SOUTHERN COPPER CORP/
Form 10-Q
August 03, 2012
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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: June 30, 2012

or

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

For the transition period from to

Commission File Number: 1-14066

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

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

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

1440 East Missouri Avenue, Suite C-175, Phoenix, AZ.

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

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

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

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

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

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

As of July 31, 2012 there were outstanding 848,844,400 shares of Southern Copper Corporation common stock, par value $0.01 per share.

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Southern Copper Corporation (SCC)

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Exhibit 101	Financial statements for the three and six months ended June 30, 2012 Formatted in XBRL: (i) the Condensed Consolidated Statement of Earnings, (ii) the Condensed Consolidated Statement of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheet, (iv) the Condensed Consolidated Statement of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements, tagged in detail.	Submitted electronically with this report

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands, except per share amounts)			
Net sales (including sales to related parties, see note 8)	$ 1,659,876	$ 1,801,498	$ 3,465,812	$ 3,403,517
Operating costs and expenses:				
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	667,876	695,977	1,389,803	1,432,837
Selling, general and administrative	25,362	25,744	50,793	50,316
Depreciation, amortization and depletion	78,428	72,898	155,372	143,542
Exploration	12,600	8,147	21,325	15,365
Total operating costs and expenses	784,266	802,766	1,617,293	1,642,060
Operating income	875,610	998,732	1,848,519	1,761,457
Interest expense	(47,409)	(48,297)	(94,584)	(95,861)
Capitalized interest	3,201	1,357	6,062	2,293
Gain (loss) on short-term investment	(352)		5,483	
Gain on sale of investment	18,200		18,200	
Other income	476	6,728	1,876	6,148
Interest income	3,563	3,534	7,410	6,245
Income before income taxes	853,289	962,054	1,792,966	1,680,282
Income taxes	309,973	301,935	628,742	540,016
Net income before equity earnings of affiliate	543,316	660,119	1,164,224	1,140,266
Equity earnings of affiliate	22,020		24,674	
Net income	565,336	660,119	1,188,898	1,140,266
Less: Net income attributable to the non-controlling interest	1,789	2,082	3,921	3,853
Net income attributable to SCC	$ 563,547	$ 658,037	$ 1,184,977	$ 1,136,413

Per common share amounts attributable to SCC:				
Net income - basic and diluted	$ 0.66	$ 0.77	$ 1.40	$ 1.32
Dividends paid	$ 0.53	$ 0.55	$ 1.07	$ 1.13
Weighted average common shares outstanding - basic and diluted	849,461	857,493	849,720	858,241

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Net income	$ 565,336	$ 660,119	$ 1,188,898	$ 1,140,266
Other comprehensive income (loss) net of tax:				
Derivative instruments classified as cash flow hedge:				
Decrease in accumulated unrealized loss (gain) in the period		18,049	(5,447)	61,829
Add:				
Reclassification adjustment for losses included in net income		5,264		27,211
Unrealized loss on derivative instruments classified as cash flow hedges		23,313	(5 ,447)	89,040
Total comprehensive income	$ 565,336	$ 683,432	$ 1,183,451	$ 1,229,306
Comprehensive income attributable to the non-controlling interest	$ 1,789	$ 2,155	$ 3,964	$ 4,104
Comprehensive income attributable to SCC	$ 563,547	$ 681,277	$ 1,179,487	$ 1,225,202

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

	June 30, 2012	December 31, 2011
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,079,371	$ 848,118
Short-term investments	373,756	521,955
Accounts receivable trade	618,601	695,104
Accounts receivable other (including related parties 2012 - $2,455 and 2011 - $1,988)	201,920	188,477
Inventories	625,567	651,896
Deferred income tax	89,874	88,797
Other current assets	82,563	107,156
Total current assets	3,071,652	3,101,503
Property, net	4,666,183	4,419,885
Leachable material, net	182,214	122,985
Intangible assets, net	109,852	110,436
Deferred income tax	158,027	145,251
Other assets	185,167	162,641
Total assets	$ 8,373,095	$ 8,062,701
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable (including related parties 2012 -$7,557 and 2011 - $4,392)	384,853	443,132
Accrued income taxes	80,161	182,491
Deferred income tax	39,860	39,860
Accrued workers participation	152,746	245,139
Accrued interest	59,130	59,906
Other accrued liabilities	31,627	12,349
Total current liabilities	758,377	992,877
Long-term debt	2,731,040	2,735,732
Deferred income taxes	129,962	125,191
Non-current taxes payable	66,982	66,982
Other liabilities and reserves	46,718	43,665
Asset retirement obligation	63,693	61,971
Total non-current liabilities	3,038,395	3,033,541
Commitments and contingencies (Note 10)		
STOCKHOLDERS EQUITY		
Common stock	8,846	8,846
Additional paid-in capital	1,195,969	1,039,382
Retained earnings	4,130,282	3,852,054

Accumulated other comprehensive income		7,427		12,874
Treasury stock, at cost, common shares		(789,223)		(897,852)
Total Southern Copper Corporation stockholders equity		4,553,301		4,015,304
Non-controlling interest		23,022		20,979
Total equity		4,576,323		4,036,283
Total liabilities and equity	$	8,373,095	$	8,062,701

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

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

	3 Months Ended June 30,		6 Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
OPERATING ACTIVITIES				
Net income	$ 565,336	$ 660,119	$ 1,188,898	$ 1,140,266
Adjustments to reconcile net earnings to net cash provided from operating activities:				
Depreciation, amortization and depletion	78,428	72,898	155,372	143,542
Equity earnings of affiliate, net of dividends received	(16,939)		(16,939)	
Loss (income) on currency translation effect	(14,191)	(2,526)	(6,660)	5,653
Provision (benefit) for deferred income taxes	31,817	21,241	19,308	(16,502)
Gain on sale of investment	(18,200)		(18,200)	
Gain on sale of property	(1,058)	(6,410)	(1,058)	(6,410)
Cash provided from (used for) operating assets and liabilities:				
Accounts receivable	4,013	(206,335)	63,060	(131,961)
Inventories	(44,712)	19,554	(32,900)	(68,448)
Accounts payable and accrued liabilities	(199,645)	(416,958)	(234,500)	(441,212)
Other operating assets and liabilities	(7,782)	61,131	(18,907)	92,858
Net cash provided from operating activities	377,067	202,714	1,097,474	717,786
INVESTING ACTIVITIES				
Capital expenditures	(230,303)	(110,655)	(407,720)	(183,644)
Proceeds from (purchase of) short-term investments, net	(146,495)	(4,734)	148,199	(149,363)
Payments to development stage properties accounted for as equity method investments		(4,593)		(15,911)
Sale of investment	18,200		18,200	
Sale of property	5,182	8,132	5,280	8,855
Net cash used for investing activities	(353,416)	(111,850)	(236,041)	(340,063)
FINANCING ACTIVITIES				
Debt repaid	(5,000)	(5,000)	(5,000)	(10,250)
Dividends paid to common stockholders	(450,349)	(476,000)	(610,160)	(969,004)
Distributions to non-controlling interest	(1,248)	(1,412)	(1,720)	(3,605)
Repurchase of common shares	(33,184)	(148,068)	(33,184)	(148,068)
Other	451	714	604	(504)
Net cash used for financing activities	(489,330)	(629,766)	(649,460)	(1,131,431)
Effect of exchange rate changes on cash and cash equivalents	26,869	19,446	19,280	14,872
Increase (decrease) in cash and cash equivalents	(438,810)	(519,456)	231,253	(738,836)
Cash and cash equivalents, at beginning of period	1,518,181	1,973,297	848,118	2,192,677
Cash and cash equivalents, at end of period	$ 1,079,371	$ 1,453,841	$ 1,079,371	$ 1,453,841

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 June 30, 2012 and the results of operations, comprehensive income and cash flows for the three and six months ended June 30, 2012 and 2011. The results of operations for the three and six months ended June 30, 2012 and 2011 are not necessarily indicative of the results to be expected for the full year. The December 31, 2011 balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (U.S. GAAP). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2011 and notes included in the Company s 2011 annual report on Form 10-K.

NOTE 2 SHORT-TERM INVESTMENTS:

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

	At June 30, 2012	At December 31, 2011
Trading securities	$ 367.3	$ 514.6
Weighted average interest rate	1.01%	1.37%
Available for sale	$ 6.4	$ 7.3
Weighted average interest rate	0.54%	0.58%
Total	$ 373.7	$ 521.9

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

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Trading securities:				
Interest earned	$ 0.9	$ 1.0	$ 1.6	$ 1.4
Unrealized gain (loss)	0.1	(3.3)	5.1	(0.9)
Available for sale:				
Interest earned	(*)	(*)	(*)	(*)
Investment redeemed	$ 0.9	$ 0.4	$ 1.2	$ 0.8

(*) Less than $0.1 million

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NOTE 3 - INVENTORIES:

Inventories were as follows:

(in millions)	At June 30, 2012	At December 31, 2011
Inventory, current:		
Metals at lower of average cost or market:		
Finished goods	$ 110.8	$ 93.3
Work-in-process	230.5	296.1
Supplies at average cost	284.3	262.5
Total current inventory	$ 625.6	$ 651.9
Inventory, long-term		
Long-term leach stockpiles	$ 182.2	$ 123.0

During the six months ended June 30, 2012 and 2011 total leaching costs capitalized as long-term inventory of leachable material amounted to $101.2 million and $54.1 million, respectively. Long-term leaching inventories recognized as cost of sales amounted to $35.3 million and $23.6 million for the six months ended June 30, 2012 and 2011, respectively.

