrease in the effective tax rate for the first quarter of 2013 from the same period in the prior year is primarily due to a reduction in taxes allocated to the current quarter caused by a one-time net tax benefit discrete to this quarter.

Segment Results Analysis

Peruvian Operations: The following table sets forth net sales, operating cost and expenses and operating income for our Peruvian operations segment, for the first quarter 2013 and 2012 (in millions):

	First Quarter		Variance	
	2013	2012	Value	%
Net sales	\$ 670.5	\$ 826.5	\$ (156.0)	(18.9)%
Operating costs and expenses	(373.7)	(412.5)	38.8	(9.4)%
Operating income	\$ 296.8	\$ 414.0	\$ (117.2)	(28.3)%

Net sales in the first quarter of 2013 were \$670.5 million compared with \$826.5 million in the first quarter of 2012. The decrease in net sales was mainly due to lower sales prices and lower sales volume. The decrease in sales volume in the first quarter of 2013 was mainly due to a decrease in copper, molybdenum and silver production at the Toquepala mine because of lower material throughput, ore grades and recoveries partially as a result caused by down-time needed to install technological improvements.

Operating costs and expenses in the first quarter of 2013 decreased by \$38.8 million to \$373.7 million from \$412.5 million in the first quarter of 2012, primarily due to \$42.3 million of lower cost of sales (exclusive of depreciation, amortization and depletion), partially offset by \$2.4 million of higher depreciation mainly due to the acquisition of new mine equipment and \$1.5 million of higher exploration expenses.

Cost of sales (exclusive of depreciation, amortization and depletion) for the first quarter of 2013 was \$316.9 million compared to \$359.2 million in the first quarter of 2012. This decrease was mainly due to:

- \$38.8 million of lower metal inventory consumption, (in the first quarter 2012 we processed concentrates from December 2011 smelter inventory), and
- \$10.6 million of lower workers participation, partially offset by
- \$18.1 million of higher production cost. The increase in production cost was principally due to:
  - \$ 8.1 million of higher labor costs, and
  - \$10.3 million of higher repair and operating material costs, mainly explosives and tires due to cost inflation.

Mexican Open-pit Operations: The following table sets forth net sales, operating cost and expenses and operating income for our Mexican open-pit operations segment for the first quarter 2013 and 2012 (in millions):

	First Quarter		Variance	
	2013	2012	Value	%
Net sales	\$ 862.6	\$ 878.8	\$ (16.2)	(1.8)%
Operating costs and expenses	(430.6)	(362.6)	(68.0)	18.8%
Operating income	\$ 432.0	\$ 516.2	\$ (84.2)	(16.3)%

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Net sales in the first quarter of 2013 were \$862.6 million compared to \$878.8 million in the first quarter of 2012. The decrease of \$16.2 million was principally due to lower metal prices, partially offset by higher copper, molybdenum and silver sales volumes.

Operating costs and expenses in the first quarter of 2013 increased by \$68 million to \$430.6 million from \$362.6 million in the same 2012 period, primarily due to \$61.0 million of higher cost of sales (exclusive of depreciation, amortization and depletion) and \$6.6 million of higher depreciation, amortization and depletion.

Cost of sales (exclusive of depreciation, amortization and depletion) was \$380.7 million in the first quarter of 2013 compared to \$319.6 million in the same period of 2012. The increase in cost of sales included:

- \$13.6 million of higher production cost, mainly labor, fuel and power and operating and repair costs.
- \$22.5 million of higher cost of purchased concentrates, and
- \$24.8 million of higher metal inventory consumption.

Mexican Underground Operations (IMMSA): The following table sets forth net sales, operating cost and expenses and operating income for our IMMSA segment, for the first quarter 2013 and 2012 (in millions):

	First Quarter		Variance	
	2013	2012	Value	%
Net sales	\$ 121.9	\$ 138.5	\$ (16.6)	(12.0)%
Operating costs and expenses	(89.7)	(91.6)	1.9	(2.1)%
Operating income	\$ 32.2	\$ 46.9	\$ (14.7)	(31.3)%

Net sales in the first quarter of 2013 were \$121.9 million compared to \$138.5 million in the first quarter of 2012. This decrease was primarily due to the lower metal prices.

