

SOUTHERN PERU COPPER CORP/  
Form S-3/A  
June 06, 2005

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As filed with the Securities and Exchange Commission on June 6, 2005

Registration No. 333-124439

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**AMENDMENT NO. 2  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

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**SOUTHERN PERU COPPER CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**13-3849074**

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

**2575 East Camelback Road  
Phoenix, Arizona 85016  
(602) 977-6595**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Armando Ortega Gómez  
Secretary  
Southern Peru Copper Corporation  
2575 East Camelback Road  
Phoenix, Arizona 85016  
(602) 977-6595**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*Copies to:*

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

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**Approximate date of commencement of proposed sale to the public:** From time to time on or after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check the following box. ☐

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

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

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**EXPLANATORY NOTE**

This registration statement relates to common stock of Southern Peru Copper Corporation that may be offered from time to time by our selling stockholders named herein. This registration statement includes a base prospectus relating to the sale by our selling stockholders in one or more offerings of up to 22,551,884 shares of our common stock. In any offering, the base prospectus will be accompanied by a prospectus supplement. This registration statement also includes an illustrative form of prospectus supplement in preliminary form setting forth the terms of an offering by our selling stockholders.

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The information in this prospectus supplement is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 6, 2005

PROSPECTUS SUPPLEMENT  
(To Prospectus dated , 2005)

20,978,497 Shares

## Southern Peru Copper Corporation

### Common Stock

\$ \_\_\_\_\_ per share

The selling stockholders named in this prospectus supplement are selling 20,978,497 shares of our common stock. We will not receive any of the proceeds from the sale of the shares by the selling stockholders.

Our common stock is listed on the New York Stock Exchange and the Lima Stock Exchange under the symbol "PCU". The last reported sale price of our common stock on the New York Stock Exchange on June 3, 2005, was US\$49.25 per share.

**Investing in our common stock involves risk. See "Risk Factors" beginning on page S-11.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to the selling stockholders (before expenses)	\$	\$

The underwriters may also purchase up to 1,573,387 additional shares of common stock from the selling stockholders, at the public offering price less the underwriting discounts and commissions, within 30 days from the date of this prospectus supplement. The underwriters may exercise this option to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions will be US\$ , and the total proceeds to the selling stockholders will be US\$ .

The underwriters expect to deliver the shares on or about \_\_\_\_\_, 2005.

**Citigroup**

**UBS Investment Bank**

**Merrill Lynch & Co.**

**Scotia Capital**

**BNP PARIBAS**

, 2005

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters and the selling stockholders have not, authorized anyone to provide you with information that is different. The selling stockholders are offering to sell shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement regardless of the time of delivery of this prospectus supplement or any sale of our common stock.

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## Financial and Other Information

*Throughout this prospectus supplement, unless the context otherwise requires, the terms "we," "us" and "the Company" refer to Southern Peru Copper Corporation and its consolidated subsidiaries, including our recently acquired Minera México subsidiary and its consolidated subsidiaries; the terms "Southern Peru Copper Corporation" and "SPCC" refer to Southern Peru Copper Corporation and its subsidiaries, excluding Minera México and its consolidated subsidiaries; the term "Minera México" refers to our subsidiary, Minera México, S.A. de C.V., and its consolidated subsidiaries; and "selling stockholders" refers to the selling stockholders identified under "Principal and Selling Stockholders."*

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

### Financial Information

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

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

This prospectus supplement also includes unaudited condensed combined interim financial statements as of and for the three months ended March 31, 2005 and 2004. Management believes these financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our financial position and results of operations as of and for the three months ended March 31, 2005 and 2004. The results of operations for these periods are not necessarily indicative of the results to be expected for the full year. These unaudited condensed combined interim financial statements should be read in conjunction with our Audited Combined Financial Statements included herein.

### Incorporation by Reference

We incorporate by reference certain information into the prospectus attached to this prospectus supplement. See "Where You Can Find More Information" in the attached prospectus. Information in this prospectus supplement and the attached prospectus supersedes information incorporated by reference that was filed with the Securities and Exchange Commission, or the SEC, prior to the date of this prospectus supplement.

The prospectus of which this prospectus supplement forms a part incorporates by reference our annual report on Form 10-K for 2004 and our quarterly report on Form 10-Q for the three months ended March 31, 2005. Except as otherwise expressly described therein, the information included in our



annual report on Form 10-K, and our quarterly report on Form 10-Q, including the financial statements and other financial and statistical data included therein, relates to SPCC prior to its acquisition of Minera México.

### **Reserves Information**

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

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

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

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

### **Currency Information**

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

### **Industry and Market Data**

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

### **Other Information**

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

## SUMMARY

*You should read this entire prospectus supplement and the accompanying prospectus, including information incorporated by reference, before making an investment in our common stock. You should also carefully consider the information set forth under "Risk Factors." In addition, certain statements include forward-looking information that involves risks and uncertainties. See "Forward-Looking Statements."*

### Overview

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

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

#### *Four Open-Pit Copper Mines*

Our Cuajone and Toquepala mines, located in southern Peru, produced 397,366 tons of copper in 2004 (194,389 tons at Cuajone and 202,977 tons at Toquepala).

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

Our La Caridad mine, located in northern Mexico, produced 132,160 tons of copper in 2004.

#### *Three Metallurgical Processing Complexes*

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

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

Our San Luis Potosí complex, located in central Mexico, includes an electrolytic zinc refinery, a copper smelter and a sulfuric acid plant.

#### *Underground Mines and Related Processing Facilities*

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

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

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issued shares of our common stock for the outstanding shares of Minera México, and Minera México became our 99%-owned subsidiary. Upon completion of the merger, Grupo México increased its indirect beneficial ownership of our capital stock from approximately 54.2% to approximately 75.1%.

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For the year ended December 31, 2004, after giving effect to our acquisition of Minera México, we had net sales of US\$3,097 million and net earnings of US\$982 million. We produced 718,007 tons of copper, 14,373 tons of molybdenum, 18.5 million ounces of silver and 133,778 tons of zinc in 2004, approximately 50% of which was sold outside of Latin America. As of December 31, 2004, we had proven and probable reserves of approximately 44.9 million tons of copper.

### Competitive Strengths

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

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

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

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

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

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

### Business Strategies

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

*Growing and expanding our operations.* We intend to further realize the potential of our existing operations by expanding our production capacity and reserves, as well as exploring and developing

promising mineral deposits. We believe that our existing operations have significant growth potential that can be financed principally through internally generated cash flows. We also intend to supplement internal growth by selectively pursuing value-enhancing acquisition opportunities.

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

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

*Maintaining a relatively conservative capital structure.* As of March 31, 2005, we had a cash balance of US\$809 million and total debt of US\$1.21 billion, giving us a net debt position of US\$402 million and a ratio of net debt to net debt plus shareholders' equity of 0.12. Since March 31, 2005, the most significant change to our cash balance was the payment of a US\$350 million dividend. We seek to maintain a relatively conservative level of financial leverage with the goal of enabling us to minimize our borrowing costs, to be opportunistic regarding growth projects and strategic investments and acquisitions and to reduce financial risks during market downturns.

*Dividends.* We have distributed a significant amount of our net income as dividends since 1996. We anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this dividend practice will be maintained.

### Copper Market Conditions

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

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

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

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

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

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

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

### Corporate Information

We were incorporated in Delaware in 1952. Our corporate offices in the U.S. are located at 2575 East Camelback Road, Suite 500, Phoenix, Arizona 85016 and our telephone number is (602) 977-6595. Our corporate offices in Mexico are located at Avenida Baja California No. 200, Colonia Roma Sur, 06760 Mexico, D.F., Mexico. Our corporate offices in Peru are located at Avenida Caminos del Inca 171, Chacarilla del Estanque, Surco, Lima 100, Peru. Our website is [www.southernperu.com](http://www.southernperu.com). The information on our website is not part of this prospectus supplement.

### The Offering

Selling Stockholders	Cerro Trading Company, Inc., SPC Investors L.L.C., Phelps Dodge Overseas Capital Corporation and Climax Molybdenum B.V. See "Principal and Selling Stockholders."
This Offering	20,978,497 shares of our common stock are being offered by the selling stockholders. See "Underwriting."
Use of Proceeds	All of the shares of common stock offered in this offering will be sold by the selling stockholders. We will not receive any proceeds from the sale of these shares.
New York Stock Exchange symbol	PCU.
Over-Allotment	The selling stockholders have agreed to sell up to an aggregate of 1,573,387 additional shares of common stock if the underwriters exercise their over-allotment option. See "Underwriting."

Unless otherwise noted, the information in this prospectus supplement assumes the underwriters have not exercised their over-allotment option.

**Summary Combined Financial Information**

The following tables present our summary combined financial information and other data for the years indicated. These tables should be read in conjunction with the Audited Combined Financial Statements and the notes thereto included elsewhere in this prospectus supplement and are qualified in their entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the tables below reflect our April 1, 2005 acquisition of Minera México as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other Information Financial Information."

	Year Ended December 31,				
Statement of Earnings Data	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands, except per share data)					
Net sales	\$ 1,823,161	\$ 1,560,028	\$ 1,388,421	\$ 1,576,641	\$ 3,096,697
Cost of sales (exclusive of depreciation, amortization and depletion)	1,287,107	1,232,764	961,201	992,383	1,334,330
Selling, general and administrative	80,605	70,174	69,351	63,597	71,778
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586
Exploration	19,582	15,939	13,345	17,869	15,610
Operating income	275,138	75,250	186,916	325,734	1,482,393
Interest expense	162,279	171,242	128,747	117,009	107,904
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)
(Gain) loss on debt prepayments	(1,246)	2,159	12,400	5,844	16,500
Gain on disposal of properties					(53,542)
Other expense (income)	2,483	435	(7,202)	4,174	9,689
Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	133,224	(65,792)	65,288	209,468	1,420,871
Net earnings (loss)	\$ 20,760	\$ (109,914)	\$ 144,929	\$ 83,536	\$ 982,386
Earnings (loss) per share	\$ 0.14	\$ (0.75)	\$ 0.98	\$ 0.57	\$ 6.67
Weighted average shares outstanding basic (in thousands)	147,216	147,210	147,213	147,220	147,224
Weighted average shares outstanding diluted (in thousands)	147,216	147,212	147,217	147,225	147,224

	Year Ended December 31,				
Other Financial Information	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands, except per share data)					
EBITDA(2)	\$ 434,630	\$ 238,558	\$ 339,326	\$ 492,774	\$ 1,702,332
Capitalized mine stripping and leachable material	72,724	107,861	91,954	79,704	92,797
Capital expenditure excluding capitalized mine stripping cost and leachable materials	214,462	180,921	85,380	64,880	228,299
Cash dividends paid per share(3)	0.18	0.19	0.19	0.31	1.30

	Year Ended December 31,				
Balance Sheet Data	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands)					



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Year Ended December 31,

Cash, cash equivalents and marketable securities	172,895	\$	260,499	\$	175,071	\$	331,610	\$	755,974
Total assets	\$	4,454,694		4,480,582		4,419,030		4,491,028	5,319,193
Total long-term debt, including current portion		1,690,475		1,714,334		1,621,231		1,671,231	1,330,288
Total liabilities		2,452,944		2,633,264		2,452,538		2,385,885	2,494,314
Total stockholders' equity		1,902,116		1,751,859		1,881,452		2,022,745	2,813,595

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Year Ended December 31,

Financial Ratios	2000(1)	2001(1)	2002	2003	2004
Gross margin(4)	20.6%	10.3%	19.4%	25.8%	50.7%
Operating income margin(5)	15.1	4.8	13.5	20.7	47.9
Net margin(6)	1.1	(7.0)	10.4	5.3	31.7
Net debt/total capitalization(7)	44.4	45.4	43.4	39.5	17.0
Total debt/EBITDA(2)	3.9x	7.2x	4.8x	3.4x	0.8x

(1) Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

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

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page S-60.