NOTE 4 INCOME TAXES:

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

	2012	2011
Income tax provision	$ 628.7	$ 540.0
Effective income tax rate	35.1%	32.1%

These provisions include income taxes for Peru, Mexico and the United States. The increase in the effective tax rate in the first six months of 2012 from the tax rate in the 2011 period is principally caused by the new special mining tax in Peru, see below, and by the increase in dividends remitted from Mexico in 2012, which required a supplemental provision for U.S. income tax.

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 filer.

Special Mining Tax

In September 2011, the Peruvian government enacted a new tax for the mining industry. This tax is based on operating income and its rate ranges from 2% to 8.4%. It begins at 2% for the first 10% of operating income and for each additional 5% of operating income is increased by 0.4% until 85% of operating income is reached. The Company has accrued $28.4 million for the special mining tax and is included as part of the income tax provision for the first six months of 2012.

Accounting for Uncertainty in Income Taxes:

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

NOTE 5 PROVISIONALLY PRICED SALES:

At June 30, 2012, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the June 30, 2012 market price per pound. These sales are subject to final pricing based on the average monthly

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London Metal Exchange (LME) or New York Commodities Exchange (COMEX) copper prices and Dealer Oxide molybdenum prices in the future month of settlement.

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

Copper (million lbs.)		Priced at (per pound)	Month of Settlement
26.2	$	3.491	July 2012
21.6		3.490	August 2012
47.8	$	3.491	

Molybdenum (million lbs.)		Priced at (per pound)	Month of Settlement
3.4	$	13.13	July 2012
3.4		13.13	August 2012
2.2		13.13	September 2012
9.0	$	13.13	

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 of its sales revenues. To comply with these objectives the Company, from time to time, enters into commodity price derivatives, interest rate derivatives, exchange rate derivatives and other instruments. The Company does not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing the Company to market risk.

Copper hedges:

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

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

	Second quarter		First six months	
	2012	2011	2012	2011
Zero cost collar contracts:				
Pounds (in millions)		105.8	46.3	211.6
Average LME cap price	$	4.84	$ 5.18	$ 4.84
Average LME floor price	$	3.02	$ 3.50	$ 3.02
Swap contracts:				
Pounds (in millions)		112.4		232.0
Weighted average COMEX price	$	4.08		$ 4.08
Realized loss on copper derivatives (in millions)	$	8.6		$ 44.3

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

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

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

NOTE 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 the Company is required to provide annual guarantees of $2.6 million over a 34 year period to furnish the funds for the asset retirement obligation. In the near-term future the Company has pledged the value of its Lima office complex as support for this obligation. The accepted value of the Lima office building, for this purpose, is $17 million. The closure cost recognized for this liability includes the cost, as outlined in its closure plans, of dismantling the Toquepala and Cuajone concentrators, the smelter and refinery in Ilo, and the shops and auxiliary facilities at the three units, including the Ilo marine trestle.

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

	2012	2011
Balance as of January 1	$ 62.0	$ 59.1
Changes in estimates		
Additions		
Accretion expense	1.7	1.7
Balance as of June 30,	$ 63.7	$ 60.8

NOTE 8 RELATED PARTY TRANSACTIONS:

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

	As of	
	June 30, 2012	December 31, 2011
Affiliate receivable:		
Grupo Mexico, S.A.B de C.V. (Grupo Mexico) and affiliates	$ 0.8	$ 0.7

Asarco LLC (Asarco)				0.2
Compania Perforadora Mexico, S.A.P.I. de C.V.		0.3		0.1
Mexico Proyectos y Desarrollos, S.A de C.V. and affiliates		1.3		1.0
	$	2.4	$	2.0
Affiliate payable:				
Grupo Mexico and affiliates	$	4.5	$	2.0
Asarco		1.0		
Higher Technology S.A.C.		0.5		0.1
Breaker S.A. de C.V		0.2		0.2
Exploraciones Mineras del Peru S.A.C.				0.3
Mexico Transportes Aereos, S.A. de C.V. (Mextransport)		0.4		0.5
Ferrocarril Mexicano, S.A. de C.V.		1.0		1.3
	$	7.6	$	4.4

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders or their affiliates. These transactions include the lease of office space, air transportation and construction services and products and services related to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest and are subject to review and approval by senior management, as are all related party transactions. It is the Company s policy that the Audit Committee of the Board of

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Directors shall review all related party transactions. The Company is prohibited from entering or continuing a material related party transaction that has not been reviewed and approved or ratified by the Audit Committee.

Purchase Activity:

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

	Six months ended June 30,	
	2012	**2011**
Grupo Mexico and affiliates:		
Grupo Mexico Servicios, S.A de C.V	$ 6.9	$ 7.0
Asarco	16.4	7.7
Ferrocarril Mexicano, S.A de C.V.	7.4	4.1
Compania Perforadora Mexico, S.A.P.I. de C.V and affiliates	1.1	0.4
Consorcio Tricobre		0.5
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	24.8	15.9
Other Larrea family companies:		
Mexico Compania de Productos Automotrices, S.A. de C.V.		0.2
Mextransport	1.5	1.3
Companies with relationships to SCC executive officers families:		
Higher Technology S.A.C.	1.5	0.9
Servicios y Fabricaciones Mecanicas S.A.C.	0.1	0.2
Sempertrans France Belting Technology		0.2
PIGOBA, S.A. de C.V.	0.1	0.1
Breaker, S.A. de C.V.	1.2	2.9
Total purchased	$ 61.0	$ 41.4

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

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

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

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

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

	Loan Open
Original loan balance (in millions)	$8.5
Maturity	August 2013
Interest rate	Libor + 0.15%
Remaining balance at June 30, 2012 (in millions)	$1.9

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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.

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, a subsidiary of Grupo Mexico, and from Mextransport, a company of the Larrea family.

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

	3 Months Ended June 30,		6 Months Ended June 30,	
	2012	2011	2012	2011
Asarco	$ 0.4	$ 34.6	$ 11.4	$ 52.5
Mexico Proyectos y Desarrollos, S.A. de C.V.	0.1		0.2	
Mextransport	0.1		0.8	
Total	$ 0.6	$ 34.6	$ 12.4	$ 52.5

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

NOTE 9- BENEFIT PLANS:

SCC Defined Benefit Pension Plans

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

	2012	2011
Interest cost	$ 0.3	$ 0.3
Expected return on plan assets	(0.4)	(0.3)
Amortization of net loss (gain)	0.1	(*)
Net periodic benefit costs	$ (*)	$ (*)

(*) amount is lower than $0.1 million

SCC Post-retirement Health Care Plan

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

Minera Mexico Pension Plans

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

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	2012	2011
Interest cost	$ 0.3	$ 0.3
Service cost	0.5	0.5
Expected return on plan assets	(1.4)	(1.7)
Amortization of transition assets, net	(*)	(*)
Amortization of net actuarial loss	(0.4)	(0.8)
Amortization of prior services cost	(*)	(*)
Net periodic benefit cost	$ (1.0)	$ (1.7)

(*) amount is lower than $0.1 million

Minera Mexico Post-retirement Health Care Plan

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

	2012	2011
Interest cost	$ 0.7	$ 1.9
Service cost	(*)	(*)
Amortization of net loss (gain)	(0.2)	(*)
Amortization of transition obligation	(*)	0.8
Net periodic benefit cost	$ 0.5	$ 2.7

(*) 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 six months ended June 30, 2012 and 2011 were as follows (in millions):

	2012	2011
Peruvian operations	$ 2.1	$ 1.1
Mexican operations	10.7	3.7
	$ 12.8	$ 4.8

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

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

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

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

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

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

In March 2010, the Company announced to the Mexican federal environmental authorities the closure of the copper smelter plant at San Luis Potosi. The Company has initiated a program for plant demolition and soil remediation with a budget of $35.7 million, of which the Company has spent $28.2 million through June 30, 2012. The program is expected to be completed by the end of 2013. The Company expects that once the site is remediated, the Company will be able to promote an urban development to generate a net gain on the disposal of the property.

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

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

Litigation matters:

Peruvian operations

Garcia Ataucuri and Others against SCC s Peruvian Branch:

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

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

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

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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.

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

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

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

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

answered the complaints and denied the validity of the claims.

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

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

In August 2009, a lawsuit was filed against SCC s Branch by the former stockholders of Excomet. The plaintiffs allege that the acquisition of Excomet s shares by the Branch is null and void because the $2 million purchase price paid by the Branch for the shares of Excomet was not fairly negotiated by the plaintiffs and the Branch. In 2005, the Branch acquired the shares of Excomet

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after lengthy negotiations with the plaintiffs, and after the plaintiffs, which were all of the stockholders of Excomet, approved the transaction in a general stockholders meeting. Excomet was at the time owner of a mining concession which forms part of the Tia Maria project. In October 2011, the civil court dismissed the case on the grounds that the claim had been barred by the statute of limitations. The plaintiff has appealed this decision before the superior court. At June 30, 2012, resolution of the appeal was pending.

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

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

The plaintiff alleges that the sale of the mining concession Virgen Maria to Excomet is null and void because the persons who attended the shareholders meeting of SMRL Virgen Maria, at which the purchase was agreed upon, were not the real owners of the shares. The plaintiff is also pursuing the nullity of all the subsequent acts regarding the mining property (acquisition of the shares of Excomet by SCC s Branch, noted above, and the sale of the concession to SCC s Branch by Excomet). On October, 2011, the civil court dismissed the case on the grounds that the claim had been barred by the statute of limitations. The plaintiff has appealed this decision before the superior court. At June 30, 2012, resolution of the appeal was pending.