Operating costs and expenses in the first quarter of 2013, decreased by \$1.9 million to \$89.7 million from \$91.6 million in the first quarter 2012. This decrease was primarily due to \$2.4 million of lower cost of sales (exclusive of depreciation, amortization and depletion) partially offset by \$0.4 million of higher depreciation, amortization and depletion.

Intersegment Eliminations and Adjustments

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The net sales, operating costs and expenses and operating income displayed above will not be directly equal to amounts in our condensed consolidated statement of earnings because the adjustments of intersegment operating revenues and expenses must be taken into account. Please see Note 11 of the condensed consolidated financial statements.

### CASH FLOW

The following table shows the cash flow for the first quarter 2013 and 2012 (in millions):

	2013	First quarter 2012	Variance
Net cash provided from operating activities	\$ 594.5	\$ 720.4	\$ (125.9)
Net cash (used for) provided from investing activities	\$ (376.2)	\$ 117.4	\$ (493.6)
Net cash used for financing activities	\$ (203.1)	\$ (160.1)	\$ (43.0)

#### *Net cash provided from operating activities:*

The first quarter 2013 and 2012 increase (decrease) in cash from working capital includes (in millions):

	2013	First quarter 2012	Variance
Accounts receivable	\$ 79.6	\$ 59.0	\$ 20.6
Inventories	(31.1)	11.8	(42.9)
Accounts payable and accrued liabilities	64.5	(34.8)	99.3
Other operating assets and liabilities	(104.7)	(2.6)	(102.1)
Total	\$ 8.3	\$ 33.4	\$ (25.1)

First quarter 2013: In the first quarter 2013 net income was \$497.0 million, approximately 83.6% of the net operating cash flow. Significant items (deducted from), or added to arrive to operating cash flow included, depreciation, amortization and depletion of \$90.6 million and \$13.9 million of currency translation effect, which increased operating cash flow and \$5.7 million of deferred income tax benefit and \$8.2 million of equity participation of affiliate, which decreased operating cash flow.

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In addition, in the first quarter of 2013 a decrease in working capital increased operating cash flow by \$8.3 million and includes:

- an increase in cash of \$79.6 million from lower accounts receivable attributable to higher collections than sales in the period.
- a decrease in cash of \$31.1 million from an increase in inventories primarily due to the higher leachable material capitalized and a temporary increase in supplies inventory partially offset by higher metal inventory consumption.
- an increase in cash of \$64.5 million from an increase in accounts payable and accrued liabilities was principally due to \$23.7 million of higher income tax and \$42.2 million of higher workers participation provisions at our Mexican operations, and
- a decrease in cash of \$104.7 million from a net increase in other operating assets and liabilities was primarily due to \$35.2 million of higher deferred workers participation and \$60.9 million of prepaid labor costs related to the new Peruvian collective bargain agreements.

First quarter 2012: In the first quarter 2012 net income was \$623.6 million, approximately 86.6% of the net operating cash flow. Significant items (deducted from), or added to arrive to operating cash flow included, depreciation, amortization and depletion of \$76.9 million and \$7.5 million of currency translation effect, which increased operating cash flow and \$12.5 million of deferred income tax benefit, \$5.8 million of gain on short-term investment and \$2.7 million of equity participation of affiliate, which decreased operating cash flow.

In addition, in the first quarter of 2012 a decrease in working capital increased operating cash flow by \$33.4 million and includes:

- an increase in cash of \$59 million from a decrease in accounts receivable attributable to higher collections than sales in the period.
- an increase in cash of \$11.8 million from a decrease in inventories primarily due to the process and sale of copper inventory in process at December 31, 2011 which was higher as a consequence of fourth quarter repairs at our Peruvian smelter.
- a decrease in cash of \$34.8 million from a decrease in accounts payable and accrued liabilities principally due to the payment of the 2011 workers participation provision to our Peruvian workforce in the first quarter of 2012, and
- a decrease in cash of \$2.6 million from a net increase in other operating assets and liabilities primarily due to an increase in prepaid tax and other expenses.