(3) On a historical basis, without giving effect to the acquisition of Minera México, SPCC's cash dividends paid per share were \$0.34, \$0.36, \$0.36, \$0.57 and \$2.39 for the years ended December 31, 2000, 2001, 2002, 2003 and 2004, respectively.

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

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

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

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

### Summary Operating Data

The following table sets out certain operating data underlying our combined financial and operating information for each of the years in the five-year period ended December 31, 2004.

	Year Ended December 31,				
Mining Production	2000	2001	2002	2003	2004
Material mined (thousands of tons)	360,871	385,666	357,635	356,600	386,364
Contained copper in concentrate (tons)	542,665	533,616	491,828	547,172	603,907
Electrowon copper metal (tons)	111,625	114,989	122,190	118,744	114,100
Total copper (tons)	654,290	648,605	614,018	665,916	718,007
Contained molybdenum in concentrate (tons)	14,090	13,869	11,747	12,521	14,373
Contained zinc in concentrate (tons)	167,798	149,252	135,442	128,760	133,778
	Year Ended December 31,				
Smelter/Refinery Production	2000	2001	2002	2003	2004
Copper metal (tons)	622,620	676,038	579,905	537,501	594,278
Zinc metal (tons)	105,879	107,005	92,012	101,069	102,556
Silver metal (ounces)	16,354,149	15,812,859	15,536,299	12,146,550	10,795,929
	Year Ended December 31,				
Net Metal Sales(1)	2000	2001	2002	2003	2004
Net copper sold (tons)	743,831	721,412	645,107	660,485	709,668
Net molybdenum sold (tons)	14,250	13,890	11,695	12,498	14,350
Net zinc sold (tons)	155,255	141,913	126,499	122,217	120,922
Net silver sold (ounces)	26,167,423	24,924,443	20,371,448	19,498,041	20,212,366
	Year Ended December 31,				
Average Realized Prices	2000	2001	2002	2003	2004
Copper price (US\$ per pound)	\$ 0.86	\$ 0.75	\$ 0.74	\$ 0.81	\$ 1.36
Molybdenum price (US\$ per pound)	2.28	2.08	3.42	5.32	20.55
Zinc price (US\$ per pound)	0.54	0.42	0.39	0.40	0.51
Silver price (US\$ per ounce)	4.91	4.25	4.52	4.87	6.35
	Year Ended December 31,				
Operating Cash Costs(2)	2000	2001	2002	2003	2004
Cash cost per pound of copper produced	\$ 0.63	\$ 0.52	\$ 0.43	\$ 0.44	\$ 0.18
Cash cost per pound of copper produced (without byproduct revenue)	0.99	0.81	0.74	0.74	0.85

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

(2) Operating cash costs per pound of copper produced is an overall benchmark we use and a common industry metric to measure performance. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented beginning on page S-60. We have

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defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges and third party copper purchases; less byproduct revenue, depreciation, amortization and depletion, workers' participation and inventory change. Operating cash costs also exclude the portion of our mine stripping costs that we capitalize. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Operating Cash Costs."

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## Summary Reserves Data

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

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

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

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

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

**Recent Developments**

The following table highlights key combined financial and operating results for the three months ended March 31, 2004 and 2005. This table should be read in conjunction with our condensed combined interim financial statements for the three months ended March 31, 2004 and 2005 and notes thereto included elsewhere in this prospectus supplement and are qualified in their entirety by the information contained therein. Our condensed combined interim financial statements and the financial information and operating results in the table below reflect our April 1, 2005, acquisition of Minera México. The financial statements for the periods indicated reflect the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other Information Financial Information." For additional information relating to our financial condition and results of operation for the three months ended March 31, 2004 and 2005, see "Management's Discussion and Analysis of Financial Condition Recent Developments" and "Management's Discussion and Analysis of Financial Condition Liquidity and Capital Resources."

Statement of Earnings Data and Other Financial Information	Three Months Ended March 31,	
	2004	2005
	(dollars in thousands)	
Net sales	\$ 602,523	\$ 946,075
Cost of sales (exclusive of depreciation, amortization and depletion)	262,633	389,570
Selling, general and administrative	16,623	18,598
Depreciation, amortization and depletion	47,533	60,967
Exploration	3,663	5,347
Operating income	272,071	471,593
Interest expense	30,775	22,946
Interest capitalized	(1,337)	(2,269)
Interest income	(1,336)	(5,452)
Loss on derivative instruments		7,276
Loss on debt prepayments		4,020
Other income	(174)	(835)
Net earnings	167,474	298,361
EBITDA(1)	\$ 319,778	\$ 522,099

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

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page S-60.

## RISK FACTORS

*Before making a decision to invest in our common stock, you should read this entire prospectus supplement and the accompanying prospectus, including information incorporated by reference. You should also carefully consider each of the risk factors set forth below prior to deciding whether or not to purchase shares of our common stock.*

*The following risks, and other risks and uncertainties not currently known to us or those that we deem immaterial, may also materially and adversely affect our business, results of operations and financial condition. In such an event, the trading price of our common stock could decline and you may lose all or part of your investment.*

### **Risks Relating to Our Business Generally**

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

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

In 2004, a 60% increase in copper prices on the London Metal Exchange, or LME, and the Commodities Exchange, Inc., or COMEX, and a 206% increase in molybdenum prices, in addition to an 18% increase in our molybdenum production volume and sales volume, contributed to an increase of approximately 95% in our total sales in 2004 as compared with 2003. While the price of copper dropped to a 15-year low of US\$0.61 per pound in 2001, it has since increased by approximately 133% to US\$1.49 per pound as of June 1, 2005. The price of molybdenum has also recently increased significantly and is currently at historically high levels. The average annual price of molybdenum over the five-year period ended December 31, 2004 was US\$6.73 per pound, with a price per pound as of June 1, 2005 of US\$40.50 per pound. Over the past two years, as a result of this increase in molybdenum prices, molybdenum has become a significant contributor to our sales.

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

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

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

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

There is a degree of uncertainty attributable to the calculation of reserves. Until reserves are actually mined and processed, the quantity of ore and grades must be considered as estimates only. The proven and probable ore reserves data included in this prospectus supplement are estimates prepared by us based on evaluation methods generally used in the international mining industry. Independent engineers have not verified these reserves estimates. We may be required in the future to revise our reserves estimates based on our actual production. We cannot assure you that our actual reserves will conform to geological, metallurgical or other expectations or that the estimated volume and grade of

ore will be recovered. Lower market prices, increased production costs, reduced recovery rates, short-term operating factors, royalty taxes and other factors may render proven and probable reserves uneconomic to exploit and may result in revisions of reserves data from time to time. Reserves data are not indicative of future results of operations. See "Business Reserves."

***Our business requires substantial capital expenditures.***

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

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

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

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

Our financing instruments and those of our Minera México subsidiary include financial and other restrictive covenants that, among other things, limit our and Minera México's abilities to pay dividends, incur additional debt and sell assets. If either we or our Minera México subsidiary do not comply with these obligations, we could be in default under the applicable agreements which, if not addressed or waived, could require repayment of the indebtedness immediately. Minera México's new US\$600 million credit facility contains limitations on its incurrence of additional debt and liens and on its ability to dispose of assets. Our Minera México subsidiary is further limited by the terms of its outstanding bonds, which also restrict the Company's incurrence of debt and liens. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Financing."

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

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



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generally available to us or other companies within the mining industry. We do not have, and do not intend to obtain, political risk insurance. These or other uninsured events may adversely affect our financial condition and results of operations.

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

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

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

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

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

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

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

***The copper mining industry is highly competitive.***

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

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

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

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

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

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

We believe our results of operations will also be affected by accounting policy changes, including the March 17, 2005 Emerging Issues Task Force, or EITF, consensus ratified by the Financial Accounting Standards Board, or FASB, on March 30, 2005. The consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the cost of the inventory produced during the period that the stripping costs are incurred, as further discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material." We are exploring a number of alternatives in adopting this consensus, which could involve restating the effect of this change in accounting principal for prior periods or taking a one-time charge in a current period.

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

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

***We may be adversely affected by labor disputes.***

In the last several years we have experienced a number of strikes or other labor disruptions that have had an adverse impact on our operations and operating results. See "Business Employees." For example, in Peru, on August 31, 2004, unionized workers at our mining units in Toquepala and Cuajone initiated work stoppages and sought additional wage increases based on high metals prices. The strike was resolved on September 13, 2004. In Mexico, on July 12, 2004, the workers of Mexicana de Cobre,

S.A. de C.V. ("Mexcobre") went on strike asking for the review of certain contractual clauses. Such a review was performed and the workers returned to work 18 days later. On October 15, 2004, the workers of Mexicana de Cananea, S.A. de C.V. ("Mexcananea") went on strike, followed by the Mexicana de Cobre workers. The strike lasted for 6 days at Mexicana de Cobre and 9 days at Mexicana de Cananea. In each case, our operations at the particular mine ceased until the strike was resolved. We cannot assure you that we will not experience strikes or other labor-related work stoppages that could have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

Grupo México, S.A. de C.V. owns approximately 75.1% of our capital stock. In addition, certain of our officers and directors are also officers of Grupo México. We cannot assure you that the interests of Grupo México will not conflict with yours.

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

the composition of our board of directors and, as a result, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;

determinations with respect to mergers and other business combinations, including those that may result in a change of control;

whether dividends are paid or other distributions are made and the amount of any dividends or other distributions;

sales and dispositions of our assets; and

the amount of debt financing that we incur.

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

***The price of our common stock may fluctuate significantly, which may result in losses for investors.***

The market price of our common stock has been and may continue to be volatile. For example, during the 52-week period ended December 31, 2004, the closing sales prices of our common stock as reported on the New York Stock Exchange ranged from a low of US\$26.10 to a high of US\$55.80. Our stock price can fluctuate as a result of a variety of factors beyond our control, including:

actual or anticipated fluctuations in copper or other metals prices;

actual or anticipated fluctuations in quarterly and annual results;

mergers and strategic alliances in the mining industry;

market conditions in the industry;

changes in government regulations;

fluctuations in our quarterly revenues and earnings and those of our publicly held competitors;

shortfalls in our operating results from levels forecast by securities analysts;

announcements concerning us or our competitors; and

the general state of the securities market.

The market price of our stock may continue to fluctuate in response to these and other factors. We cannot assure you that the price of our common stock will not be volatile in the future or that our stockholders will not suffer losses.

***Future sales of common stock by some of our existing Peruvian institutional stockholders could cause our stock price to decline.***

Approximately 2% of our outstanding common stock is held by Peruvian pension funds. These pension funds are subject to regulation by the *Superintendencia de Banca y Seguros* (Banking and Insurance Commission, or SBS) in Peru and are limited as to the percentage of their investment portfolios that is classified as *inversiones en el exterior* (foreign investments), which are defined generally as investments in companies having more than 50% of their assets located outside of Peru. Prior to our acquisition of Minera México on April 1, 2005, substantially all of SPCC's assets were located in Peru. Thus, SPCC was treated as a domestic investment for purposes of these pension fund regulations. However, following the acquisition of Minera México, approximately 51% of our assets are located in Peru. The SBS has informed us that our status as a domestic investment will be reviewed by it on a quarterly basis and that, should the percentage of our consolidated assets located in Peru decrease to below 50%, we could be reclassified as a foreign investment. In the event of such reclassification, the Peruvian pension funds that currently own our common stock may have to sell all or a portion of these shares, which could cause the market price of our common stock to decline. The perception among investors that these sales may occur could produce the same effect.

***We may be restricted from paying cash dividends on our common stock in the future.***

We have distributed a significant amount of our net income as dividends since 1996 and we anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this dividend practice will be maintained. Our dividend

practice is subject to change at the discretion of our board of directors at any time. The determination of the amount of

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dividends to pay, if any, is subject to a number of factors, including our results of operations, financial condition, cash requirements, tax considerations, future prospects and other factors that our board of directors may deem relevant. Our ability to pay dividends is also subject to legal and contractual restrictions. In addition, we may become subject to limits on our ability to distribute dividends imposed by the governments of Peru, Mexico or other countries where we have significant operations. For example, from 1985 through 1990 we were subject to controls on repatriation of funds that limited the ability of our stockholders to receive dividends outside of Peru.