Omar Nunez Melgar:

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

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

Mexican Operations

Pasta de Conchos Accident:

On February 19, 2010, three widows of miners, who perished in the 2006 Pasta de Conchos accident, filed a complaint for damages in the United States District Court for the District of Arizona against the defendants, Grupo Mexico, AMC and SCC. The plaintiffs allege that the

defendants purported failure to maintain a safe working environment at the mine amounted to a violation of several laws and treaties. The Company considers that the court does not have subject-matter jurisdiction over the plaintiffs claims and will defend itself vigorously. On April 13, 2010, the Company filed a motion to dismiss the plaintiffs complaint. On March 29, 2011, the District Court for the District of Arizona dismissed the case for lack of subject-matter jurisdiction. On April 5, 2011, the plaintiffs filed a notice of appeal in this case. At June 30, 2012, resolution of the appeal was pending.

Labor matters:

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

The San Martin and Taxco mines in Mexico have been on strike since July 2007. On December 10, 2009, a federal court confirmed the legality of the San Martin strike. In order to recover the control of the San Martin mine and resume operations, on January 27, 2011, the Company filed a court petition requesting that the court establish the Company s responsibility for the strike and that it define the termination payment for each unionized worker. The court denied the petition alleging that according to Federal labor law, the union was the legitimate party to file the petition. On appeal by the Company, on May 13, 2011, the Mexican federal tribunal accepted the petition of the Company. In July 2011, the union appealed the favorable court decision before the Supreme Court. At June 30, 2012, resolution of the appeal was pending.

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

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ruling was based upon the resistance of the mining union to allow the Company to search for reserves at the Taxco mine. If sustained, this ruling will also have the effect of terminating the protracted strike at the Taxco unit. The mining union appealed the labor court ruling before a federal court. In September 2011, the federal court accepted the union s appeal and requested that the federal labor court review the procedure and to take into account all the evidence to issue a new resolution. On January 3, 2012, the federal labor court again issued a new resolution, approving the termination of the collective bargaining agreement and all the individual labor contracts of the workers affiliated with the Mexican mining union at the Taxco mine. On January 25, 2012, the mining union appealed the resolution before the federal court. On June 14, 2012, the federal court accepted the union s appeal and requested the federal labor court to issue a new resolution, taking into account all evidence submitted by the parties.

Other legal matters:

Class actions:

Lemon Bay, LLP v. Americas Mining Corporation (AMC), et al.:

Three purported class action derivative lawsuits were filed in the Delaware Court of Chancery (New Castle County) late in December 2004 and early January 2005 relating to the proposed merger transaction between the Company and Minera Mexico, S.A. de C.V. (the Transaction), which was completed effective April 1, 2005. On January 31, 2005, the three actions - Lemon Bay, LLP v. AMC, et al., Civil Action No. 961-N, Therault Trust v. Luis Palomino Bonilla, et al., and Southern Peru Copper Corporation et al., Civil Action No. 969-N, and James Sousa v. Southern Peru Copper Corporation, et al., Civil Action No. 978-N were consolidated into one action, captioned, In re Southern Peru Copper Corporation Shareholder Derivative Litigation, Consol. Civil Action No. 961-N; the complaint filed by Lemon Bay was designated as the operative complaint in the consolidated lawsuit. The consolidated action purports to be brought on behalf of the Company and its common stockholders; the defendants in the consolidated action are AMC, German Larrea Mota-Velasco, Genaro Larrea Mota-Velasco, Oscar Gonzalez Rocha, Emilio Carrillo Gamboa, Jaime Fernando Collazo Gonzalez, Xavier Garcia de Quevedo Topete, Armando Ortega Gomez and Juan Rebolledo Gout (together, the AMC Defendants), Carlos Ruiz Sacristan, Harold S. Handelsman, Gilberto Perezalonso Cifuentes, and Luis Miguel Palomino Bonilla (together, the Special Committee Defendants).

The consolidated complaint alleges, among other things, that the Transaction was the result of breaches of fiduciary duties by the Company s directors and was not entirely fair to the Company and its minority stockholders. On December 21, 2010, the Court dismissed the Special Committee Defendants from the action.

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

On January 20, 2012, the AMC defendants appealed the Court s decisions. On the same date, SCC appealed the Court s decision related to the award of attorneys fees and expenses. On May 3, 2012, the Court accepted the security provided by AMC and granted a stay of the judgment pending final resolution of the appeal.

Oklahoma Firefighters Pension & Retirement System et al. v. SCC:

Four purported class action derivative lawsuits filed in the Delaware Court of Chancery (Oklahoma Firefighters Pension & Retirement System et al. v. SCC et al., Gary Martin et al. v. SCC et al., Thomas Griffin et al. v. SCC et al., and Sheet Metal Workers Pension Plan of Northern California et al. v. SCC et al.) from August 2010 to October 2010 relating to the proposed combination of the Company with AMC, the parent company of Asarco, have been dismissed in light of AMC s October 28, 2011 announcement that it had withdrawn the proposed transaction to combine the Company with AMC.

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

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the Company cannot assure you that these or future claims, if successful, will not have an adverse effect on Grupo Mexico, AMC or the Company.

Other Contingencies:

Tia Maria:

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

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

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

In view of the suspension of this project, the Company has reviewed the carrying value of this asset to ascertain whether impairment exists. Total spending on the project, through June 30, 2012, is $485.8 million. As the project is currently on hold, some of the equipment has been transferred to other Company operations in Mexico and Peru. Should the Tia Maria project not be restarted, the Company is confident that most of the project equipment will continue to be used productively, through reassignment to other mine locations operated by the Company. At June 30, 2012, equipment transferred to other Company operations totaled $175.8 million. The Company believes that an impairment loss, if any, will not be material.

Other commitments:

Power purchase agreement

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

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

Tax contingency matters:

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

NOTE 11 SEGMENT AND RELATED INFORMATION:

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

The three reportable segments identified are groups of mines, each of which constitute an operating segment, with similar economic characteristics, type of products, processes and support facilities, similar regulatory environments, similar employee

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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 June 30, 2012 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 819.8	$ 94.1	$ 746.0		$ 1,659.9
Intersegment sales		37.7		$ (37.7)	
Cost of sales (exclusive of depreciation, amortization and depletion)	312.1	69.8	332.7	(46.7)	667.9
Selling, general and administrative	8.4	3.6	12.1	1.3	25.4
Depreciation, amortization and depletion	35.7	6.3	39.0	(2.6)	78.4
Exploration	2.5	6.7	3.4		12.6
Operating income	$ 461.1	$ 45.4	$ 358.8	$ 10.3	875.6
Less:					
Interest, net					(40.6)
Loss on short term investment					(0.4)
Gain on sale of investment					18.2
Other income (expense)					0.5
Income taxes					(310.0)
Equity earnings of affiliate					22.0
Non-controlling interest					(1.8)
Net income attributable to SCC					$ 563.5
Capital expenditure	$ 268.2	$ 13.7	$ 60.2	$ (111.8)	$ 230.3
Property, net	$ 2,049.5	$ 334.4	$ 2,118.8	$ 163.5	$ 4,666.2
Total assets	$ 3,704.0	$ 770.8	$ 3,116.1	$ 782.2	$ 8,373.1

	Three Months Ended June 30, 2011 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 900.8	$ 108.0	$ 792.7		$ 1,801.5
Intersegment sales		35.5		$ (35.5)	
	296.5	76.0	362.8	(39.3)	696.0

Cost of sales (exclusive of depreciation, amortization and depletion)										
Selling, general and administrative		8.6		3.7		11.8		1.7		25.8
Depreciation, amortization and depletion		32.8		5.9		34.8		(0.6)		72.9
Exploration		0.8		4.8		2.5				8.1
Operating income	$	562.1	$	53.1	$	380.8	$	2.7		998.7
Less:										
Interest, net										(43.4)
Other income (expense)										6.7
Income taxes										(301.9)
Non-controlling interest										(2.1)
Net income attributable to SCC									$	658.0
Capital expenditure	$	61.5	$	8.5	$	40.7	$		$	110.7
Property, net	$	1,627.8	$	301.6	$	2,150.3	$	50.4	$	4,130.1
Total assets	$	2,892.8	$	744.0	$	2,844.7	$	1,312.6	$	7,794.1

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	Six Months Ended June 30, 2012 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 1,698.6	$ 194.7	$ 1,572.5		$ 3,465.8
Intersegment sales		75.4		$ (75.4)	
Cost of sales (exclusive of depreciation, amortization and depletion)	631.7	145.4	691.9	(79.2)	1,389.8
Selling, general and administrative	17.1	7.2	24.6	2.0	50.9
Depreciation, amortization and depletion	69.3	12.6	78.0	(4.6)	155.3
Exploration	3.2	12.9	5.2		21.3
Operating income	$ 977.3	$ 92.0	$ 772.8	$ 6.4	1,848.5
Less:					
Interest, net					(81.1)
Gain on short term investment					5.4
Gain on sale of investment					18.2
Other income (expense)					1.9
Income taxes					(628.7)
Equity earnings of affiliate					24.7
Non-controlling interest					(3.9)
Net income attributable to SCC					$ 1,185.0
Capital expenditure	$ 403.3	$ 28.1	$ 88.1	$ (111.8)	$ 407.7
Property, net	$ 2,049.5	$ 334.4	$ 2,118.8	$ 163.5	$ 4,666.2
Total assets	$ 3,704.0	$ 770.8	$ 3,116.1	$ 782.2	$ 8,373.1