*Net cash (used for) provided from investing activities:*

First quarter 2013: Net cash (used for) provided from investing activities in the first quarter of 2013 included \$(70.2) million for the purchase of short-term investments, \$10.6 million of proceeds from the repayment of loan from affiliate and \$(316.8) million for capital expenditures. The capital expenditures include:



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- \$277.5 million of investments at our Mexican operations:
- \$ 73.9 million for the Buenavista mine equipment
- \$ 58.1 million for the new Buenavista concentrator
- \$ 23.7 million for the SXEW III project,
- \$ 6.2 million for the new molybdenum plant at Buenavista
- \$17.9 million at our IMMSA unit, and
- \$97.7 million for various other replacement expenditures.
- \$39.3 million of investments at our Peruvian operations:
- \$ 3.0 million for the Toquepala projects,
- \$ 2.2 million for the Cuajone projects and
- \$34.1 million for various other replacement expenditures.

First quarter 2012: Net cash (used for) provided from investing activities in the first quarter of 2012 included \$294.7 million of proceeds from short-term investment and \$(177.4) million for capital expenditures.

The capital expenditures includes:

- \$149.5 million of investments at our Mexican operations:
- \$49.1 million for the Buenavista mine equipment
- \$15.9 million for the new Buenavista concentrator
- \$ 7.0 million for the SXEW III project,
- \$ 1.3 million for the new molybdenum plant at Buenavista
- \$14.4 million at our IMMSA unit, and
- \$61.8 million for various other replacement expenditures.

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- \$27.9 million of investments at our Peruvian operations:
- \$ 3.9 million for the Toquepala projects,
- \$ 20.4 million for the Cuajone projects and
- \$ 3.6 million for various other replacement expenditures.

*Net cash used for financing activities:*

Net cash used for financing activities in the first quarter of 2013 was \$203.1 million, compared with \$160.1 million in the first quarter of 2012. The first quarter of 2013 includes a dividend distribution of \$202.9 million, compared with a distribution of \$159.8 million in the same period of 2012.

LIQUIDITY AND CAPITAL RESOURCES

Dividends:

On February 26, 2013, we paid a total dividend of \$0.24 per share totaling \$202.9 million. On April 18, 2013, we announced a quarterly dividend of \$0.20 per share to be paid on May 21, 2013 to SCC shareholders of record at the close of business on May 8, 2013.

Capital Investment and Exploration Programs:

A discussion of our capital investment programs is an important part of understanding our liquidity and capital resources. We expect to meet the cash requirements for these capital expenditures from cash on hand, internally generated funds and from additional external financing if required. For information regarding our capital expenditure programs, please see the discussion under the caption "Capital Investment and Exploration Program" under this Item 2.

NON-GAAP INFORMATION RECONCILIATION

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

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	First quarter 2013		First quarter 2012	
	\$ million	\$ per pound	\$ million	\$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	\$ 726.7	\$ 2.257	\$ 721.9	\$ 2.217
Add:				
Selling, general and administrative	25.4	0.079	25.4	0.078
Treatment and refining charges	10.7	0.033	10.7	0.033
By-products revenue (1)	(341.9)	(1.062)	(419.5)	(1.288)
Net revenue on sale of metal purchased from third parties	(4.3)	(0.013)	(4.4)	(0.014)
Less:				
Workers participation	(36.4)	(0.113)	(77.6)	(0.238)
Cost of metal purchased from third parties	(66.9)	(0.208)	(35.8)	(0.110)
Royalty charge and other, net	(39.0)	(0.121)	(22.6)	(0.069)
Inventory change	20.0	0.062	(23.4)	(0.072)
<b>Operating cash cost</b>	<b>\$ 294.3</b>	<b>\$ 0.914</b>	<b>\$ 174.7</b>	<b>\$ 0.537</b>
Subtract: by-product revenue and net revenue on sale of metal purchased from third parties	346.2	1.075	423.9	1.302
Operating cash cost, without by-product revenue and net revenue on sale of metal purchased from third parties	\$ 640.5	\$ 1.989	\$ 598.6	\$ 1.839
Total pounds of copper produced (in millions)	322.0		325.6	

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

Impact of New Accounting Standards

During the first quarter of 2013, the Financial Accounting Standards Board (FASB) issued the following Accounting Standard Updates ( ASU ) to the FASB Accounting Standards Codification (the ASC ).

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ASU No. 2013-04: On February 28, 2013, the FASB issued ASU No. 2013-04 *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation is Fixed at the Reporting Date*. The objective of this update is to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance (e.g. debt arrangements, other contractual obligations, and settled litigation and judicial rulings) is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP.

The amendments require all entities to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following:

- The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors, and
- Any additional amount the reporting entity expects to pay on behalf of its co-obligors.