In addition, we cannot assure you that the agreements governing our current and future indebtedness will permit us to pay dividends on our common stock. A substantial amount of our revenue is attributable to our recently-acquired Minera México subsidiary that has its own contractual and other restrictions on the amount of dividends it can pay to us. Further, substantially all of the credit agreements of our subsidiaries contain financial covenants or other limitations, which may restrict the payment of dividends, distributions or the transfer of assets. We cannot assure you that the current or future dividend restrictions of Minera México or any of its subsidiaries will not limit our ability to pay dividends in the future.

### **Risks Associated with Doing Business in Peru and Mexico**

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

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

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

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

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

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

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

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

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

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

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

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



conditions will not recur, that other unforeseen negative political or social conditions will not arise or that such conditions will not have a material adverse effect on our financial condition and results of operations.

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

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

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

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

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

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

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

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

***Developments in other emerging market countries and in the United States may adversely affect the market value of our company.***

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

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

**EXCHANGE RATES****Exchange Rates in Peru**

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

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

Year Ended December 31,	BCRP Rate(1)			
	Period End	Average	High	Low
2000	3.527	3.495	3.529	3.445
2001	3.446	3.510	3.628	3.435
2002	3.515	3.500	3.646	3.434
2003	3.464	3.477	3.496	3.462
2004	3.283	3.413	3.502	3.282
2005 (through May 31)	3.255	3.261	3.289	3.254

(1)

Source: *Banco Central de Reserva del Peru*

The exchange rate for U.S. dollars as of June 1, 2005 was 3.255 nominal nuevos soles per U.S. dollar.

**Exchange Rates in Mexico**

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

We cannot assure you, however, that Banco de México will maintain its current policies with respect to the peso or that the peso will not depreciate significantly in the future. Moreover, we cannot

assure you that the Mexican government will not impose exchange controls or otherwise restrict foreign exchange, including the exchange of pesos into U.S. dollars, in the future.

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

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

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

Year Ended December 31,	FRBNY Rate(1)			
	Period End	Average	High	Low
2000	9.618	9.458	10.087	9.183
2001	9.156	9.335	9.972	8.946
2002	10.425	9.663	10.425	9.001
2003	11.242	10.795	11.406	10.113
2004	11.154	11.290	11.635	10.805
2005 (through May 31)	10.913	11.128	11.411	10.885

(1)

Source: *Federal Reserve Bank of New York*

On June 1, 2005 the noon buying rate was 10.845 pesos per U.S. dollar.

**CAPITALIZATION**

The following table sets forth our combined cash, cash equivalents and marketable securities and our combined capitalization as of March 31, 2005. This table should be read in conjunction with our Audited Combined Financial Statements, the unaudited condensed combined interim financial statements for the three months ended March 31, 2004 and 2005 and the notes thereto included elsewhere in this prospectus supplement and is qualified in its entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the table below reflect our April 1, 2005 acquisition of Minera México as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other Information Financial Information."

Our capitalization will not change as a result of the offering because we are not issuing or selling shares in the offering and we will not receive any proceeds from the sale of the shares by the selling stockholders.

	<b>As of March 31, 2005(1)</b>
	<b>(dollars in thousands)</b>
Cash, cash equivalents and marketable securities(2)	\$ 809,334
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Short-term debt:	
Minera México US\$600 million credit facility	\$ 28,235
Peruvian bond program	30,000
Mitsui credit agreement	10,000
	<hr/>
Total short-term debt	68,235
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Long-term indebtedness:	
Minera México US\$600 million credit facility	451,765
8.25% Yankee bonds Series A due 2008	316,245
9.25% Yankee bonds Series B due 2028	125,000
SPCC US\$200 million credit facility	170,000
Mitsui credit agreement	80,000
	<hr/>
Total long-term debt	1,143,010
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Minority interest	11,929
Stockholders' equity	3,011,956
	<hr/>
Total capitalization	\$ 4,235,130
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(1) Financial information as of and for the three months ended March 31, 2005 is unaudited.

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

The following is a summary of significant transactions affecting our capitalization during the period from April 1, 2005 through May 13, 2005:

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In April 2005, we made an additional US\$30 million drawdown from our US\$200 million credit facility in order to prepay the remaining US\$30 million outstanding under our Peruvian bond program. On April 12, 2005, we declared a dividend of US\$2.38 per share, totaling US\$350 million. This dividend was paid on May 13, 2005 to our stockholders of record as of April 29, 2005.

As a result of the above mentioned events during the period from April 1, 2005 through May 13, 2005, our retained earnings has been reduced by US\$352.3 million as a result of the US\$350 million dividend and US\$2.3 million in debt prepayment penalties.

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**PRICE RANGE OF COMMON STOCK AND DIVIDEND INFORMATION**

Our common stock is traded on the New York Stock Exchange and the Lima Stock Exchange under the symbol "PCU." The following table sets forth, for the periods shown, the high and low per share sales prices for our common stock as reported on the New York Stock Exchange and the per share dividends paid during those periods. Dividends paid prior to April 1, 2005 are in respect of earnings of SPCC prior to its acquisition of Minera México. Therefore, the amounts of dividends paid set forth below differ from the amounts of dividends reflected in our Audited Combined Financial Statements or in the combined summary or selected financial information included in this prospectus supplement.

Period	High	Low	Dividend Per Share Paid
<b>Year ended December 31, 2003</b>			
First Quarter	\$ 16.17	\$ 14.60	\$ 0.09
Second Quarter	16.20	14.42	0.11
Third Quarter	22.88	15.52	0.14
Fourth Quarter	48.85	22.03	0.26
<b>Year ended December 31, 2004</b>			
First Quarter	\$ 50.50	\$ 36.16	\$ 0.27
Second Quarter	41.85	26.53	0.54
Third Quarter	51.66	36.16	0.76
Fourth Quarter	54.10	42.15	0.82
<b>Year ending December 31, 2005</b>			
First Quarter	\$ 64.20	\$ 43.17	\$ 1.25
Second Quarter (through May 31, 2005)	59.20	44.29	2.38

On June 3, 2005, the last reported sale price for our common stock on the New York Stock Exchange was US\$49.25 per share. As of January 31, 2005, there were approximately 2,831 holders of record of our common stock.

On January 31, 2005, a special dividend of US\$1.25 per share, totaling US\$100 million, was declared and was paid on March 1, 2005. On April 12, 2005, a dividend of US\$2.38 per share, totaling US\$350 million, was declared, and was paid on May 13, 2005, to our stockholders of record as of April 29, 2005.

Set forth below is a chart that shows the amounts of quarterly dividends paid by us since 1996. Dividends paid prior to April 1, 2005 are the actual amounts paid with respect to SPCC prior to its acquisition of Minera México. Therefore, the amounts of dividends paid set forth below differ from the amounts of dividends reflected in our Audited Combined Financial Statements or in the combined summary or selected financial information included in this prospectus supplement.

Period	Total Dividend Amount Paid
(dollars in millions)	
<b>Year ended December 31, 1996</b>	
First Quarter	\$ 52.00
Second Quarter	24.00
Third Quarter	22.40
Fourth Quarter	19.20
<b>Year ended December 31, 1997</b>	
First Quarter	\$ 24.00
Second Quarter	28.00
Third Quarter	29.60
Fourth Quarter	19.20





**Year ended December 31, 1998**

First Quarter	\$	16.00
Second Quarter		6.40
Third Quarter		8.80
Fourth Quarter		9.60

**Year ended December 31, 1999**

First Quarter	\$	2.40
Second Quarter		2.00
Third Quarter		1.76
Fourth Quarter		6.00

**Year ending December 31, 2000**

First Quarter	\$	4.80
Second Quarter		4.00
Third Quarter		4.48
Fourth Quarter		13.92

**Year ended December 31, 2001**

First Quarter	\$	11.44
Second Quarter		7.84
Third Quarter		3.73
Fourth Quarter		5.78

**Year ended December 31, 2002**

First Quarter	\$	5.90
Second Quarter		3.20
Third Quarter		12.48
Fourth Quarter		7.12

**Year ended December 31, 2003**

First Quarter	\$	7.36
Second Quarter		9.12
Third Quarter		10.82
Fourth Quarter		18.04

**Year ended December 31, 2004**

First Quarter	\$	21.60
Second Quarter		43.36
Third Quarter		60.40
Fourth Quarter		65.96

**Year ended December 31, 2005**

First Quarter	\$	100.00
Second Quarter		350.00

We have distributed a significant amount of our net income as dividends since 1996. We anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this will be the case. The payment of dividends is subject to change at the discretion of our board of directors at any time. The determination of the amount of dividends to pay, if any, is subject to a number of factors, including our results of operations, financial condition, cash requirements, capital investment projects, tax considerations, future prospects and other factors that our board of directors may deem relevant. Our ability to pay dividends is also subject to legal and contractual restrictions. See "Risk Factors Risks Relating to Our Business Generally We may be restricted from paying cash dividends on our common stock in the future."

## SELECTED COMBINED FINANCIAL INFORMATION

The following tables present our selected combined financial information and other data for the years indicated. These tables should be read in conjunction with the Audited Combined Financial Statements and the notes thereto included elsewhere in this prospectus supplement and are qualified in their entirety by the information contained therein. Our Audited Combined Financial Statements and the financial information in the tables below reflect our acquisition of Minera México, completed April 1, 2005, as a combination of businesses under common control, on a historical basis in a manner similar to a pooling of interests, reflecting the financial condition and results of operations for SPCC and Minera México on a combined basis. See "Financial and Other information Financial Information." For information regarding our results of operations for the three months ended March 31, 2004 and 2005, see "Summary Recent Developments" above.

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands, except for per share data)					
<b>Combined Statement of Earnings</b>					
Net sales	\$ 1,823,161	\$ 1,560,028	\$ 1,388,421	\$ 1,576,641	\$ 3,096,697
Operating cost and expenses:					
Cost of sales (exclusive of depreciation, amortization and depletion)	1,287,107	1,232,764	961,201	992,383	1,334,330
Selling, general and administrative	80,605	70,174	69,351	63,597	71,778
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586
Exploration	19,582	15,939	13,345	17,869	15,610
Total operating costs and expenses	1,548,023	1,484,778	1,201,505	1,250,907	1,614,304
Operating income	275,138	75,250	186,916	325,734	1,482,393
Interest expense	162,279	171,242	128,747	117,009	107,904
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)
(Gain) loss on debt prepayments	(1,246)	2,159	12,400	5,844	16,500
Gain on disposal of properties					(53,542)
Other expense (income)	2,483	435	(7,202)	4,174	9,689
Earnings (loss) before income taxes, minority interest and cumulative effect of change in accounting principle	133,224	(65,792)	65,288	209,468	1,420,871
Income taxes	106,627	46,942	88,496	(120,129)	(433,758)
Minority interest	5,837	(2,819)	(8,855)	(4,262)	(4,727)
Cumulative effect of change in accounting principle, net of income tax				(1,541)	
Net earnings (loss)	\$ 20,760	\$ (109,914)	\$ 144,929	\$ 83,536	\$ 982,386
Per common share amounts:(2)					
Earnings before cumulative effect of change in accounting principle	\$ 0.14	\$ (0.75)	\$ 0.98	\$ 0.57	\$ 6.67
Net earnings basic and diluted	0.14	(0.75)	0.98	0.57	6.67
Dividends paid	0.18	0.19	0.19	0.31	1.30
Weighted average shares outstanding basic (in thousands)	147,216	147,210	147,213	147,220	147,224

(1)

Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

(2)