	Six Months Ended June 30, 2011 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 1,570.6	$ 219.1	$ 1,613.8		$ 3,403.5
Intersegment sales		66.9		$ (66.9)	
Cost of sales (exclusive of depreciation, amortization and depletion)	527.6	143.6	800.3	(38.7)	1,432.8
Selling, general and administrative	16.8	7.2	24.1	2.2	50.3
Depreciation, amortization and depletion	63.5	12.2	69.0	(1.2)	143.5
Exploration	1.4	8.6	5.3	0.1	15.4
Operating income	$ 961.3	$ 114.4	$ 715.1	$ (29.3)	1,761.5
Less:					
Interest, net					(87.3)
Other income (expense)					6.1
Income taxes					(540.0)
Non-controlling interest					(3.9)
Net income attributable to SCC					$ 1,136.4
Capital expenditure	$ 106.3	$ 16.4	$ 60.0	$ 0.9	$ 183.6
Property, net	$ 1,627.8	$ 301.6	$ 2,150.3	$ 50.4	$ 4,130.1
Total assets	$ 2,892.8	$ 744.0	$ 2,844.7	$ 1,312.6	$ 7,794.1

NOTE 12 STOCKHOLDERS´EQUITY:

Treasury Stock:

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

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	2012	2011
Southern Copper common shares		
Balance as of January 1,	$ 734.1	$ 461.0
Purchase of shares	33.2	148.0
Stock dividend	(151.4)	
Used for corporate purposes	(0.3)	(0.5)
Balance as of June 30,	615.6	608.5
Parent Company (Grupo Mexico) common shares		
Balance as of January 1,	163.7	161.7
Other activity, including dividend, interest and currency translation effect	9.9	14.3
Balance as of June 30,	173.6	176.0
Treasury stock balance as of June 30,	$ 789.2	$ 784.5

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

	2012	2011
Southern Copper common shares		
Directors Stock Award Plan	14,400	14,400
Parent Company (Grupo Mexico) common shares		
Employee stock purchase plan (shares in millions)	0.1	3.5

Southern Copper Common Shares:

At June 30, 2012 and 2011, there were in treasury 35,751,686 and 39,163,606 SCC s common shares, respectively.

SCC share repurchase program:

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

Period		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan @ $31.51	Total Cost ($ in millions)
From	To					
2008:						

08/11/08	12/31/08	28,510,150	$	13.49	28,510,150	$	384.7
2009:							
01/12/09	09/30/09	4,912,000		14.64	33,422,150		71.9
2010:							
05/05/10	10/14/10	15,600		29.69	33,437,750		0.5
2011:							
05/02/11	12/31/11	9,034,400		30.29	42,472,150		273.7
2012:							
04/10/12	04/23/12	278,486		30.23	42,750,636		8.4
05/30/12	05/31/12	500,000		28.57	43,250,636		14.3
06/01/12	06/30/12	370,000		28.33	43,620,636		10.5
Total second quarter		1,148,486		28.89			33.2
Total purchased		43,620,636	$	17.51	7,493,007	$	764.0

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As a result of this repurchase of shares of SCC s common stock, Grupo Mexico s direct and indirect ownership is 81% as of June 30, 2012.

Directors Stock Award Plan:

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

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

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

Parent Company common shares:

Employee Stock Purchase Plan:

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

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

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

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

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

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

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

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

	2012	2011
Stock based compensation expense	$ 1.1	$ 1.1
Unrecognized compensation expense	$ 5.3	$ 7.4

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

	Shares	Unit Weighted Average Grant Date Fair Value
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 June 30, 2012	7,143,834	$ 1.16
Outstanding shares at January 1, 2011	10,920,693	$ 1.16
Granted		
Exercised	(3,338,992)	1.16
Forfeited	(128,986)	1.16
Outstanding shares at June 30, 2011	7,452,715	$ 1.16

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

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

	2012	2011
Stock based compensation expense	$ 0.5	$ 0.3
Unrecognized compensation expense	$ 3.5	$ 4.0

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

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

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	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2012	3,807,146	$ 2.05
Granted		
Exercised	(646,065)	2.05
Forfeited	(72,863)	2.05
Outstanding shares at June 30, 2012	3,088,218	$ 2.05
Outstanding shares at January 1, 2011	3,901,901	$ 2.05
Granted		
Exercised		
Forfeited		
Outstanding shares at June 30, 2011	3,901,901	$ 2.05

NOTE 13 NON-CONTROLLING INTEREST:

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

	2012	2011
Balance as of January 1,	$ 21.0	$ 20.0
Net earnings	3.9	3.8
Dividend paid	(1.7)	(3.6)
Other	(0.2)	(0.2)
Balance as of June 30,	$ 23.0	$ 20.0

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).

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

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

	As of June 30, 2012		As of December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Long-term debt	$ 2,741.0	$ 3,091.2	$ 2,745.7	$ 2,974.9

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

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

		Fair Value at June 30, 2012 Using:				Fair Value at December 31, 2011 Using:			
Description	**Fair Value as of June 30, 2012**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair Value as of December 31, 2011**	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets:								
Short term investment:								
- Trading securities	$ 367.3	$ 367.3			$ 514.6	$ 514.6		
- Available for sale debt securities:								
Corporate bonds	0.4		$ 0.4		0.5		$ 0.5	
Asset backed obligations	0.1		0.1					
Mortgage backed securities	5.9		5.9		6.8		6.8	
Accounts receivable:								
-Derivatives Classified as cash flow hedges:								
Zero cost collar					8.9		8.9	
- Derivatives Not classified as hedges:								
Provisionally priced sales:								
Copper	166.8	166.8			221.5	221.5		
Molybdenum	117.9	117.9			138.1	138.1		
Total	$ 658.4	$ 652.0	$ 6.4	$	$ 890.4	$ 874.2	$ 16.2	$

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

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

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

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

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

NOTE 15 SUBSEQUENT EVENTS:

Dividends:

On July 26, 2012 the Board of Directors authorized a quarterly dividend of 24 cents per share payable on August 28, 2012 to SCC shareholders of record at the close of business on August 15, 2012.

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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, 2011.

EXECUTIVE OVERVIEW

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

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

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

- Changes in copper and molybdenum prices. The average LME copper price was $3.67 per pound in the first half of 2012 14% lower than in the first half of 2011. Average molybdenum, silver and zinc prices in the first half of 2012 also decreased 18%, 11% and 14%, respectively, over average prices in the first half of 2011.

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

- Metals market. During the first half of 2012 metal markets continued to be driven by negative macroeconomic events that affected consumer expectations, the most important ones being Europe s debt crisis, particularly the problems in Spain and Italy and the possibility of a slowdown of the Chinese economy. Even though we believe copper fundamentals are sound for 2012, demand has been repeatedly negatively influenced by the macro outlook for Europe and China.

At present we perceive a difference in the situations of the Asian markets and the developed markets. In China, several sources point to a growth in demand of approximately 7 to 8% for this year, which should give support to the copper market in the next few months. In the United States and Europe, although demand is weak, inventories are extremely tight and we see them increasing to more normal levels over the next 12 months, particularly in the United States.

Demand from emerging economies is also growing, somewhat offsetting the weaker consumption in the European and United States markets. Some analyst currently estimate that there will be a total refined copper demand growth of 3.5% for 2012. If we consider global copper demand of about 19.3 million tons, this would represent approximately 675,000 tons of additional refined copper demand. On the supply side, production has underperformed badly in 2011, due to labor unrest, power shortages, weather conditions and ore grade declines. We see these events continuing in 2012, constraining supply and maintaining tightness in the copper market.

Regarding molybdenum, our main by-product, even though we saw a 4% molybdenum demand growth in 2011, analysts estimate that the market still shows a 2.6% surplus supply of this metal. We expect that in 2012 the balance between supply and demand will decrease the current market surplus, thereby improving market prices in the near future. Molybdenum is mainly used for the production

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of special alloys of stainless steel that require significant hardness, corrosion and heat resistance. Another relatively new usage of this metal is in lubricants and sulfur filtering of heavy oils.

Regarding silver and zinc, we believe that silver prices will have strong support in the coming months due to its industrial uses as well as being perceived as a value shelter in times of economic uncertainty. In addition, we 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 stable zinc price.

- Production. We maintain our 2012 production guidance of 640,000 tons of copper, which includes 3% of copper purchased from third parties. We expect molybdenum production in 2012 to be about 17,200 tons, while zinc and silver production should be around the same level as 2011.

- Capital Expenditures. In the first half of 2012, we spent $407.7 million on capital expenditures and we will continue with our capital investment projects at the Buenavista mine, as well as at the Toquepala and Cuajone expansions. In addition, in the first half of 2012 we spent $21.3 million on our exploration programs.

Tantahuatay mine: This mine, in which we hold a 44.2% interest, is located in Cajamarca, in northern Peru. Production started in August 2011 and in the first six months of 2012 the mine produced 66,700 ounces of gold and 418,600 ounces of silver. In the first six months of 2012, we have recognized $24.7 million in earnings (see Equity earnings of affiliate , in our Statement of Earnings) for our share of the net income of the mine.

Peruvian Labor matters: Approximately 60% of the 4,328 Company s Peruvian workers were unionized at June 30, 2012, represented by eight separate unions. Three of these unions, one at each major production area, represent the majority of the Company s workers. Collective bargaining agreements with these unions will expire during 2012. The Company has started negotiations with some of these unions and expects that they will likely continue throughout the first quarter of 2013.

KEY MATTERS:

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

Net Income: Net income attributable to SCC in the first six months of 2012 was $1,185.0 million an increase of 4.3%, compared with the first six months of 2011. Net income represents 34% of total revenues. This increase was principally a result of an increase in our copper sales volume from increased production at our open pit mines, which offset the effect of the lower prices and resulted in an increase in sales revenues of 1.8%.