It is also required that an entity discloses the nature and amount of the obligation as well as other information about those obligations.

These changes will be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 with early adoption permitted.

ASU No. 2013-05: On March 4, 2013, the FASB issued ASU 2013-05 *Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. The objective of this update is to resolve the diversity in practice about whether Subtopic 810-10, *Consolidation Overall*, or Subtopic 830-30, *Foreign Currency Matters Translation of Financial Statements*, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. Additionally, the amendments in this update resolve the diversity in practice for the treatment of business combinations achieved in stages (sometimes also referred to as step acquisitions) involving a foreign entity.

The ASU establishes that the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Also, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment.

Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both (1) events that result in the loss of a controlling financial interest in a foreign entity (that is, irrespective of any retained investment) and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date.

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These changes will be effective prospectively for fiscal years and interim reporting periods within those years beginning after December 15, 2013 with early adoption permitted (in this case, the entity should apply the amendments as of the beginning of the entity's fiscal year of adoption). The amendments should be applied prospectively.

Table of ContentsItem 3. Quantitative and Qualitative Disclosure about Market Risk**Metal price sensitivity:**

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, and giving no effects to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated 2013 net income attributable to SCC resulting from metal price changes:

	Copper		Molybdenum		Zinc		Silver	
Change in metal prices (per pound except silver per ounce)	\$	0.01	\$	1.00	\$	0.01	\$	1.00
Annual change in net income attributable to SCC (in millions)	\$	8.0	\$	25.9	\$	1.2	\$	9.1

**Foreign currency exchange rate risk:**

Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the nuevo sol or the peso to the dollar, our financial position, results of operations and cash flows could be adversely affected to the extent that the inflation/devaluation effects are passed on to us by our suppliers or reflected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the nuevo sol or the peso, resulting in a remeasurement loss in our financial statements. Recent inflation and devaluation rates are provided in the table below for the three months ended March 31, 2013 and 2012:

	Three Months Ended	
	March 31,	
	2013	2012
Peru:		
Peruvian inflation rate	0.9%	1.0%
Nuevo Sol/dollar appreciation /(devaluation) rate	(1.5)%	1.1%
Mexico:		
Mexican inflation rate	1.5%	1.0%
Peso/dollar appreciation /(devaluation) rate	5.0%	8.1%

**Change in monetary position:**

Assuming an exchange rate variance of 10% at March 31, 2013 we estimate our net monetary position in Peruvian nuevo sol and Mexican peso would increase (decrease) our net earnings as follows:

Variance	Effect on net earnings (in millions)	
Appreciation of 10% in exchange rate of U.S. dollar vs. nuevo sol	\$	(72.0)
Devaluation of 10% in exchange rate of U.S. dollar vs. nuevo sol	\$	87.9
Appreciation of 10% in exchange rate of U.S. dollar vs. Mexican peso	\$	(31.6)
Devaluation of 10% in exchange rate of U.S. dollar vs. Mexican peso	\$	38.7

**Interest rate risk:**

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would also result in gains or losses in the market value of our fixed rate debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. There have been no material changes in our interest rate risk at March 31, 2013. As most of our debt is at fixed rates, a change in market interest rates of 1% would not have a material impact on our cash flows.

**Provisionally priced sales:**

At March 31, 2013, we have recorded provisionally priced sales of 8.8 million pounds of copper, at an average forward price of \$3.41 per pound. Also we have recorded provisionally priced sales of 9.3 million pounds of molybdenum at the March 31, 2013 market price of \$10.85 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX

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copper prices and Dealer Oxide molybdenum prices in the future month of settlement. See Note 5 to our condensed consolidated financial statements.

**Derivative instruments:**

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

Copper Hedges:

In 2011, we entered into copper zero cost collar derivative contracts to reduce price volatility and to protect a portion of our sales value for the first quarter 2012. These transactions meet the requirements of hedge accounting. There were no realized gains and losses from these transactions.

As of March 31, 2013, we do not hold copper derivative contracts.

**Short-term Investment:**

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

	March 31, 2013	December 31, 2012
Trading securities	\$ 198.0	\$ 127.8
Weighted average interest rate	1.43%	1.87%
Available for sale	\$ 6.5	\$ 6.5
Weighted average interest rate	0.44%	0.43%
Total	\$ 204.5	\$ 134.3

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



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Available for sale investments consist of securities issued by public companies. Each security is independent of the others and, as of March 31, 2013, included corporate bonds and asset and mortgage backed obligations. As of March 31, 2013 and December 31, 2012, gross unrealized gains and losses on available for sale securities were not material.