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

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## Combined Balance Sheet

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands)					
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 172,895	\$ 260,499	\$ 175,071	\$ 351,610	\$ 710,707
Cash retained in collateral accounts			88,048		
Marketable securities					45,267
Accounts receivable:					
Trade	178,120	164,530	117,125	169,279	425,790
Affiliates	8,202		7,221	6,968	15,664
Other	105,211	42,133	69,169	20,163	32,770
Inventories	412,509	357,844	324,453	306,913	352,377
Prepaid taxes and other assets	37,771	34,906	16,355	51,159	52,966
Total current assets	914,708	859,912	797,442	906,092	1,635,541
Property, net	3,295,486	2,977,851	3,136,837	3,040,700	3,068,486
Capitalized mine stripping costs, net	170,572	182,070	255,449	291,490	318,116
Leachable material, net		46,677	77,504	100,014	134,621
Intangible assets, net	19,881	381,180	129,059	126,049	123,496
Other assets, net	54,047	32,892	22,739	26,683	38,933
Total assets	\$ 4,454,694	\$ 4,480,582	\$ 4,419,030	\$ 4,491,028	\$ 5,319,193
<b>Liabilities</b>					
Current liabilities:					
Current portion of long-term debt	\$ 250,667	\$ 1,441,213	\$ 115,307	\$ 152,314	
Trade accounts payable	93,599	129,289	198,891	99,735	142,362
Income taxes	9,973	36,104	54,841	58,704	293,295
Other current liabilities	296,567	272,409	232,225	208,824	373,947
Total current liabilities	650,806	1,879,015	485,957	482,570	961,918
Due to affiliates Grupo México		56,216	52,468	52,468	
Long-term debt	1,439,808	273,121	1,621,231	1,555,924	1,177,974
Deferred income taxes	334,154	383,800	246,020	185,866	243,600
Other liabilities	28,176	41,112	46,862	103,790	105,179
Asset retirement obligation				5,267	5,643
Total non-current liabilities	1,802,138	754,249	1,966,581	1,903,315	1,532,396
Minority interest	99,634	95,459	85,040	82,398	11,284
Stockholders' equity	1,902,116	1,751,859	1,881,452	2,022,745	2,813,595
Total liabilities, minority interest and stockholders' equity	\$ 4,454,694	\$ 4,480,582	\$ 4,419,030	\$ 4,491,028	\$ 5,319,193

(1)

Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

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## Other Financial Information

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
(dollars in thousands, except per share data)					
EBITDA(2)	\$ 434,630	\$ 238,558	\$ 339,326	\$ 492,774	\$ 1,702,332
Capitalized mine stripping cost and leachable material	72,724	107,861	91,954	79,704	92,797
Capital expenditure excluding capitalized mine stripping cost and leachable material	214,462	180,921	85,380	64,880	228,299
Cash dividends paid per share(3)	\$ 0.18	\$ 0.19	\$ 0.19	\$ 0.31	\$ 1.30

## Financial Ratios

	Year Ended December 31,				
	2000(1)	2001(1)	2002	2003	2004
Gross margin(4)	20.6%	10.3%	19.4%	25.8%	50.7%
Operating income margin(5)	15.1	4.8	13.5	20.7	47.9
Net margin(6)	1.1	(7.0)	10.4	5.3	31.7
Net debt/total capitalization(7)	44.4	45.4	43.4	39.5	17.0
Total debt/EBITDA(2)	3.9x	7.2x	4.8x	3.4x	0.8x

(1) Financial information as of and for the years ended December 31, 2000 and 2001 is unaudited.

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

A reconciliation between EBITDA and net earnings for each of the periods presented in the table is presented beginning on page S-60.

(3) On a historical basis, without giving effect to the acquisition of Minera México, SPCC's cash dividends paid per share were \$0.34, \$0.36, \$0.36, \$0.57 and \$2.39 for the years ended December 31, 2000, 2001, 2002, 2003 and 2004, respectively.

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

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

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

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



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**Selected Operating Data**

The following table sets out certain operating data for each of the years in the five-year period ended December 31, 2004.

	Year Ended December 31,				
	2000	2001	2002	2003	2004
<b>Mining Production</b>					
Material mined (thousands of tons)	360,871	385,666	357,635	356,600	386,364
Contained copper in concentrate (tons)	542,665	533,616	491,828	547,172	603,907
Electrowon copper metal (tons)	111,625	114,989	122,190	118,744	114,100
Total copper (tons)	654,290	648,605	614,018	665,916	718,007
Contained molybdenum in concentrate (tons)	14,090	13,869	11,747	12,521	14,373
Contained zinc in concentrate (tons)	167,798	149,252	135,442	128,760	133,778
<b>Year Ended December 31,</b>					
	Year Ended December 31,				
	2000	2001	2002	2003	2004
<b>Smelter/Refinery Production</b>					
Copper metal (tons)	622,620	676,038	579,905	537,501	594,278
Zinc metal (tons)	105,879	107,005	92,012	101,069	102,556
Silver metal (ounces)	16,354,149	15,812,859	15,536,299	12,146,550	10,795,929
<b>Year Ended December 31,</b>					
	Year Ended December 31,				
	2000	2001	2002	2003	2004
<b>Net Metal Sales(1)</b>					
Net copper sold (tons)	743,831	721,412	645,107	660,485	709,668
Net molybdenum sold (tons)	14,250	13,890	11,695	12,498	14,350
Net zinc sold (tons)	155,255	141,913	126,499	122,217	120,922
Net silver sold (ounces)	26,167,423	24,924,443	20,371,448	19,498,041	20,212,366

(1)

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

	Year Ended December 31,				
	2000	2001	2002	2003	2004
<b>Average Realized Prices</b>					
Copper price (US\$ per pound)	\$ 0.86	\$ 0.75	\$ 0.74	\$ 0.81	\$ 1.36
Molybdenum price (US\$ per pound)	2.28	2.08	3.42	5.32	20.55
Zinc price (US\$ per pound)	0.54	0.42	0.39	0.40	0.51
Silver price (US\$ per ounce)	4.91	4.25	4.52	4.87	6.35
<b>Year Ended December 31,</b>					
	Year Ended December 31,				
	2000	2001	2002	2003	2004
<b>Operating Cash Costs(1)</b>					
Cash cost per pound of copper produced (US\$ per pound)	\$ 0.63	\$ 0.52	\$ 0.43	\$ 0.44	\$ 0.18
Cash cost per pound of copper produced (without byproduct revenue) (US\$ per pound)	0.99	0.81	0.74	0.74	0.85



(1)

Operating cash costs per pound of copper produced is an overall benchmark we use and a common industry metric to measure performance. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented beginning on page S-60. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges, third party copper purchases; less byproducts revenue, depreciation, amortization and depletion, workers' participation and inventory change. Operating cash costs also exclude the portion of our mine stripping costs that we capitalize. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Operating Cash Costs."

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## Selected Reserves Data

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

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

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

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

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

average copper grade.

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

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

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

### Overview

Our business is primarily the production and sale of copper. In the process of producing copper, a number of valuable metallurgical byproducts are recovered, such as molybdenum, zinc, silver, lead and gold, which we also produce and sell. The sales prices for our products are largely determined by market forces outside of our control. Our management, therefore, focuses on production enhancement and cost control to improve profitability. We believe we achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our aim is to remain profitable during periods of low copper prices and to maximize financial performance in periods of high copper prices.

We discuss below several matters that our management believes are important to understand our results of operations and financial condition. These matters include (i) our "operating cash costs" as a measure of our performance, (ii) metals prices, (iii) our recent acquisition of Minera México and (iv) the effects of inflation and other local currency issues.

### *Operating Cash Costs*

An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion) as presented in the statement of earnings is presented under the subheading, "Non-GAAP Information Reconciliation," below. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus administrative charges, treatment and refining charges and third party copper purchases; less byproducts revenue, depreciation, amortization and depletion, workers' participation and other inventory change. In our calculation of operating cash cost per pound of copper produced, we credit against our costs, the revenues from the sale of byproducts, principally molybdenum, zinc and silver. We account for this byproduct revenue because we consider our principal business to be the production and sale of copper. We believe that our company is viewed by the investment community as a copper company, and is

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valued, in large part, by the investment community's view of the copper market and our ability to produce copper at a reasonable cost. The recent surge in the price of molybdenum, however, has had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs below with and without crediting the byproduct revenues against our costs.

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

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

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

A reconciliation of our operating cash costs per pound to our GAAP cost of sales is presented beginning on page S-60 under the subheading " Non-GAAP Information Reconciliation."

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

### Metals Prices

The profitability of our operations 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. Metals prices historically have been subject to wide fluctuations and are affected by numerous factors beyond our control. These factors, which affect each commodity to varying degrees, include international economic and political conditions, levels of supply and demand, the availability and cost of substitutes, inventory levels maintained by producers and others and, to a lesser degree, inventory carrying costs and currency exchange rates. In addition, the market prices of certain metals have on occasion been subject to rapid short-term changes due to speculative activities.

We are subject to market risks arising from the volatility of copper and other metals prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged and giving no effects to potential hedging programs or changes in past production, metal price sensitivity factors would indicate the estimated change in operating income resulting from metal price changes in 2004 as provided in the table below.

	Copper	Molybdenum	Zinc
Change in metal prices (per pound)	\$ 0.01	\$ 1.00	\$ 0.01
Change in operating income (in millions)	\$ 15.6	\$ 31.6	\$ 2.7

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

### *Minera México Acquisition*

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

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

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

### *Inflation and Devaluation of the Peruvian Nuevo Sol and the Mexican Peso*

Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the nuevo sol or the peso, 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 onto us by our suppliers or reflected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the nuevo sol or the peso, resulting in a remeasurement loss in our financial statements. Recent inflation and devaluation rates are provided in the table below.

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

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

## Critical Accounting Policies and Estimates

Our discussion and analysis of our combined financial condition and results of operations, as well as quantitative and qualitative disclosures about market risks, are based upon our combined financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these combined financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: carrying value of the ore reserves that are the basis for future cash flows estimates and units-of-production depreciation and amortization calculations; capitalized mine stripping costs and leachable material; and asset retirement obligations. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

### *Ore Reserves*

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

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

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

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

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

***Capitalized Mine Stripping Costs and Leachable Material***

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

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

At the March 17, 2005 meeting of the Emerging Issues Task Force, or EITF, the EITF reached a consensus that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. The EITF noted that the consensus does not address the accounting for stripping costs incurred during the pre-production phase of a mine. The consensus with respect to this issue was ratified by the FASB on March 30, 2005, and will be effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. We are reviewing this consensus and expect to adopt a new accounting policy. Adoption of the EITF consensus will significantly change the accounting for capitalized stripping costs incurred during the production phase. At December 31, 2004, we had on our balance sheet US\$452.7 million of costs associated with capitalized mine stripping and leachable material, net, which may be impacted by this consensus. We anticipate that a significant portion of this asset may be written off and equity and net income would be reduced accordingly. In addition, future operating income could be negatively impacted to the extent that costs previously capitalized are expensed. We are exploring a number of alternatives in adopting this consensus, which could involve restating the effect of this change in accounting principle for prior periods or taking a one-time charge in a current period.

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

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



**Asset Retirement Obligation**

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

**Revenue Recognition**

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

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

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

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

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

## Results of Operations

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

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

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

### Average Metals Prices Realized

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

*Year Ended December 31, 2004 Compared to Year Ended December 31, 2003*

### Net sales

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

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Net sales increased in 2004 compared with 2003 principally due to significant increases in metals prices, particularly those of copper and molybdenum, for which our average sales prices rose 67.9% and 286.3%, respectively. In addition to increased metals prices, increased mine production was also an important factor in increasing our net sales in 2004. Copper production for 2004 increased 7.8% to 718,007 tons, compared with 665,916 tons in 2003.

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

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

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

Byproduct sales	Year Ended December 31,	
	2003	2004
Molybdenum contained in concentrate (tons)	12,498	14,350
Zinc-refined and concentrate (tons)	122,217	120,922
Silver ingots (ounces)	19,498,041	20,212,366
Gold ingots (ounces)	41,892	42,793

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

Copper made up 68.1% of net sales in 2004 compared with 74.7% in 2003. Sales of byproducts in 2004 totaled US\$987.8 million compared with US\$398.9 million in 2003, an increase of 147.6%. The increase is principally attributable to significantly increased sales of molybdenum, resulting from the 286.3% increase in our average sales price for molybdenum in 2004 compared with 2003. The table below provides the sales of our byproducts as a percentage of our total net sales.