We continued showing our strong operating and financial position, which is reflected in an increase of 16% in copper production in the first six months of 2012, as well as increases in our main by-product production, molybdenum (+6%), silver (+14%) and zinc (+8%).

Additionally, we continue our focus on value creation and investing in our organic growth through expansion projects in Mexico and Peru, especially at the Buenavista mine in Mexico. We have spent $407.7 million in the first six months of 2012 on our capital projects and have committed approximately $300 million for mine equipment to support the Buenavista projects.

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

	3 months ended June 30,			6 months ended June 30,		
	2012	2011	Variance	2012	2011	Variance
Net sales (in millions)	$ 1,660	$ 1,801	$ (141)	$ 3,466	$ 3,404	$ 62
Net income attributable to SCC (in millions)	$ 564	$ 658	$ (94)	$ 1,185	$ 1,136	$ 49
Earnings per share	$ 0.66	$ 0.77	$ (0.11)	$ 1.40	$ 1.32	$ 0.08
Dividends per share	$ 0.53	$ 0.55	$ (0.02)	$ 1.07	$ 1.13	$ (0.06)
Average LME copper price	$ 3.57	$ 4.15	$ (0.58)	$ 3.67	$ 4.26	$ (0.59)
Pounds of copper sold (in millions)	356	333	23	716	620	96

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Production: Second quarter 2012 mined copper production was 10% higher than the second quarter of 2011. Molybdenum, silver and mined zinc in the second quarter of 2012 also increased 4%, 10% and 4% respectively, compared to the second quarter of 2011.

The tables below highlights key mine production data for our Company for the three and six months ended June 30, 2012 and 2011:

	Three months ended June 30,		Variance		Six months ended June 30,		Variance	
	2012	2011	Volume	%	2012	2011	Volume	%
Copper (in million pounds)	354.0	322.4	31.6	9.8%	691.1	596.2	94.9	15.9%
Molybdenum (in million pounds)	10.3	9.9	0.4	4.1%	20.5	19.3	1.2	6.1%
Zinc (in million pounds)	49.0	47.1	1.9	4.0%	98.8	91.2	7.6	8.4%
Silver (in million ounces)	3.5	3.2	0.3	9.9%	6.9	6.1	0.8	13.5%

Copper mined production in the second quarter of 2012 increased 9.8% as a result of higher production at our Cuajone, La Caridad and Buenavista mines, which increased their production by 30.6%, 13.3% and 5.3%, respectively, due to higher ore grades and recoveries.

Molybdenum production increased 4.1% in the second quarter of 2012 due to higher production at the Cuajone and La Caridad mines as a result of higher grade and recovery.

Silver mine production increased 9.9% in the second quarter of 2012, principally as a result of higher production at our Cuajone, Buenavista and La Caridad mines which increased production by 31%, 28% and 12.1%, respectively .

Zinc production increased 4% in the second quarter of 2012, mainly as a result of higher grades and recoveries, and production recovery at the Santa Eulalia mine after the flooding problems of prior years were resolved.

Operating Cash Costs: An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our operating cash cost per pound to the cost of sales (exclusive of depreciation, amortization and depletion) as presented in the condensed consolidated statement of earnings is presented under the subheading Non-GAAP Information Reconciliation on page 39.

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

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

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

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

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(dollars per pound)	Three Months Ended June 30, 2012	2011	Variance	Six Months Ended June 30, 2012	2011	Variance
Operating cash cost per pound of copper produced without by product revenues	$ 1.70	$ 1.74	$ (0.04)	$ 1.76	$ 1.75	$ 0.01
Add: by-product revenues	(1.11)	(1.31)	0.20	(1.20)	(1.36)	0.16
Operating cash cost per pound of copper produced	$ 0.59	$ 0.43	$ 0.16	$ 0.56	$ 0.39	$ 0.17

Our per pound operating cash cost without by-product revenues for the second quarter of 2012 was 4 cents lower than in the second quarter of 2011. This decrease was mainly due to the dilutive effect of higher production in the period. Production cost increased 8.9% while production increased 11.4%. The operating cash cost without by-product revenues for the six month period 2012 also reflects this dilutive effect and increased only 1 cent, compared with the same period of 2011.

Our per pound cash cost for the second quarter and first six months of 2012 when calculated with by-product revenues was 16 cents and 17 cents, respectively, higher than in the comparable periods of 2011. These increases were primarily due to lower by-product credits as a result of lower market prices of all our main by-products and also the dilutive effect resulting from dividing it by higher copper production volume, both partially offset by the higher production of our three main by-products.

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

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

	Copper	Molybdenum	Zinc	Silver
Change in metal prices (per pound, except silver per ounce)	$ 0.01	$ 1.00	$ 0.01	$ 1.00
Annual change in net income attributable to SCC (in millions)	$ 7.9	$ 23.2	$ 1.2	$ 9.0

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

Segment information is included in our review of Results of Operations and also in Note 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 and six month periods ended June 30, 2012 and 2011:

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Peru:				
Peruvian inflation rate	0.5%	0.8%	1.5%	2.3%
Nuevo sol/dollar devaluation / (appreciation) rate	0.1%	(2.0)%	(1.0)%	(2.1)%
Mexico:				
Mexican inflation rate	(0.2)%	(0.8)%	0.8%	0.3%
Peso/dollar devaluation / (appreciation) rate	6.3%	(1.1)%	(2.3)%	(4.2)%

Capital Investment and Exploration Programs: We made capital expenditures of $230.3 million and $407.7 million for the three and six months ended June 30, 2012, compared with $110.7 million and $183.6 million in the comparable periods of 2011, respectively. In general, the capital expenditures and projects described below are intended to increase production and/or decrease costs.

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

Peruvian Operations:

Toquepala projects: Through June 30, 2012, we have spent $212 million. These expenditures include a new crusher and a conveyor belt system to replace rail hauling and other costs, which will allow for future savings. Subject to obtaining the appropriate permits, the Toquepala expansion is scheduled to start production in the first quarter 2014. This project will increase annual production by 100,000 tons of copper and 3,100 tons of molybdenum.

Cuajone expansion: As of June 30, 2012, the Company has spent $113.0 million on two projects related to this unit s expansion: the Variable Cut Ore Grade project and the High Pressure Grinding Rolls (HPGR) project. Current production is showing the initial benefits of the variable cut project, which we anticipate will be at full capacity by the third quarter of 2013, adding 22,000 tons of copper and 700 tons of molybdenum to Cuajone s annual production.

Tailings disposal at Quebrada Honda: This project increases the height of the existing Quebrada Honda dam to impound future tailings from the Toquepala and Cuajone mills and will extend the expected life of this tailings facility by 25 years. The project has a total budgeted cost of $66.0 million, with $48.6 million expended through June 30, 2012.

Tia Maria project: We continue to work on a new EIA study that we anticipate will address recent government guidance on these studies and assist us to reach an agreement that is fair and mutually satisfactory to all parties. Please see Tia Maria in note 10 Commitments and contingencies Other contingencies.

Mexican operations:

Crushing, conveying and spreading system at Buenavista (Quebalix): Overall progress is 98% and this facility is expected to begin operating in September 2012. Through June 30, 2012, we have invested $71 million of the $77 million budgeted. This investment consists of a crushing, conveying and spreading system that improves the SXEW copper production by increasing recovery and reducing the required time to extract copper from mineral.

Molybdenum plant at Buenavista: The construction of a molybdenum plant for the current concentrator is at 48% of progress. This project has a budget of $38 million and is expected to begin operations in the first quarter of 2013. It will produce 2,000 tons of molybdenum contained in concentrate.

SXEW III at the Buenavista mine: The project is moving forward. Plant equipment from Tia Maria will allow us to increase the annual plant capacity from 88,000 tons to 120,000 tons. Basic engineering was modified by the supplier to include the construction of an additional conveyor line. Overall progress of the project at the end of June 2012 is 31%. We anticipate that the new plant with a total budget cost of $444 million should start operations in the first half of 2014.

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The Buenavista mining expansion project includes mine equipment acquisitions, a second molybdenum plant and a new concentrator with an estimated annual production capacity of 188,000 tons of copper and 2,600 tons of molybdenum. This project has a total capital budget of $1.4 billion and it is expected to begin operation by the first half of 2015. Regarding mine equipment, through June 30, 2012, we have committed $307 million in purchase orders for the acquisition of 5 shovels, 41 trucks, 5 drills and other mine equipment. Basic engineering for the new concentrator is completed; detailed engineering and equipment acquisition are moving forward as scheduled. The bidding process for the steel structure and earthmoving equipment was conducted. Overall progress of the project at June 30, 2012 is 22%.

Pilares project: On October 27, 2011, the Board of Directors approved the development of the second stage of the Pilares mine, with a budget of $136.3 million. In 2008, we acquired 100% ownership of Pilares, with the intention of operating it as an open pit facility. 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.

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

Potential projects:

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

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

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

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

Exploration:

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

Catanave: We are in the exploration stage for this gold project located in the highlands of Arica, in northern Chile, close to the Bolivian border. Depending on the results of the 2012 drilling program, we will define the next steps for this project.