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

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

	First quarter ended	
	March 31,	
	2013	2012
<b>Trading:</b>		
Interest earned	\$ 0.6	\$ 0.8
Unrealized loss	\$ 1.1	\$ 5.0
<b>Available for sale:</b>		
Interest earned	(*)	(*)
Investment redeemed	\$	\$ 0.3

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(\*) Less than \$0.1 million.

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Cautionary Statement:

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

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Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2013, the Company conducted an evaluation under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness and the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective as of March 31, 2013, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is:

1. recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and
2. accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended March 31, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of Southern Copper Corporation and subsidiaries (the Company) as of March 31, 2013, and the related condensed consolidated statements of earnings, comprehensive income and cash flows for the three-month periods ended March 31, 2013 and 2012. These interim financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Southern Copper Corporation and subsidiaries as of December 31, 2012, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2012 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Galaz, Yamazaki, Ruiz Urquiza S.C.  
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Arturo Vargas Arellano  
Mexico City, Mexico  
April 30, 2013

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PART II OTHER INFORMATION

Item 1. Legal Proceedings:

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

Item 1A. Risk Factors:

There have been no material changes to our risk factors during the three months ended March 31, 2013. For additional information on risk factors, refer to Risk Factors included in Part I, Item 1A of our Annual report on Form 10-K for the year ended December 31, 2012 filed with the SEC on February 27, 2013.

Item 4.- Mine Safety Disclosures

Not applicable

Item 6. Exhibits

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
3.1	(a) Amended and Restated Certificate of Incorporation, filed on October 11, 2005. (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the third quarter of 2005 and incorporated herein by reference). (b) Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 2, 2006. (Filed as Exhibit 3.1 to Registration Statement on Form S-4, File No. 333-135170) filed on June 20, 2006 and incorporated herein by reference). (c) Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 28, 2008. (Filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the second quarter of 2008 and incorporated herein by reference).
3.2	By-Laws, as last amended on January 27, 2011. (Filed as Exhibit 3.2 to the Company's 2010 Annual Report on Form 10-K incorporated herein by reference).
4.1	Indenture governing \$200 million 6.375% Notes due 2015, by and among Southern Copper Corporation, The Bank of New York and the Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on August 1, 2005 and incorporated by reference).
4.2	

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(a) Indenture governing \$600 million 7.500% Notes due 2035, by and among Southern Copper Corporation, the Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on August 1, 2005) and incorporated herein by reference). (b) Indenture governing \$400 million 7.500% Notes due 2035, by and among Southern Copper Corporation, The Bank of New York, The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference).

- 4.3 Form of 6.375% Note (included in Exhibit 4.1).
- 4.4 Form of New 7.500% Note (included in Exhibit 4.2(a)).
- 4.5 Form of New 7.500% Note (included in Exhibit 4.2(b)).
- 4.6 Indenture, dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which \$400 million of 5.375% Notes due 2020 and \$1.1 billion of 6.750% Notes due 2040 were issued (Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
- 4.7 First Supplemental Indenture dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.375% Notes due 2020 were issued (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
- 4.8 Second Supplemental Indenture, dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 6.750% Notes due 2040 were issued. (Filed

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as an Exhibit to the Company's Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).