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

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

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

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

Other factors contributing to the increased costs in 2004 included a provision of US\$17.6 million for the recently enacted mining royalty tax in Peru. This tax will be calculated as 1% to 3% of sales of concentrates produced by our Toquepala and Cuajone mines. In 2004 the sales of concentrates produced by these two mines was US\$83.9 million. See "Business Mining Rights and Concessions Peru."

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

*Selling, general and administrative*

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

Selling, general and administrative increased in 2004 from 2003 principally as a result of US\$13.8 million in management fees paid to Grupo México. The increase in management fees payable to Grupo México is largely attributable to the transfer of some corporate staff from Minera México to Grupo México. Such management fees, which were not payable in 2003, were partially offset by a payroll reduction of US\$2.7 million and a reduction in lease expenses of US\$2.6 million. Management fees include corporate, legal, accounting, finance, and commercial and similar costs.

### Depreciation, amortization and depletion

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Depreciation, amortization and depletion	\$ 177,058	\$ 192,586	\$ 15,528	8.8%
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Depreciation, amortization and depletion expense increased principally as a result of the increase in the amortization of capitalized mine stripping costs and leachable materials of US\$10.6 million. The increase was also as a result of an increase in maintenance capital expenditures. In addition, the depreciation expense increased US\$6.2 million as a result of a larger amount of capital expenditures incurred in 2004. Our total capital expenditures in 2004 were US\$228.3 million compared with US\$64.9 million in 2003. Our average depreciation rate was approximately 3% for 2004. We expect amortization will decrease in the future as a result of the aforementioned EITF consensus.

### Exploration

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Exploration	\$ 17,869	\$ 15,610	\$ (2,259)	(12.6)%
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Exploration expense decreased principally as a result of an acquisition in 2003 of exploration properties in Chile for US\$3.7 million. Excluding acquisition costs, exploration expense increased as a result of exploration and drilling in Mexico.

### Interest expense

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Interest expense	\$ 117,009	\$ 107,904	\$ (9,105)	(7.8)%
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Interest expense decreased in 2004 compared with 2003 principally as a result of a reduction in the amount of our debt outstanding. In addition, in the last quarter in 2004, we refinanced a portion of our debt outstanding at a reduced interest rate in connection with our new US\$600 million credit facility.

### Interest capitalized

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Interest capitalized	\$ 5,563	\$ 10,681	\$ 5,118	92.0%
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Interest capitalized increased in 2004 from 2003 principally as a result of an increase in our capital expenditures from US\$64.9 million in 2003 to US\$228.3 million in 2004. This increase was partially offset by a decrease of our interest expense as described above.



*Interest income*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Interest income	\$ 5,198	\$ 8,348	\$ 3,150	60.6%
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Despite decreases in prevailing interest rates, our interest income increased in 2004 compared with 2003, principally due to increased levels of cash invested, principally in short-term securities.

*Loss on debt prepayments*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Loss on debt prepayments	\$ (5,844)	\$ (16,500)	\$ (10,656)	(182.3)%
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Loss on debt prepayments increased in 2004 compared with 2003 as a result of our increased financing activity. In 2004 we incurred US\$10 million of prepayment fees, US\$2.8 million of additional interest surcharges and the cancellation of debt issuance of US\$3.7 million. In 2003 we incurred debt refinancing expenses of US\$5.8 million, including prepayment fees and amortization of debt issuance costs.

*Gain on disposal of properties*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Gain on disposal of properties	\$ 53,542	\$ 53,542		
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Gain on disposal of properties increased due to the sale of non-core assets in 2004 by Minera México.

*Other expense*

	Year Ended December 31,			
	2003	2004	Change	% Change
	(dollars in thousands)			

Other expense	\$ 4,174	\$ 9,689	\$ 5,515	132.1%
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Other expense increased principally due to fees paid to third parties in connection with merger-related costs.

*Income taxes*

	Year Ended December 31,		% Change



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

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Income taxes, which includes both current and deferred taxes, increased in 2004 as compared with 2003 primarily due to a US\$1,211.4 million increase in pre-tax income. Such increase was partially offset by the effect of the changes in our permanent differences from 2004 to 2003. Our effective tax rates were 30.4% and 57.3% in 2004 and 2003 based on pre-tax income of US\$1,420.9 million and US\$209.5 million, respectively. See Note 7 to our Audited Combined Financial Statements.

### *Minority interest*

Year Ended December 31,		Change	% Change
2003	2004		
(dollars in thousands)			

Minority interest	\$ 4,262	\$ 4,727	\$ 465	10.9%
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Minority interest increased in 2004 compared with 2003 due to improved after-tax earnings. This increase was partially offset by the elimination of certain minority interests upon the purchase of such interests by Minera México in 2004.

### *Net earnings*

Year Ended December 31,		Change	% Change
2003	2004		
(dollars in thousands)			

Net earnings	\$ 83,536	\$ 982,386	\$ 898,850	1,076.0%
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Net earnings increased in 2004 compared with 2003 as a result of increased net sales, which were partially offset by increased cost of sales, selling general and administrative expense, depreciation, amortization and depletion and taxes on income.

### *Year Ended December 31, 2003 Compared to Year Ended December 31, 2002*

#### *Net sales*

Year Ended December 31,		Change	% Change
2002	2003		
(dollars in thousands)			

Net sales	\$ 1,388,421	\$ 1,576,641	\$ 188,220	13.6%
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Net sales increased in 2003 compared with 2002 principally due to increases in metals prices, particularly those of copper and molybdenum, for which our average sales prices rose 9.5% and 55.6%, respectively.

In addition to increased metals prices, increased mine production was also a factor in increasing our net sales in 2003. Copper production for 2003 increased 8.5% to 665,916 tons, compared with

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614,018 tons in 2002. The table below presents information regarding the volume of our copper sales for each of the years ended December 31, 2002 and 2003.

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

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

Byproduct sales	Year Ended December 31,	
	2002	2003
Molybdenum concentrate (tons)	11,695	12,498
Zinc refined and concentrate (tons)	126,499	122,217
Silver ingots (ounces)	20,371,448	19,498,041
Gold ingots (ounces)	42,760	41,892

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

Copper made up 74.7% of net sales in 2003, compared with 75.2% in 2002. Sales of byproducts in 2003 totaled US\$399.6 million compared with US\$343.9 million in 2002, an increase of 16.2%. The increase is principally attributable to significantly increased sales of molybdenum resulting from the 55.6% increase in our average sales price for molybdenum in 2003 compared with 2002. The table below provides the sales of our byproducts as a percentage of our total net sales.

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

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

Year Ended  
December 31,

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

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Cost of sales (exclusive of depreciation, amortization and depletion) increased in 2003 from 2002 levels principally as a result of higher fuel and power costs. Our increased fuel and power costs in 2003 were significantly offset by a decrease in costs relating to a decrease in the copper we purchased from third parties from US\$59.6 million in 2002 to US\$20.0 million in 2003. Our Mexican operations showed a decrease in the cost of sales equivalent to US\$24.7 million due to lower production output and lower purchases of concentrate from third parties.

### *Selling, general and administrative*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Selling, general and administrative	\$ 69,351	\$ 63,597	\$ (5,754)	(8.3)%
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Selling, general and administrative decreased in 2003 from 2002 primarily as a result of the positive impact of the devaluation of the Mexican peso on salaries and certain expenses paid in Mexican pesos and expressed in U.S. dollars at our Minera México subsidiary.

### *Depreciation, amortization and depletion*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Depreciation, amortization and depletion	\$ 157,608	\$ 177,058	\$ 19,450	12.3%
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Depreciation, amortization and depletion expense increased principally as a result of the increase in amortization of capitalized mine stripping costs and leachable materials of approximately US\$13.5 million. In addition, an increase in depreciation of approximately US\$4.0 million resulted from capitalized projects. Lastly, depreciation expense also increased US\$1.0 million as a result of amortization of mine and development studies conducted in prior years.

### *Exploration*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Exploration	\$ 13,345	\$ 17,869	\$ 4,524	33.9%
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Exploration expense increased in 2003 compared with 2002 principally as a result of our purchase of exploration properties in Chile for US\$3.7 million and US\$0.8 million for other mining projects. Exploration expense relating to our exploration properties in Peru and Mexico was mostly unchanged.

### *Interest expense*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Interest expense	\$ 128,747	\$ 117,009	\$ (11,738)	(9.1)%
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Interest expense decreased in 2003 compared with 2002 primarily as a result of lower U.S. market interest rates and a decrease in average outstanding indebtedness.

### *Interest capitalized*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Capitalized interest	\$ 8,220	\$ 5,563	\$ (2,657)	(32.3)%
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Capitalized interest decreased in 2003 from 2002 as a result of lower capital expenditures due to completion of the Toquepala concentrator expansion in 2002.

### *Interest income*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Interest income	\$ 4,097	\$ 5,198	\$ 1,101	26.9%
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Interest income increased in 2003 compared with 2002, principally due to increased levels of cash invested, principally in short-term securities.

### *Loss on debt prepayments*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Loss on debt prepayments	\$ 12,400	\$ 5,844	\$ (6,556)	(52.8)%
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Loss on debt prepayments increased as a result of costs incurred in connection with Minera México's debt restructuring in 2003.

### *Other (income) expense*

Year Ended December 31,			
2002	2003	Change	% Change
(dollars in thousands)			

Other (income) expense	\$ (7,202)	\$ 4,174	\$ 11,376	158%
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Other income for 2002 principally resulted from a recovery in a legal proceeding and income related to management services provided to an affiliated company. Other expense for the year 2003 was mainly derived from by the disposal of certain fixed assets.

### *Income taxes*

Year Ended December 31,			
2002	2003	Change	% Change

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Year Ended December 31,

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(dollars in thousands)

Income taxes	\$	(88,496)	\$	120,129	\$	208,625	235.7%
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Income taxes, which includes both current and deferred taxes, increased in 2003 compared with 2002 primarily due to US\$144.2 million higher pre-tax income. In addition, income taxes were impacted by a significant tax benefit to our Minera México subsidiary in 2002. The increase in income taxes from 2002 to 2003 was partially offset by the effect of the change in our permanent difference from 2003 to 2002. Our effective tax rates were 57.3% and (135.3)% in 2003 and 2002, respectively, based on pre-tax income of US\$209.5 million and US\$65.2 million, respectively. The factors that most significantly impact our effective tax rates are various permanent items and the changes in our valuation allowance, as more fully described in Note 7 to our Audited Combined Financial Statements.

### *Minority interest*

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

Minority interest decreased in 2003 compared with 2002 principally due to a decrease in net earnings before minority interest in 2003 of Minera México.

### *Net earnings*

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

Net earnings decreased in 2003 compared with 2002 as a result of the above mentioned factors.

## Recent Developments

The following information relates to our financial condition and results of operation for the three months ended March 31, 2004 and 2005.

### *Results of Operations for Three Months Ended March 31, 2005 and 2004*

The following table highlights key combined financial and operating results for the three months ended March 31, 2004 and 2005.

Statement of Earnings Data	Three Months Ended March 31,	
	2004	2005
	(dollars in thousands)	
Net sales	\$ 602,523	\$ 946,075
Cost of sales (exclusive of depreciation, amortization and depletion)	262,633	389,570
Selling, general and administrative	16,623	18,598
Depreciation, amortization and depletion	47,533	60,967
Exploration	3,663	5,347
Operating income	272,071	471,593
Interest expense	30,775	22,946
Interest capitalized	(1,337)	(2,269)
Interest income	(1,336)	(5,452)
Loss on derivative instruments		7,276



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	Three Months Ended March 31,	
Loss on debt prepayments		4,020
Other income, net	(174)	(835)
Income taxes	72,858	146,121
Minority interest	3,811	1,425
Net earnings	\$ 167,474	\$ 298,361

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The table below outlines the average prices (rounded to the nearest cent) at which we sold our metals during each of the three-month periods ended March 31, 2004 and 2005.