ACCOUNTING ESTIMATES

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

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allowances for deferred tax assets, tax positions, fair value of financial instruments and inventory obsolescence. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	$ 1,659.9	$ 1,801.5	$ 3,465.8	$ 3,403.5
Operating costs and expenses	(784.3)	(802.8)	(1,617.3)	(1,642.0)
Operating income	875.6	998.7	1,848.5	1,761.5
Non-operating income (expense)	(22.3)	(36.7)	(55.6)	(81.2)
Income before income taxes	853.3	962.0	1,792.9	1,680.3
Income taxes	(310.0)	(301.9)	(628.7)	(540.0)
Equity earnings of affiliate	22.0		24.7	
Net income attributable to non-controlling interest	(1.8)	(2.1)	(3.9)	(3.9)
Net income attributable to SCC	$ 563.5	$ 658.0	$ 1,185.0	$ 1,136.4

Average Metal Prices:

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	2011	% Change	2012	2011	% Change
Copper ($ per pound LME)	$ 3.57	$ 4.15	(14.0)%	$ 3.67	$ 4.26	(13.8)%
Copper ($ per pound COMEX)	$ 3.55	$ 4.16	(14.7)%	$ 3.67	$ 4.27	(14.1)%
Molybdenum ($ per pound)	$ 13.65	$ 16.50	(17.3)%	$ 13.87	$ 16.83	(17.6)%
Zinc ($ per pound LME)	$ 0.87	$ 1.02	(14.7)%	$ 0.90	$ 1.05	(14.3)%
Silver ($ per ounce COMEX)	$ 29.45	$ 38.42	(23.3)%	$ 31.07	$ 35.08	(11.4)%

Net Sales: Net sales for the second quarter 2012 decreased by $141.6 million, compared with the second quarter of 2011. The 7.9% decrease in sales was principally due to the lower copper prices, as well as lower market prices for all our main by-products, partially offset by higher sales volume resulting from higher production.

Net sales in the first six months of 2012 increased by $62.3 million, compared with the first six months of 2011. The 1.8% increase was the result of higher copper sales volume from increased production at our open pit mines, which offset the effect of lower prices for copper and our principal by-products.

Net sales for the three and six months ended June 30, 2011 also include losses on copper hedges of $8.6 million and $44.3 million, respectively.

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

Copper Sales (million pounds):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2012	**2011**	**Variance**	**2012**	**2011**	**Variance**
Peruvian operations	177.9	163.8	14.1	359.7	333.4	26.3
Mexican open-pit	178.1	169.3	8.8	356.4	286.6	69.8
Mexican IMMSA unit	5.9	3.6	2.3	10.6	7.9	2.7
Other and intersegment elimination	(5.9)	(3.7)	(2.2)	(10.6)	(8.0)	(2.6)
Total	356.0	333.0	23.0	716.1	619.9	96.2

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

By-product Sales:

(in million pounds except silver in million ounces)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Peruvian operations				
Molybdenum contained in concentrates	3.7	4.0	8.6	8.0
Silver	1.2	0.9	2.1	1.6
Mexican open-pit				
Molybdenum contained in concentrates	6.5	6.1	11.8	11.5
Silver	2.1	1.7	4.3	3.3
Mexican IMMSA unit				
Zinc refined and in concentrate	52.4	52.4	106.7	106.8
Silver	1.5	1.1	2.9	2.3
Other and intersegment elimination				
Zinc refined and in concentrate				
Silver	(0.6)	(0.4)	(1.2)	(0.8)
Total by-product sales				
Molybdenum contained in concentrates	10.2	10.1	20.4	19.5
Zinc refined and in concentrate	52.4	52.4	106.7	106.8
Silver	4.2	3.3	8.1	6.4

Sales Value per Segment:

	Three Months Ended June 30, 2012 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 634.5	$ 18.3	$ 637.6	$ (18.3)	$ 1,272.1
Molybdenum	77.4		42.7		120.1
Zinc		49.1		0.2	49.3
Silver	59.9	41.0	35.0	(16.4)	119.5
Other	48.0	23.4	30.7	(3.2)	98.9
Total	$ 819.8	$ 131.8	$ 746.0	$ (37.7)	$ 1,659.9

	Three Months Ended June 30, 2011 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 705.5	$ 15.3	$ 677.2	$ (15.8)	$ 1,382.2
Molybdenum	91.4		55.1		146.5

Zinc		56.1			56.1
Silver	64.7	46.3	32.2	(17.6)	125.6
Other	39.2	25.8	28.2	(2.1)	91.1
Total	$ 900.8	$ 143.5	$ 792.7	$ (35.5)	$ 1,801.5

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	Six Months Ended June 30, 2012 (in millions)				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 1,322.2	$ 33.6	$ 1,333.0	$ (33.6)	$ 2,655.2
Molybdenum	149.8		107.1		256.9
Zinc		102.7		0.4	103.1
Silver	132.0	85.5	64.5	(35.1)	246.9
Other	94.6	48.3	67.9	(7.1)	203.7
Total	$ 1,698.6	$ 270.1	$ 1,572.5	$ (75.4)	$ 3,465.8

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
United States	$ 386.2	$ 667.6	$ 886.8	$ 1,165.8
Europe	396.5	322.6	753.4	638.9
Mexico	418.8	252.7	838.9	542.6
Peru	74.8	63.5	152.3	130.8
Chile	107.4	140.7	232.0	269.1
Brasil	99.2	162.0	245.7	333.5
Other Latin America	32.6	39.8	64.3	51.2
Asia	144.4	161.2	292.4	315.9
Copper hedges		(8.6)		(44.3)
Total	$ 1,659.9	$ 1,801.5	$ 3,465.8	$ 3,403.5

Operating Costs and Expenses:

Second quarter : Operating costs and expenses were $784.3 million in the second quarter 2012, compared with $802.8 million in the comparable period of 2011. The decrease of $18.5 million was primarily due to:

- $28.1 million of lower cost of sales (exclusive of depreciation, amortization and depletion), partially offset by
- $4.5 million of higher exploration expense mainly at our Mexican operations and
- $5.5 million of higher depreciation and amortization expenses.

Cost of sales (exclusive of depreciation, amortization and depletion) in the second quarter of 2012 was $667.9 million, compared with $696.0 million in the same period of 2011. The decrease of $28.1 million was primarily due to :

- $21.1 million of lower cost of material purchased from third parties, which was replaced by our own production and
- $11.5 million of currency translation effect.

Six months: Operating costs and expenses were $1,617.3 million in the six months ended June 30, 2012, compared with $1,642.0 million in the comparable period of 2011. The decrease of $24.7 million was primarily due to:

- $43.0 million of lower cost of sales (exclusive of depreciation, amortization and depletion), partially offset by
- $11.8 million of higher depreciation and amortization expenses and
- $6.0 million of higher exploration expenses.

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Cost of sales (exclusive of depreciation, amortization and depletion) in the six months ended June 30, 2012 was $1,389.8 million compared with $1,432.8 million in the same period of 2011. The decrease of $43.0 million was primarily due to the following:

• $276.7 million of lower cost of material purchased from third parties, principally at our Peruvian operations, which was replaced by our own production, partially offset by

• $45.5 million of higher fuel and power cost due to market prices,

• $134.7 million of higher labor, material repair and other production cost, principally due to cost inflation and

• $28.5 million of higher workers participation due to higher pre-tax earnings.

Non-Operating Income (Expense):

Non-operating income and expense were an expense of $22.3 million and $55.6 million in the three and six month periods ended June 30, 2012, respectively, compared to an expense of $36.7 million and $81.2 million in the comparable periods of 2011.

The $14.4 million decrease in the second quarter of 2012 is principally due to:

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

• $6.3 million of lower other income in the second quarter of 2012 due to a gain on the sale of a non-operating property at our Mexican operations in the second quarter of 2011 and

• $1.8 million of higher capitalized interest due to increased capital expenditures, mainly at our Mexican operations.

The $25.6 million decrease in expense in the first six months of 2012 is due to:

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

• $4.3 million of lower other income in the first six months of 2012 due to a gain on the sale of a non-operating property at our Mexican operations in the first six months of 2011,

• $5.5 million of gain in the fair value of short-term investments and

• $3.8 million of higher capitalized interest due to increased capital expenditures mainly at our Mexican operations.

Income taxes: The income tax provision for the first six months of 2012 and 2011 was $628.7 million and $540.0 million, respectively. These provisions include income taxes for Peru, Mexico and the United States. The provision for income taxes was based on our effective tax rate of 35.1% for the first six months of 2012 as compared to 32.1% in the first six months of 2011. The increase in the effective tax rate for the first six months of 2012 from the tax rate in the 2011 period is principally caused by the new special mining tax in Peru and by the increase in dividends remitted from Mexico in 2012, which required a supplemental provision for U.S. income tax.

Segment Results Analysis:

Peruvian Operations

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

	Second Quarter		Variance		Six Months		Variance	
	2012	2011	Value	%	2012	2011	Value	%
Net sales	$ 746.0	$ 792.7	$ (46.7)	(5.9)%	$ 1,572.5	$ 1,613.8	$ (41.3)	(2.6)%
Operating costs and expenses	(387.2)	(411.9)	24.7	6.0%	(799.7)	(898.7)	99.0	11.0%
Operating income	$ 358.8	$ 380.8	$ (22.0)	(5.8)%	$ 772.8	$ 715.1	$ 57.7	8.1%

Second quarter:

Net sales in the second quarter of 2012 were $746.0 million, compared with $792.7 million in the second quarter of 2011. Copper price decreased by 14% and copper sales volume increased by 7%. The decrease of $46.7 million was primarily the result of lower market prices, partially offset by higher metal sales volume. Copper sales volume increased by 14.1 million pounds and silver by 0.3 million ounces. The second quarter 2011 period includes a realized loss on copper hedges of $4.4 million.

Operating costs and expenses in the second quarter of 2012 decreased by $24.7 million to $387.2 million from $411.9 million in the second quarter of 2011, primarily due to lower cost of sales (exclusive of depreciation, amortization and depletion).