4.9	Form of 5.375% Notes due 2020 (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.10	Form of 6.750% Notes due 2040 (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.11	Third Supplemental Indenture, dated as of November 8, 2012, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 3.500% Notes due 2022 were issued.
4.12	Fourth Supplemental Indenture, dated as of November 8, 2012, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.250% Notes due 2042 were issued.
4.13	Form of 3.500% Notes due 2022.
4.14	Form of 5.250% Notes due 2042.
10.2	Form of Directors' Stock Award Plan of the Company (Filed as Exhibit 10.4 to the Company's 2005 Annual Report on Form 10-K/A incorporated herein by reference).
10.3	Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A.B. de C. V., assigned upon the same terms and conditions to Grupo Mexico S.A.B. de C.V. in February 2004 (Filed as Exhibit 10.10 to the Company's 2002 Annual Report on Form 10-K and incorporated herein by reference).
10.4	Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub., Inc, Americas Sales Company, Inc., Americas Mining Corporation and Minera Mexico S.A. de C.V., (Filed as an Exhibit to Current Report on Form 8-K filed on October 22, 2004 and incorporated herein by reference).
14.0	Code of Business Conduct and Ethics adopted by the Board of Directors on May 8, 2003 and amended on October 21, 2004. (Filed as Exhibit 14 to the Company's Current Report on Form 8-K filed October 22, 2004 and incorporated herein by reference).
15.0	Consent of Registered Public Accounting Firm (Galaz, Yamazaki, Ruiz Urquiza, S.C. - Member of Deloitte Touche Tohmatsu, Limited) (filed herewith).
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
101.INS	XBRL Instance Document (submitted electronically with this report).
101.SCH	XBRL Taxonomy Extension Schema Document (submitted electronically with this report).
101.CAL	XBRL Taxonomy Calculation Linkbase Document (submitted electronically with this report).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (submitted electronically with this report).
101.LAB	XBRL Taxonomy Label Linkbase Document (submitted electronically with this report).

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101.PRE XBRL Taxonomy Presentation Linkbase Document (submitted electronically with this report).

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statement of Earnings for the three months ended March 31, 2013 and 2012; (ii) the Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013 and 2012; (iii) the Condensed Consolidated Balance Sheet at March 31, 2013 and December 31, 2012; (iv) the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2013 and 2012; and (v) the Notes to Condensed Consolidated Financial Statements tagged in detail. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.



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PART II OTHER INFORMATION

SIGNATURES

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

SOUTHERN COPPER CORPORATION  
(Registrant)

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

April 30, 2013

/s/ Raul Jacob  
Raul Jacob  
Vice President, Finance and Chief Financial Officer

April 30, 2013

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SOUTHERN COPPER CORPORATION

List of Exhibits

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

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- 4.11 Third Supplemental Indenture dated as of November 8, 2012, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 3.500% Notes due 2022 were issued (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).
- 4.12 Fourth Supplemental Indenture, dated as of November 8, 2012, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.250% Notes due 2042 were issued. (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).

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- 4.13 Form of 3.500% Notes due 2022. (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).
- 4.14 Form of 5.250% Notes due 2042. (Filed as an Exhibit to the Company's Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).
- 10.2 Form of Directors' Stock Award Plan of the Company (Filed as Exhibit 10.4 to the Company's 2005 Annual Report on Form 10-K/A incorporated herein by reference).
- 10.3 Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A.B. de C. V., assigned upon the same terms and conditions to Grupo Mexico S.A.B. de C.V. in February 2004 (Filed as Exhibit 10.10 to the Company's 2002 Annual Report on Form 10-K and incorporated herein by reference).
- 10.4 Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub., Inc, Americas Sales Company, Inc., Americas Mining Corporation and Minera Mexico S.A. de C.V., (Filed as an Exhibit to Current Report on Form 8-K filed on October 22, 2004 and incorporated herein by reference).
- 14.0 Code of Business Conduct and Ethics adopted by the Board of Directors on May 8, 2003 and amended on October 21, 2004. (Filed as Exhibit 14 to the Company's Current Report on Form 8-K filed October 22, 2004 and incorporated herein by reference).
- 15.0 Consent of Registered Public Accounting Firm (Galaz, Yamazaki, Ruiz Urquiza, S.C. - Member of Deloitte Touche Tohmatsu, Limited) (filed herewith).
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- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
- 32.2 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
- 101.INS XBRL Instance Document (submitted electronically with this report).
- 101.SCH XBRL Taxonomy Extension Schema Document (submitted electronically with this report).
- 101.CAL XBRL Taxonomy Calculation Linkbase Document (submitted electronically with this report).
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document (submitted electronically with this report).
- 101.LAB XBRL Taxonomy Label Linkbase Document (submitted electronically with this report).
- 101.PRE XBRL Taxonomy Presentation Linkbase Document (submitted electronically with this report).

Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statement of Earnings for the three months ended March 31, 2013 and 2012; (ii) the Condensed Consolidated Statement of Comprehensive Income for the three months ended March 31, 2013 and 2012; (iii) the Condensed Consolidated Balance Sheet at March 31, 2013 and December 31, 2012; (iv) the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2013 and 2012; and (v) the Notes to Condensed Consolidated Financial Statements tagged in detail. Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