## Average Metals Prices Realized

	Three Months Ended March 31,		% Change
	2004	2005	
Copper (pounds)	\$ 1.31	\$ 1.56	19.1%
Molybdenum (pounds)	9.92	31.88	221.4
Zinc (pounds)	0.52	0.61	17.3
Silver (ounces)	6.42	7.10	10.6
Gold (ounces)	397.27	426.41	7.3

*Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004*

## Net sales

	Three Months Ended March 31,		Change	% Change
	2004	2005		
Net sales	\$ 602,523	\$ 946,075	\$ 343,552	57.0%

Net sales in the first three months of 2005 increased US\$343.6 million to US\$946.1 million from the comparable period in 2004. The increase in net sales was mainly the result of higher copper and molybdenum prices in 2005. Also contributing to the net sales increase in the first three months of 2005 was an inventory build-up in the first three months of 2004, which had the effect of diminishing net sales for the 2004 period.

The table below presents information regarding the volume of our copper sales for each of the three-month periods ended March 31, 2004 and 2005.

Copper sales	Three Months Ended March 31,	
	2004	2005
	(tons)	
Refined	83,896	89,707
Blister	3,486	2,593
Concentrates	16,062	
SX/EW	28,014	28,856
Rod	27,913	42,278
<b>Total</b>	<b>159,371</b>	<b>163,434</b>

The table below presents information regarding the volume of our sales of byproducts for each of the three-month periods ended March 31, 2004 and 2005.

Byproduct sales	Three Months Ended March 31,

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	Three Months Ended March 31,	
	2004	2005
Molybdenum contained in concentrate (tons)	3,148	3,958
Zinc-refined and concentrate (tons)	29,597	35,908
Silver ingots (ounces)	4,977,513	5,018,184
Gold ingots (ounces)	8,616	12,282

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Copper mine production decreased 10.1% or 40.3 million pounds in the first quarter of 2005 as compared to the same period in 2004. The decrease of 40.3 million pounds included decreases of 7.4 million pounds at the Toquepala mine, 20.0 million pounds at the Cuajone mine, 14.1 million pounds at the Cananea mine and an increase of 3.4 million pounds at the La Caridad mine. SX/EW production declined by 2.2 million pounds. The decreases in Toquepala and Cananea production were a result of lower volumes of material milled and lower ore grade. The decrease in Cuajone production was a result of lower ore grade in 2005. The increase in La Caridad production was a result of a higher volume of material milled as well as higher copper recovery. The primary reason for the decrease in SX/EW production was lower grade of pregnant leaching solution at the Toquepala unit.

Copper made up 59.4% of net sales in the first quarter of 2005 compared with 75.3% for the same period in 2004. Sales of byproducts in the first quarter of 2005 were US\$384.1 million. This figure compared with US\$148.6 million in the same period in 2004, an increase of 158.5%. The increase in byproduct sales mainly resulted from higher molybdenum sales due to higher prices. Molybdenum prices during the first quarter of 2005 increased by 221.4% as compared to the same period of 2004. The table below provides the sales of our byproducts as a percentage of our total net sales.

Byproduct Sales as a Percentage of Total Net Sales	Three Months Ended March 31,	
	2004	2005
Molybdenum	11.3%	29.3%
Zinc	5.4	4.7
Silver	5.3	3.7
Gold and other metals	2.7	2.9
<b>Total</b>	<b>24.7%</b>	<b>40.6%</b>

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

	Three Months Ended March 31,		Change	% Change
	2004	2005		
Cost of sales (exclusive of depreciation, amortization and depletion)	\$ 262,633	\$ 389,570	\$ 126,937	48.3%

(dollars in thousands)

Cost of sales (exclusive of depreciation, amortization and depletion) increased by US\$126.9 million in the first three months of 2005 compared to the same period of 2004 due to higher volume of sales as well as higher power and fuel costs. Sales of copper increased by 9.0 million pounds, principally from sales of copper purchased from third parties, which added US\$27.1 million of costs during the quarter. In addition, fuel and power costs were approximately US\$14.0 million higher in the first quarter of 2005 from the same period in 2004. Workers' participations increased by US\$20.7 million in the first quarter of 2005 compared to the same period in 2004 due to a change in the method of computing the amount of statutory workers' profit sharing required to be paid by Mexican companies, as discussed under "Liquidity and Capital Resources Liquidity Other Liquidity Considerations." Cost of sales also increased in the first quarter of 2005 as a result of increased sales out of inventory in the amount of US\$27.2 million, an increase of US\$10.6 million in maintenance expenses and operating materials and a provision of US\$6.9 million for the recently enacted mining royalty tax in Peru.

*Selling, general and administrative*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Selling, general and administrative	\$	16,623	\$	18,598	\$	1,975	11.9%
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Selling, general and administrative increased in the first three months of 2005 as compared to the first quarter of 2004 mainly as a result of US\$2.4 million of higher professional fees paid that included legal and consulting fees relating to our acquisition of Minera México. These fees were partially offset by a payroll reduction of US\$0.5 million in the Mexican operations.

*Depreciation, amortization and depletion*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Depreciation, amortization and Depletion	\$	47,533	\$	60,967	\$	13,434	28.3%
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Depreciation, amortization and depletion increased during the first quarter of 2005 due to higher amortization of capitalized mine stripping cost and leachable materials of US\$3.4 million. In addition, depreciation expense increased by US\$10.3 million, primarily due to a US\$9.8 million reduction in depreciation in 2004 relating to negative goodwill on the purchase of Mexicana de Cobre in 1988. Such remaining negative goodwill was fully amortized in 2004. The other US\$5.0 million of the increase related to Peruvian operations depreciation.

*Exploration*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Exploration	\$	3,663	\$	5,347	\$	1,684	46.0%
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Exploration expenses increased as a result of exploration projects in our operations in Peru and Chile (US\$1.4 million) and Mexico (US\$0.8 million). The higher exploration expenses were partially offset by a US\$ 0.6 million reduction in drilling activities at Los Chancas in Peru.

*Interest expense*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Interest expense	\$	30,775	\$	22,946	\$	(7,829)	(25.4)%
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Interest expense decreased by 25% in the first three months of 2005 when compared to the same period in 2004 as a result of a reduction in the amount of debt outstanding and lower interest rates on debt outstanding at Minera México.



*Interest capitalized*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Interest capitalized	\$	1,337	\$	2,269	\$	932	69.7%
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Interest capitalized increased in the first three months of 2005 as compared to the same period of 2004 as a result of an increase in our capital expenditures from US\$53.0 million in the first quarter of 2004 to US\$73.5 million in the first quarter of 2005.

*Interest income*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Interest income	\$	1,336	\$	5,452	\$	4,116	308.1%
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Interest income increased by US\$4.1 million in the first three months of 2005 compared to the same period in 2004 due to significantly higher cash levels invested in short-term securities.

*Loss on derivative instruments*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Loss on derivative instruments	\$	7,276	\$	7,276	100.0%
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Loss on derivative instruments increased due to copper swap contracts signed in 2005 to protect a portion of the copper production from possible price reductions. We recorded a US\$1.0 million loss related to the completion of a copper swap contract in the first quarter. In addition, we recorded a loss of US\$6.2 million related to the loss in fair value (mark to market) of copper swaps held as of March 31, 2005.

*Loss on debt prepayments*

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Loss on debt prepayments	\$	4,020	\$	4,020	100.0%
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Loss on debt prepayments includes a 1% or US\$1.7 million prepayment penalty due to the prepayment of debt of our Peruvian operations and a US\$2.2 million loss due to the write-off of unamortized debt issuance costs in connection with the prepayment.

### Other income, net

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Other income, net	\$ 174	\$ 835	\$ 661	379.9%
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Other income, net increased in the first quarter of 2005 compared with the first quarter of 2004 mainly due to the receipt by Minera México of income from sales of scrap and non-operating materials to the third parties.

### Income taxes

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Income taxes	\$ 72,858	\$ 146,121	\$ 73,263	100.6%
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Income taxes, which include both current and deferred taxes, increased by US\$73.3 million in the first quarter of 2005 principally due to higher earnings before taxes of US\$201.8 million as well as a higher effective tax rate for 2005. Earnings before taxes increased by US\$201.8 million in 2005 due to the variances discussed above. The effective income tax rate was 32.7% during the first quarter of 2005. This compares with 29.8% for the same period in 2004. The variance in the effective tax rate results from various permanent items in both Peru and Mexico.

### Minority interest

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Minority interest	\$ 3,811	\$ 1,425	\$ (2,386)	(62.6)%
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Minority interest decreased in the first quarter of 2005 as compared with the first quarter of 2004 primarily due to the elimination of certain minority interests by Minera México in the fourth quarter of 2004.

### Net earnings

	Three Months Ended March 31,			
	2004	2005	Change	% Change
	(dollars in thousands)			

Net earnings	\$ 167,474	\$ 298,361	\$ 130,887	78.2%
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Net earnings increased in the first three months of 2005 when compared to the same period of 2004 as a result of the variances discussed above.

### Operating Cash Costs



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Our operating cash costs per pound, as defined above, are presented in the table below for each of the three-month periods ended March 31, 2004 and 2005. Cash cost computations are presented with

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and without the inclusion of byproduct revenues below, because recent increases in the price of molybdenum have significantly affected our cash costs.

	Three Months Ended March 31,	
	2004	2005
	(dollars per pound)	
Operating cash cost per pound of copper produced	\$ 0.347	\$ (0.161)
Operating cash cost per pound of copper produced (without byproduct revenue)	\$ 0.765	\$ 0.956

A reconciliation of our operating cash costs per pound to our GAAP cost of sales is presented beginning on page S-60 under the subheading " Non-GAAP Information Reconciliation." We discuss our cost of sales (exclusive of depreciation, amortization and depletion) above.

The decrease in cash costs per pound of copper produced (including byproduct revenue) in the first quarter of 2005 compared to the comparable period in 2004 is largely attributable to a 221.4% increase in molybdenum sales price. On a per pound basis, molybdenum credits to the cost of copper amounted to US\$0.757 per pound in the first quarter of 2005 and US\$0.178 per pound for the same period in 2004. The cash cost without byproduct revenue increased in the first quarter of 2005 primarily due to higher production costs (US\$0.105 per pound) largely as a result of increased fuel and power costs, as well as increased maintenance expense and operating materials. Cash cost without byproduct revenue also increased due to the Peruvian mining royalty tax (US\$0.019 per pound) and the inclusion in the 2005 cash cost calculation of the higher unit cost of purchased copper (US\$0.067 per pound).

#### ***Inflation and Devaluation of the Peruvian Nuevo Sol and the Mexican Peso***

The inflation and devaluation rates of the Peruvian nuevo sol and the Mexican peso for the three months ended March 31, 2004 and 2005 are provided in the table below.

	Three Months Ended March 31,	
	2004	2005
<b>Peru</b>		
Peruvian inflation rate	2.1%	0.5%
Nuevo sol/dollar	(0.1)	(0.6)
<b>Mexico</b>		
Mexican inflation (deflation) rate	0.3%	0.5%
Peso/dollar	(0.4)	0.7

#### ***Revenue Recognition***

The following are the provisionally priced copper and molybdenum sales outstanding as of March 31, 2005:

Provisionally Priced Sales	At March 31,
	2005
<b>Copper</b>	
Millions of pounds	147.1
Priced at	\$ 1.53
<b>Molybdenum</b>	
Millions of pounds	11.1
Priced at	\$ 34.35



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Provisional sales adjustments included in accounts receivable and net sales were as follows as of March 31, 2004 and 2005, respectively:

Provisional Sales Adjustments	Three Months Ended March 31,	
	2004	2005
	(dollars in millions)	
Copper	\$ 15.9	\$ 6.4
Molybdenum	69.2	34.1
<b>Total</b>	<b>\$ 85.1</b>	<b>\$ 40.5</b>

For information regarding our liquidity and capital resources for the three months ended March 31, 2004 and 2005, please see "Liquidity and Capital Resources" below.