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Cost of sales (exclusive of depreciation, amortization and depletion) for the second quarter of 2012 was $332.7 million, compared to $362.8 million in the comparable 2011 period. The decrease of $30.1 million in cost of sales was principally due to $24.7 million of lower cost of copper purchased from third parties which was replaced by our own production.

Six months:

Net sales in the first six months of 2012 were $1,572.5 million, compared with $1,613.8 million in the first six months of 2011. The decrease of $41.3 million was primarily the result of lower market prices, partially offset by an increase in metal sales volume. Copper sales volume increased by 26.3 million pounds, molybdenum by 0.6 million pounds and silver by 0.5 million ounces. The first six months of 2011 period includes a realized loss on copper hedges of $22.6 million.

Operating costs and expenses in the first six months of 2012 decreased by $99.0 million to $799.7 million from $898.7 million in the first six months of 2011, primarily due to lower cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) for the first six months of 2012 was $691.9 million, compared to $800.3 million in the comparable 2011 period, with a decrease of $108.4 million. The principal elements of cost of sales, causing this decrease, are the following:

- $231.5 million of lower cost of copper purchased from third parties, partially offset by
- $31.8 million of higher fuel and power cost,
- $55.9 million of higher labor and operating and repair costs due to cost inflation, and
- $39.5 million of higher inventory consumption.

Mexican Open-pit Operations

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

	Second Quarter		Variance		Six Months		Variance	
	2012	2011	Value	%	2012	2011	Value	%
Net sales	$ 819.8	$ 900.8	$ (81.0)	(9.0)%	$ 1,698.6	$ 1,570.6	$ 128.0	8.1%
Operating costs and expenses	(358.7)	(338.7)	(20.0)	(5.9)%	(721.3)	(609.3)	(112.0)	(18.4)%
Operating income	$ 461.1	$ 562.1	$ (101.0)	(18.0)%	$ 977.3	$ 961.3	$ 16.0	1.7%

Second quarter:

Net sales in the second quarter of 2012 were $819.8 million, compared to $900.8 million in the second quarter of 2011. The decrease of $81.0 million was due to lower metal prices, partially offset by higher metal sales volumes due to the higher production from the Buenavista and La Caridad mines. Copper sales volume increased 8.8 million pounds. Molybdenum and silver sales volume also increased by 0.4 million pounds and 0.4 million ounces, respectively. The second quarter 2011 period includes a realized loss on copper hedges of $4.2 million.

Operating costs and expenses in the second quarter of 2012 increased by $20.0 million to $358.7 million from $338.7 million in the comparable 2011 period, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) increased $15.6 million to $312.1 million in the second quarter of 2012 from $296.5 million in the same period of 2011. The increase in cost of sales included:

- $23.7 million of higher labor and operating and repair cost and
- $12.1 million of higher workers participation due to the increase in earnings.

The 2011 period included $17.0 million of cost of restoration at the Buenavista mine.

Six months:

Net sales in the first six months of 2012 were $1,698.6 million, compared to $1,570.6 million in the first six months of 2011. The increase of $128.0 million was due to higher metal sales volumes as a result of higher copper production at the Buenavista and La Caridad mines, partially offset by lower metal prices. The first six months of 2011 period includes a realized loss on copper hedges of $21.7 million.

Operating costs and expenses in the first six months of 2012 increased by $112.0 million to $721.3 million from $609.3 million in the comparable 2011 period, primarily due to higher cost of sales (exclusive of depreciation, amortization and depletion).

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Cost of sales (exclusive of depreciation, amortization and depletion) increased $104.1 million to $631.7 million in the first six months of 2012 from $527.6 million in the same period of 2011. The increase in cost of sales included:

- $13.7 million of higher fuel and power cost,
- $71.1 million of higher labor and operating and repair cost and
- $31.5 million of higher workers participation due to increased earnings.

Mexican Underground Operations (IMMSA)

The following table sets forth net sales, operating cost and expenses and operating income for our IMMSA segment, for the second quarter 2012 and 2011 (in millions):

	Second Quarter		Variance		Six Months		Variance	
	2012	2011	Value	%	2012	2011	Value	%
Net sales	$ 131.8	$ 143.5	$ (11.7)	(8.2)%	$ 270.1	$ 286.0	$ (15.9)	(5.6)%
Operating costs and expenses	(86.4)	(90.4)	4.0	4.4%	(178.1)	(171.6)	(6.5)	(3.8)%
Operating income	$ 45.4	$ 53.1	$ (7.7)	(14.5)%	$ 92.0	$ 114.4	$ (22.4)	(19.6)%

Second quarter:

Net sales decreased by $11.7 million to $131.8 million in the second quarter of 2012 from $143.5 million in the second quarter of 2011. The decrease of 8.2% was primarily due to lower metal prices, partially offset by higher copper, zinc and silver sales volume.

Operating costs and expenses in the second quarter of 2012 decreased by $4.0 million to $86.4 million from $90.4 million in the comparable 2011 period. This decrease was primarily due to $6.2 million of lower cost of sales (exclusive of depreciation, amortization and depletion), net of $1.9 million of higher exploration cost at the Charcas and other IMMSA properties.

Six months:

Net sales in the first six months of 2012 were $270.1 million, compared to $286.0 million in the same period of 2011. This decrease of $15.9 million in net sales was primarily due to lower metal prices, partially offset by higher copper and silver sales volume.

Operating costs and expenses in the first six months of 2012 increased by $6.5 million to $178.1 million from $171.6 million in the comparable 2011 period. This increase was primarily due to $4.3 million of higher exploration expenses and $1.8 million of higher cost of sales (exclusive of depreciation, amortization and depletion).

Cost of sales (exclusive of depreciation, amortization and depletion) increased by $1.8 million to $145.4 million in the first six months of 2012 from $143.6 million in the first six months of 2011. The increase was principally related to higher production cost due to higher explosives and repair materials.

Intersegment Eliminations and Adjustments

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

CASH FLOW

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

	2012	2011
Net cash provided from operating activities	$ 1,097.5	$ 717.8
Net cash used for investing activities	$ (236.0)	$ (340.1)
Net cash used for financing activities	$ (649.5)	$ (1,131.4)

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Net cash provided from operating activities:

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

	2012	2011
Accounts receivable	$ 63.1	$ (132.0)
Inventories	(32.9)	(68.5)
Accounts payable and accrued liabilities	(234.5)	(441.2)
Other operating assets and liabilities	(18.9)	92.9
Total	$ (223.2)	$ (548.8)

Six months ended June 30, 2012:

In the first six months of 2012 net income was $1,188.9 million. Significant items (deducted from), or added, to arrive to operating cash flow included, depreciation, amortization and depletion of $155.4 million and $19.3 million for a deferred tax provision, which increased operating cash flow and $16.9 million of equity participation of affiliate, net of dividends received and $18.2 million of gain on sale of investment, which decreased operating cash flow.

In addition, in the first six months of 2012 an increase in working capital decreased operating cash flow by $223.2 million. The decrease in accounts receivable value was principally due to lower sales prices. The increase in inventory was primarily due to $59.2 million of increase long-term leachable material inventory, mainly at our Buenavista mine, and an increase of $21.9 million of supplies inventory, also mainly at our Mexican operations, partially offset by a decrease of $48.1 million in copper inventory, mainly copper in process, due to the process and sale of copper from third parties at our Peruvian operations. The decrease in accounts payable and accrued liabilities was primarily due to the income tax and workers participation payments.

Six months ended June 30, 2011:

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

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

Net cash used for investing activities:

Six months ended June 30, 2012:

Net cash used for investing activities in the first six months of 2012 included $407.7 million for capital expenditures. The capital expenditures included $88.1 million of investments at our Peruvian operations, $13.0 million for the Toquepala expansion project, $32.0 million for the Cuajone expansion project and $43.1 million for various other replacement expenditures. In addition, we spent $319.6 million for replacement assets at our Mexican operations, $291.5 million of which was at our Mexican open-pit operations and $28.1 million at our IMMSA unit. The first six months of 2012 investment activities also include a net redemption of short-term investments of $148.2 million, compared with an investment of $149.4 million in 2011. The 2012 period also includes $18.2 million from the sale of our minority participation in Compania Internacional Minera and $5.3 million from the sale of equipment.

Six months ended June 30, 2011:

Net cash used for investing activities in the first six months of 2011 included $183.6 million for capital expenditures. The capital expenditures included $60.0 million of investments at our Peruvian operations, $9.5 million for the Tia Maria project, $5.1 million for the Toquepala expansion project, $4.4 million for the Cuajone expansion project and $41.0 million for various other replacement expenditures. In addition, we spent $123.6 million for replacement assets at our Mexican operations, $106.3 million of which was at our Mexican open-pit operations, $16.4 million at our IMMSA unit and $1.1 million at our administrative office

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in Mexico City. The first six months of 2011 investment activities also include a net purchase of short-term investments of $149.4 million, $15.9 million of our share of the investment in the development of the Tantahuatay gold project and $8.9 million of proceeds from the sale of non-operating properties.

Net cash used for financing activities:

Net cash used for financing activities in the first six months of 2012 was $649.5 million, compared with $1,131.4 million in the first six months of 2011. The first six months of 2012 included a dividend distribution of $610.2 million, compared with a distribution of $969.0 million in the 2011 period. Also, the first six months of 2012 included cash used to repurchase 1.1 million of our common shares at a cost of $33.2 million, compared with a repurchase of 4.6 million shares of our common shares at a cost of $148.1 million in the 2011 period.

LIQUIDITY AND CAPITAL RESOURCES

Dividends:

On May 24, 2012, we paid a quarterly dividend of 53 cents per share, totaling $450.3 million. On July 26, 2012, our Board of Directors authorized a quarterly dividend of 24 cents per share, expected to total $203.7 million, to be paid on August 28, 2012 to SCC shareholders of record at the close of business on August 15, 2012.

Capital Investments and Exploration Programs:

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

Contractual Obligations:

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

NON-GAAP INFORMATION RECONCILIATION

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

	Second quarter 2012		Second quarter 2011	
	$ million	$ per pound	$ million	$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	$ 667.9	$ 1.915	$ 696.0	$ 2.223
Add:				
Selling, general and administrative	25.4	0.073	25.9	0.083
Treatment and refining charges	11.8	0.034	14.3	0.046
By-product revenues (1)	(383.9)	(1.101)	(406.2)	(1.297)
Net revenue on sale of metal purchased from third parties	(3.8)	(0.011)	(3.4)	(0.011)
Less:				
Workers participation	(73.4)	(0.210)	(64.5)	(0.206)
Cost of metal purchased from third parties	(66.2)	(0.190)	(87.3)	(0.279)
Royalty charge and other, net	(5.1)	(0.015)	(21.8)	(0.071)
Inventory change	34.5	0.099	(16.4)	(0.052)
Operating cash cost	**$ 207.2**	**$ 0.594**	**$ 136.6**	**$ 0.436**
Less: by-product revenues and net revenue on sale of metal purchased from third parties	387.7	1.112	409.6	1.308
Operating cash cost, without by-product revenues and net revenue on sale of metal purchased from third parties	$ 594.9	$ 1.706	$ 546.2	$ 1.744
Total pounds of copper produced (in millions)	348.8		313.1	

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

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	First six months 2012		First six months 2011	
	$ million	$ per pound	$ million	$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion) GAAP	$ 1,389.8	$ 2.061	$ 1,432.8	$ 2.472
Add:				
Selling, general and administrative	50.8	0.075	50.3	0.087
Treatment and refining charges	22.5	0.033	24.4	0.042
By-product revenues (1)	(803.4)	(1.191)	(778.8)	(1.343)
Net revenue on sale of metal purchased from third parties	(8.2)	(0.012)	(10.3)	(0.018)
Less:				
Workers participation	(151.0)	(0.224)	(122.5)	(0.211)
Cost of metal purchased from third parties	(102.0)	(0.151)	(378.7)	(0.653)
Royalty charge and other, net	(32.5)	(0.048)	(72.3)	(0.126)
Inventory change	11.1	0.016	84.2	0.145
Operating cash cost	**$ 377.1**	**$ 0.559**	**$ 229.1**	**$ 0.395**
Less by-product revenues and net revenue on sale of metal purchased from third parties	$ 811.6	$ 1.203	$ 789.1	$ 1.361
Operating cash cost, without by-product revenues and net revenue on sale of metal purchased from third parties	$ 1,188.7	$ 1.762	$ 1,018.2	$ 1.756
Total pounds of copper produced (in millions)	674.4		579.7	

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

IMPACT OF NEW ACCOUNTING STANDARDS

During the first six months of 2012, there were no new accounting standard updates which impacted our financial statements.

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Item 3. Quantitative and Qualitative Disclosure about Market Risk

Metal price sensitivity:

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

	Copper	Molybdenum	Zinc	Silver
Change in metal prices (per pound except silver per ounce)	$ 0.01	$ 1.00	$ 0.01	$ 1.00
Annual change in net income attributable to SCC (in millions)	$ 7.9	$ 23.2	$ 1.2	$ 9.0

Foreign currency exchange risk:

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Peru:				
Peruvian inflation rate	0.5%	0.8%	1.5%	2.3%
Nuevo sol/dollar devaluation/(appreciation) rate	0.1%	(2.0)%	(1.0)%	(2.1)%
Mexico:				
Mexican inflation rate	(0.2)%	(0.8)%	0.8%	0.3%
Peso / dollar devaluation/(appreciation) rate	6.3%	(1.1)%	(2.3)%	(4.2)%

Change in monetary position:

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

Variance	Effect in net earnings ($ in millions)
Appreciation of 10% in exchange rate of U.S. dollar vs. nuevo sol	$ 9.9
Devaluation of 10% in exchange rate of U.S. dollar vs. nuevo sol	(8.1)
Appreciation of 10% in exchange rate of U.S. dollar vs. Mexican peso	2.0
Devaluation of 10% in exchange rate of U.S. dollar vs. Mexican peso	$ (2.4)

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 June 30, 2012. As most of our debt is at fixed rates, a change in market interest rates of 1% would not have a material impact on our cash flows.

Provisionally priced sales:

At June 30, 2012, we have recorded provisionally priced sales of 47.8 million pounds of copper, at an average forward price of $3.491 per pound. Also we have recorded provisionally priced sales of 9.0 million pounds of molybdenum at the June 30, 2012

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market price of $13.13 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future month of settlement. See Note 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:

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

Short-term Investment:

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

	At June 30, 2012	At December 31, 2011
Trading securities	$ 367.3	$ 514.6
Weighted average interest rate	1.01%	1.37%
Available for sale	$ 6.4	$ 7.3
Weighted average interest rate	0.54%	0.58%
Total	$ 373.7	$ 521.9

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

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

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

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Trading securities:				
Interest earned	$ 0.9	$ 1.0	$ 1.6	$ 1.4
Unrealized gain (loss)	0.1	(3.3)	5.1	(0.9)
Available for sale:				
Interest earned	(*)	(*)	(*)	(*)
Investment redeemed	$ 0.9	$ 0.4	$ 1.2	$ 0.8

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

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

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

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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Report of Independent Registered Public Accounting Firm

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

We have reviewed the accompanying condensed consolidated balance sheet of Southern Copper Corporation and subsidiaries (the Company) as of June 30, 2012, and the related condensed consolidated statements of earnings, comprehensive income and cash flows for the three-month and six-month periods ended June 30, 2012 and 2011. 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, 2011, and the related consolidated statements of earnings, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 27, 2012, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Galaz, Yamazaki, Ruiz Urquiza S.C.

Member of Deloitte Touche Tohmatsu Limited

C.P.C. Arturo Vargas Arellano

Mexico City, Mexico

August 3, 2012

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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 six months ended June 30, 2012. For additional information on risk factors, refer to Risk Factors included in Part I, Item 1A of our Annual report on Form 10-K for the year ended December 31, 2011 filed with the SEC on February 27, 2012.

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

SCC share repurchase program:

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

Period		Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan @ $31.51	Total Cost ($ in millions)
From	To					
2008:						
08/11/08	12/31/08	28,510,150	$ 13.49	28,510,150		$ 384.7
2009:						
01/12/09	09/30/09	4,912,000	14.64	33,422,150		71.9
2010:						
05/05/10	10/14/10	15,600	29.69	33,437,750		0.5
2011:						
05/02/11	12/31/11	9,034,400	30.29	42,472,150		273.7

2012:						
04/10/12	04/23/12	278,486	30.23	42,750,636		8.4
05/30/12	05/31/12	500,000	28.57	43,250,636		14.3
06/01/12	06/30/12	370,000	28.33	43,620,636		10.5
Total second quarter		1,148,486	28.89			33.2
Total purchased		43,620,636	$ 17.51		7,493,007	$ 764.0

As a result of the repurchase of shares of SCC s common stock and AMC s purchase of shares of SCC s common stock, Grupo Mexico s direct and indirect ownership is 81% as of June 30, 2012.

Item 4.- Mine Safety Disclosures

Not applicable.

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Item 6. Exhibits

Exhibit No.	Description of Exhibit
3.1	(a) Amended and Restated Certificate of Incorporation, filed on October 11, 2005. (Filed as Exhibit 3.1 to the Company s 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 amended on January 27, 2011. (Filed as Exhibit 3.2 to the Company s 2010 Annual Report on Form 10-K and incorporated herein by reference).
4.1	Indenture governing $200,000,000 6.375% Notes due 2015, by and among Southern Copper Corporation, The Bank of New York and the Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference.
4.2	(a) Indenture governing $600,000,000 7.500% Notes due 2035, by and among Southern Copper Corporation, the Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference). (b) Indenture governing $400,000,000 7.500% Notes due 2035, by and among Southern Copper Corporation, The Bank of New York, 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 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).
10.1	Form of Directors Stock Award Plan of the Company (Filed as Exhibit 10.4 to the Company s 2005 Annual Report on Form 10-K/A and incorporated herein by reference).
10.2	Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A.B. de C. V., assigned upon the same terms and conditions to Grupo Mexico S.A.B. de C.V. in February 2004 (Filed as Exhibit 10.10 to the Company s 2002 Annual

Report on Form 10-K and incorporated herein by reference).

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

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

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

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PART II OTHER INFORMATION

SIGNATURES

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

SOUTHERN COPPER CORPORATION
(Registrant)

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

August 3, 2012

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

August 3, 2012

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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 amended on January 27, 2011. (Filed as Exhibit 3.2 to the Company s 2010 Annual Report on Form 10-K and incorporated herein by reference).
4.1	Indenture governing $200,000,000 6.375% Notes due 2015, by and among Southern Copper Corporation, The Bank of New York and the Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated by reference.
4.2	(a) Indenture governing $600,000,000 7.500% Notes due 2035, by and among Southern Copper Corporation, the Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference). (b) Indenture governing $400,000,000 7.500% Notes due 2035, by and among Southern Copper Corporation, The Bank of New York, 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 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).
10.1	Form of Directors Stock Award Plan of the Company (Filed as Exhibit 10.4 to the Company s 2005 Annual Report on Form 10-K/A incorporated herein by reference).

10.2 Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A.B. de C. V.,

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

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