### Liquidity and Capital Resources

#### *Liquidity*

	Year Ended December 31,			Three Months Ended March 31,	
	2002	2003	2004	2004	2005
	(dollars in thousands)				
Net cash provided from operating activities	\$ 181,900	\$ 61,302	\$ 1,113,232	\$ 137,993	\$ 352,490
Net cash used for investing activities	(85,182)	(59,652)	(219,462)	(50,137)	(105,056)
Net cash (used for) provided from financing activities	(145,901)	185,570	(540,609)	(35,420)	(219,823)
Increase (decrease) in cash and cash equivalents	(44,135)	176,539	359,097	52,984	24,288

#### *Cash Flows from Operating Activities*

Net cash provided by operating activities was US\$352.5 million in the first quarter of 2005, compared to US\$138.0 million in the same period of 2004. The increase of US\$214.5 million was principally due to higher earnings and to an increased contribution from operating assets and liabilities. Higher copper and molybdenum prices in the first quarter of 2005 were the main driving forces behind the earnings improvement of US\$130.9 million. Movement in operating assets and liabilities in the first quarter of 2005 reduced operating cash flow by US\$7.5 million, while in the first quarter of 2004 it reduced operating cash flow by US\$87.7 million. Depreciation, amortization and depletion increased by US\$13.4 million. Also, cash flow was positively affected by the US\$7.3 million mark-to-market loss recorded in the first quarter of 2005. Provision for deferred income taxes was US\$14.3 million lower due to the use of prior years deferred income tax provisions by our Peruvian operations.

Accounts receivable declined by US\$59.7 million in the first quarter of 2005, increasing cash from operations. This compares to a US\$65.9 million decrease in cash during the same period in 2004, due to a temporary reduction in sales due to an increase in copper and molybdenum prices. Increases in inventory reduced cash by US\$27.2 million at the end of the first quarter of 2004 to US\$1.2 million at the end of the first quarter of 2005. The reduction in cash from operating activities in 2004 resulted from the use of copper to manufacture rods at our Peruvian operations. We made payments of US\$78.6 million in the first quarter of 2005 as a result of the March 2005 payment of workers' participation for the Peruvian operations, compared to payments of US\$16.7 million in the first quarter of 2004.

We generated significantly increased positive cash flows from operating activities in the year ended December 31, 2004. Net cash provided by operating activities was US\$1,113.2 million for 2004

compared to US\$61.3 million for 2003. The increase of US\$1,051.9 million was principally attributable to:

our operations becoming more profitable as metal prices increased;

changes in non-cash operating items as detailed in the table below; and

changes in both operating assets and liabilities, as a result of increases in accounts payable and accrued liabilities consisting mostly of increases in income tax payable of US\$234.6 million, accrued workers' participation of US\$67.1 million and trade accounts payable of US\$42.7 million, partially offset by increases in accounts receivable due to increases in the metal prices, and an increase in inventories.

We generated positive cash flows from operating activities in the years ended December 31, 2003 and 2002. Net cash provided from operating activities was US\$61.3 million for 2003 compared to US\$181.9 million for 2002. The decrease in 2003 resulted mainly from:

changes in non-cash operating items as detailed in the table below; and

changes in both operating assets and liabilities as a result of a decrease in accounts payable and accrued liabilities consisting mostly of a decrease in trade accounts payable, increases in accounts receivable due to increases in the metal prices, and an increase in inventories.

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

	Year Ended December 31,			Three Months Ended March 31,	
	2002	2003	2004	2004	2005
	(in thousands)				
Net earnings	\$ 144,929	\$ 83,536	\$ 982,386	\$ 167,474	\$ 298,361
Cumulative effect of change in accounting principle, net of income tax		1,541			
Depreciation, amortization and depletion	157,608	177,058	192,586	47,533	60,967
Remeasurement loss (gain)	(54,431)	(21,982)	14,379	3,271	326
Loss on derivative instruments					7,276
Capitalized mine stripping and leachable material	(91,954)	(79,704)	(92,797)	(16,148)	(24,623)
Provision for deferred income taxes	(142,839)	31,526	54,385	19,344	5,087
Minority interest	8,855	4,262	4,727	3,811	1,425
Write-off debt issuance cost					2,153
Gain on disposal of properties			(53,542)		
Other	21,541	12,388	19,905	404	9,026
Accounts receivable	14,264	(38,734)	(260,701)	(65,927)	59,742
Inventories	31,026	14,806	(54,330)	(27,306)	(1,166)
Accounts payable and accrued liabilities	70,161	(121,204)	310,343	4,503	(67,600)
Other operating assets and liabilities	4,504	828	551	1,034	1,516
Prepaid taxes	18,236	(3,019)	(4,660)		
Net cash provided from operating activities	\$ 181,900	\$ 61,302	\$ 1,113,232	\$ 137,993	\$ 352,490

*Cash Flows from Investing Activities*

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Net cash used for investing activities was US\$105.1 million in the first quarter of 2005, compared with US\$50.1 million in the comparable 2004 period. The first quarter of 2005 includes US\$73.5 million of capital expenditures compared to US\$53.0 million in the first quarter of 2004. Most of the capital expenditures for the first quarter of 2005 are related to the Ilo smelter modernization (US\$30.6 million expended in the first quarter of 2005) and the leaching project at the Toquepala mine (US\$12.4 million

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expended in the first quarter of 2005). The remaining capital expenditures primarily correspond to maintenance capital expenditures in Mexico and Peru. The cash flow generated by or used in investing activities in the first quarter of 2005 was also affected by US\$74.3 million expended on the purchase of marketable securities and US\$45.3 million received from sales and maturity of marketable securities.

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

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

### *Cash Flows from Financing Activities*

For the three months ended March 31, 2005, net cash used in financing activities was US\$219.8 million compared to US\$35.4 million in the first quarter of 2004. In the first quarter of 2005, we repaid approximately US\$289.0 million of indebtedness. The debt payments included a US\$120 million loan payment to Citibank, N.A. related to our Mexican operations and the prepayment of US\$170 million outstanding under our Peruvian bond program. The prepayment of the Peruvian bonds was financed with a \$170 million drawdown from a credit facility provided by a group of lenders, with Citibank, N.A. acting as administrative agent. In the first quarter of 2005, we paid a transaction dividend of US\$100 million in connection with our acquisition of Minera México. In the first quarter of 2004, we paid a quarterly dividend of US\$21.6 million.

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

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

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

### *Other Liquidity Considerations*

In June 2004, the Peruvian Congress enacted legislation imposing a royalty tax to be paid by mining companies in favor of the regional governments and communities where mining resources are located. See "Business Mining Rights and Concessions Peru" and "Business Legal Proceedings Peruvian Mining Royalty." Under the new law, we are subject to a 1% to 3% tax, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. We made a

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provision of US\$17.6 million in 2004 for this new tax, which went into effect as of June 25, 2004. In addition, the Peruvian government is claiming that this royalty tax applies to our SX/EW operations. We are contesting this application of the royalty tax, which could result in approximately US\$3 million of additional liability as of March 31, 2005. It is anticipated that the royalty tax will have an adverse effect on our operating income and cash flow.

On April 12, 2005, we declared a dividend of US\$2.37 per share, totaling US\$350 million. This dividend was paid on May 13, 2005.

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

In May 2005, the Mexican Supreme Court rendered a decision that changed the method of computing the amount of statutory worker's profit sharing required to be paid by some Mexican companies, including our Minera México subsidiary. The Supreme Court's ruling in effect prohibited the application of net operating loss carryforwards in computing the income used as the base for determining the workers' profit sharing amounts. We are currently evaluating the possibility of a judicial challenge to this ruling. Nevertheless, we recognize in our results of operations for the first quarter of 2005 a charge to earnings reflecting both our preliminary estimates of US\$20.7 million for workers' profit sharing related to 2004 and US\$11.6 million, the first quarter portion of our current estimate of potential 2005 liability. The 2004 workers' profit sharing liability estimate may vary in subsequent interim periods as we continue to evaluate the basis of this calculation. In addition, the ruling may affect our future results of operations and liquidity to the extent we pay higher workers' profit sharing amounts.

### *Financing*

At March 31, 2005, we had outstanding borrowings of US\$1,211.2 million, compared with US\$1,330.3 million at December 31, 2004. At March 31, 2005, our outstanding debt as a percentage of total capitalization (the total of debt, minority interest and stockholders' equity) was 28.6% as compared with 32.0% at December 31, 2004. At March 31, 2005, our cash and cash equivalents and marketable securities amounted to US\$809.3 million compared to US\$756.0 million at December 31, 2004. Since March 31, 2005, the most significant change to our cash balance was the payment of a US\$350 million dividend.

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

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

In 1998, Minera México issued US\$500 million of unsecured debt, which we refer to as its yankee bonds. The yankee bonds were offered in two series: Series A for US\$375 million, with an interest rate of 8.25% and a 2008 maturity, and Series B for US\$125 million, with an interest rate of 9.25% and a



2028 maturity date. The bonds contain a covenant regarding a ratio of EBITDA to interest expense of not less than 2.50 to 1.0, as such terms are defined by the bonds.

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

In October 2004, Minera México and its operating subsidiaries established a US\$600 million credit facility with Citibank, N.A. and other lenders. Minera México has drawn down the total amount of this facility, proceeds of which were used to repay in full the amounts outstanding under Minera México's common agreement with holders of its secured export notes and other financial institutions. Minera México made a prepayment of US\$120 million on March 30, 2005. In May 2005, we guaranteed this debt of Minera México. At such time, many of the covenants were amended and made more favorable from the point of view of Minera México and the security previously pledged was released. The covenants described below reflect these improved terms. The facility has a five-year term with an interest rate of LIBOR plus 1.125% through October 2005 (with an interest rate ranging from 0.875% and 2.0% based on our consolidated leverage ratio thereafter). Under the facility we and Minera México are required to maintain a total net worth at least equal to 80% of our and our subsidiaries net worth as of December 31, 2004, a ratio of EBITDA to gross interest of at least 2.5 to 1.0 and a leverage ratio of no greater than 3.0 to 1.0, all as such terms are defined by the facility. We are currently contemplating that our Minera México subsidiary will execute a reciprocal guarantee of our US\$200 million credit facility, described below.

In January 2005, SPCC obtained a US\$150 million credit facility provided by a group of lenders, with Citibank, N.A. acting as administrative agent. In March 2005 this facility was amended to increase the amount of the facility to US\$200 million and, as of the end of April 2005, it was fully drawn. The proceeds of this facility have been used to prepay all amounts outstanding under our Peruvian bond program. This credit facility has a five-year term with an interest rate of LIBOR plus 1.25% for the first year, increasing annually by 0.125%. Under the terms of the facility we are required to maintain a net worth at least equal to our net worth on December 31, 2003, a ratio of EBITDA to gross interest of at least 3.0 to 1.0 and a leverage ratio of no greater than 2.5 to 1.0, all as such terms are defined by the facility. Amortization of the loan principal begins in January 2007.

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

### ***Capital Expenditure Programs***

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

**Contractual Obligations**

The following table summarizes our significant contractual obligations as of December 31, 2004:

	Payments due by Period				
	Total	2005	2006 to 2007	2008 to 2009	2010 and Thereafter
(dollars in millions)					
Long-term debt	\$ 1,330.2	\$ 179.1	\$ 341.1	\$ 633.5	\$ 176.5
Purchase obligations:					
Commitment to purchase energy	1,521.2	144.6	258.1	223.7	894.9
Capital purchase obligations	346.0	170.7	175.3		
<b>Total</b>	<b>\$ 3,197.4</b>	<b>\$ 494.4</b>	<b>\$ 774.5</b>	<b>\$ 857.2</b>	<b>\$ 1,071.4</b>

Please refer to Note 9 of our Audited Combined Financial Statements for a description of our long-term debt arrangements and credit facilities.

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

Pursuant to our *Programa de Adecuación y Manejo Ambiental* (Environmental Compliance and Management Program, known by its Spanish acronym, PAMA) we have committed to bring our operations into compliance with environmental standards established by the government of Peru. The capital purchase obligation in the above table is for the estimated cost of completing the Ilo smelter modernization, our remaining obligation under our PAMA. See "Business Environmental and Related Matters Peru."

As of October 29, 2004, Minera México and Citibank-Banamex entered into an interest rate swap agreement for a notional principal amount of US\$600 million. Under this agreement, Minera México agreed to pay Banamex a fixed rate equivalent to 3.49% and, in exchange, Banamex agreed to pay a variable rate equivalent to 3-month LIBOR. The interest rate swap was structured to adjust its principal notional amount according to the principal amortization schedule of the US\$600 million facility structured by Citibank on October 29, 2004. Payments under the interest rate swap are scheduled to match the interest payment dates of the US\$600 million credit facility.

On April 1, 2005, our Minera México subsidiary assigned to us a participation on its interest rate swap for US\$120 million. As of March 31, 2005, the current notional principal amount under the Minera México interest rate swap is equivalent to US\$480 million. As of the same date, we have outstanding an interest rate swap for a notional principal amount of US\$120 million.

The fair value of the interest rate swaps used to hedge the interest rate risk exposure on a credit facility was calculated based on discounted expected future cash flows of interest to be received and paid.

**Quantitative and Qualitative Disclosure About Market 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 result in gains or losses in the market value of our debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon our indebtedness at December 31, 2004, a change in interest rates of 1 percent (or 100 basis points) would impact net income and cash flows by US\$8.9 million annually. This impact would be reduced by US\$6.0 million due to the interest rate swap agreement entered with Banamex to hedge the interest rate risk exposure on our new US\$600 million credit facility.

We are also exposed to market risk associated with changes in foreign currency exchange rates as certain costs incurred are in currencies other than our functional currency. To manage the volatility related to the risk, we may enter into forward exchange contracts, currency swaps or other currency hedging arrangements. We have only had limited involvement with derivative instruments and do not use them for trading purposes.

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 or changes in past production, metal price sensitivity factors would indicate estimated change in operating income resulting from metal price changes in 2004 as provided in the table below.

	Copper	Molybdenum	Zinc
Change in metal prices (per pound)	\$ 0.01	\$ 1.00	\$ 0.01
Change in operating income (in millions)	\$ 15.6	\$ 31.6	\$ 2.7

On occasion, we have used derivative instruments to manage our exposure to changes in commodity prices. Although we did not enter into such contracts in recent years, in the first quarter of 2005, we entered into copper swap contracts to economically hedge approximately 57% of our next three months' forecasted copper production at a fixed copper price. The purpose of these hedges has been to lock in copper prices and hedge against what we believe may be short-term weakness in copper prices in the second quarter of 2005. Outstanding copper swaps at March 31, 2005 are as follows:

Pounds (in millions)	Production Period to Hedge	Copper Swap Price(1)	Copper Spot Price at March 31, 2005	Swap Contract Fair Value at March 31, 2005
133.4	April 2005	\$ 1.5085	\$ 1.5494	\$ (2,994,770)
132.3	May 2005	\$ 1.5100	\$ 1.5273	\$ (2,268,633)
29.8(2)	June 2005	\$ 1.5050	\$ 1.5038	\$ 37,001

- (1) We will receive (or pay) if the actual average copper price for the period is under (over) the swap price on the copper quantity hedged.
- (2) In the second quarter of 2005 we entered into additional copper swap contracts, increasing the total amount hedged for June 2005 to 114.6 million pounds. As of May 15, 2005, we have not entered into any additional copper swap contracts with respect to our 2005 production.

During the first quarter of 2005, certain copper swap contracts expired and, as a result, we recognized a loss of US\$1.0 million. In addition, we recorded a loss of US\$6.2 million related to the loss in fair value of copper swaps held at March 31, 2005.

### Impact of New Accounting Standards

For a description of the impact of new accounting standards, see Note 2, "Summary of Significant Accounting Policies Impact of new accounting standards," to our Audited Combined Financial Statements.

### Non-GAAP Information Reconciliation

We provide a reconciliation of operating cash cost to GAAP cost of sales in millions of dollars and cents per pound in the table below. We further discuss operating cash costs in " Overview Operating Cash Costs."

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	Year Ended December 31,										Three Months Ended March 31,			
	2000(1)		2001(1)		2002		2003		2004		2004(1)		2005(1)	
	US\$ million	US\$ per unit	US\$ million	US\$ per unit	US\$ million	US\$ per unit	US\$ million	US\$ per unit	US\$ million	US\$ per unit	US\$ million	US\$ per unit	US\$ million	US\$ per unit
Cost of sales (including depreciation, amortization and depletion) GAAP	\$ 1,447.8	\$ .980	\$ 1,398.7	\$ .906	\$ 1,118.6	\$ .809	\$ 1,169.4	\$ .814	\$ 1,526.9	\$ .969	\$ 310.2	\$ .801	\$ .450	\$ 1.225
<b>Add:</b>														
Administrative charges	\$ 80.7	\$ .055	\$ 70.2	\$ .045	\$ 62.8	\$ .045	\$ 57.4	\$ .040	\$ 67.5	\$ .043	\$ 16.6	\$ .043	\$ 18.6	\$ .051
Treatment and refining charges	70.6	.048	40.6	.026	20.0	.014	24.9	.017	27.7	.018	7.4	.019	4.6	.013
Third party copper purchases(2)	224.7	.152	74.8	.048	20.4	.015	13.9	.010	27.2	.017	5.8	.015	10.6	.029
<b>Less:</b>														
Byproducts revenue(3)	\$ (541.4)	\$ (.366)	\$ (445.8)	\$ (.289)	\$ (434.4)	\$ (.314)	\$ (442.8)	\$ (.308)	\$ (1,056.3)	\$ (.670)	\$ (161.9)	\$ (.418)	\$ (410.4)	\$ (1.117)
Depreciation, amortization and depletion	(160.7)	(.109)	(165.9)	(.108)	(157.6)	(.114)	(177.1)	(.123)	(192.6)	(.122)	(47.5)	(.123)	(61.0)	(.166)
Worker's participation and other	(222.7)	(.151)	(136.8)	(.089)	(15.4)	(.011)	(16.4)	(.011)	(158.2)	(.100)	(27.0)	(.070)	(75.3)	(.205)
Inventory change	24.8	.017	(40.0)	(.026)	(20.8)	(.015)	(4.5)	(.003)	44.4	.028	30.8	.080	3.5	.010
<b>Operating Cash Cost</b>	923.8	.625	795.8	.516	593.6	.429	624.8	.435	286.6	.182	134.4	.347	(59.3)	(.161)
Deduct byproducts revenue	541.4	.366	445.8	.289	434.4	.314	442.8	.308	1,056.3	.670	161.9	.418	410.4	1.117
<b>Operating Cash Cost, without byproduct revenue</b>	1,465.2	.991	1,241.6	.805	1,028.0	.743	1,067.6	.743	1,342.9	.852	296.3	.765	351.1	.956
Total pounds of copper produced and purchased (in millions)	1,477.9		1,543.2		1,383.4		1,436.8		1,576.5		387.2		367.3	

(1) Financial information for the years ended December 31, 2000 and 2001 and for the three months ended March 31, 2004 and 2005 is unaudited.

(2) Includes only purchases of copper processed by our facilities prior to resale (excludes purchases of refined copper).

(3) Reflects net byproduct sales plus revenues from treatment and refining charges related to byproduct sales and premiums on refined products.

We provide a reconciliation between EBITDA and our net earnings, as reflected in our Audited Combined Financial Statements and our unaudited condensed combined interim financial statements for each of the periods presented in the table below.

EBITDA Reconciliation	Year Ended December 31,					Three Months Ended March 31,	
	2000(1)	2001(1)	2002	2003	2004	2004(1)	2005(1)
(dollars in thousands)							
Net earnings (loss)	\$ 20,760	\$ (109,914)	\$ 144,929	\$ 83,536	\$ 982,386	\$ 167,474	\$ 298,361
Cumulative effect of change in accounting principle				1,541			
Minority interest	5,837	(2,819)	8,855	4,262	4,727	3,811	1,425
Income taxes	106,627	46,942	(88,496)	120,129	433,758	72,858	146,121
Interest expense	162,279	171,242	128,747	117,009	107,904	30,775	22,946
Interest capitalized	(11,012)	(9,600)	(8,220)	(5,563)	(10,681)	(1,337)	(2,269)
Interest income	(10,590)	(23,194)	(4,097)	(5,198)	(8,348)	(1,336)	(5,452)
Depreciation, amortization and depletion	160,729	165,901	157,608	177,058	192,586	47,533	60,967
EBITDA	\$ 434,630	\$ 238,558	\$ 339,326	\$ 492,774	\$ 1,702,332	\$ 319,778	\$ 522,099

(1) Financial information for the years ended December 31, 2000 and 2001 and for the three months ended March 31, 2004 and 2005 is unaudited.

#### Considerations Relating to Section 404 of the Sarbanes-Oxley Act of 2002

As required by Section 404 of the Sarbanes-Oxley Act of 2002, Southern Peru Copper Corporation completed the Section 404 certification process for the year ended December 31, 2004, in relation to its stand-alone financial statements for that period prior to its acquisition of Minera México. Minera México did not conduct a Section 404 certification process for the year ended December 31, 2004, since it was exempt from the requirements as a foreign private issuer. Minera México will not undertake the certification process as a stand-alone company because it is no longer a registrant under the Securities Exchange Act of 1934. Therefore, the Minera México accounts reflected in the Audited Combined Financial Statements in this prospectus supplement were not required to be subject to the Section 404 certification process and were not certified under Section 404.

## INDUSTRY

### Copper Overview

Copper is the world's third most widely used metal and is an important component of the world's infrastructure. Its unique chemical and physical properties, including high electrical conductivity and resistance to corrosion, as well as excellent malleability and ductility, have made it a superior material for use in the electricity, telecommunications, building construction, transportation and industrial machinery industries. Copper is also an important metal in non-electrical applications such as plumbing, roofing and, when alloyed with zinc to form brass, in many industrial and consumer applications. Its industrial importance has also been extended by the ease with which it combines with other metals. Tin and zinc have been the principal alloying elements, but there are now many others (including aluminum, beryllium, chromium and manganese) that form alloys with special mechanical and physical properties.

Copper is mined from ore bodies that typically contain small traces of the metal in finely disseminated particles. Sulfide and oxide ores require different treatment processes, but in both cases the starting point is the same: the extraction of the material from an open-pit or underground mine, which requires fragmentation and transportation of the material that has been previously identified by geological surveys. Fragmentation is accomplished by a blasting process using explosives in order to produce a fracturing of the rock. The mineral is then transported from the open pit to processing sites using trucks, trains and conveyor belts. The ore may then be processed as follows:

*The Flotation Process:* After being milled to the consistency of fine sand, sulfide ore is fed into tanks that are filled with a solution capable of forming a froth. Air is then pumped into each tank to bring this froth to the surface. The copper sulfide particles adhere to this froth, which is separated from the waste, the majority of which sinks to the bottom of the tank. The product of flotation is called concentrate. It usually has a copper grade that ranges between 20% and 45%, as well as some very low silver and gold values. Concentrate is then smelted to produce blister or anodes of copper which are further refined to produce cathodes containing 99.99% copper.

*The Solvent Extraction/Electrowinning (SX/EW) Process:* The SX/EW process provides an economical way to treat low grade deposits. Ground ore is stacked together and acid is delivered to the top of the stack. As the acid percolates through the stack, the copper is dissolved and the solution is collected as runoff at the bottom of the stack. This solution is purified by solvent extraction that involves the selective transfer of the copper solution into an organic liquid. Electrolysis is then utilized to plate the high purity copper onto stainless steel, producing cathodes containing 99.999% copper.

Following production of copper cathode by either of these processes, copper is then processed in various ways to produce a variety of end products. We describe these processes, as applied in our facilities, in "Business Our Copper and Molybdenum Extraction Processes."



***Copper Industry***

The copper industry has undergone a significant amount of restructuring and consolidation over the last few years. The top five and the top ten producers now control approximately 41% and 60%, respectively, of the global supply. Better control over supply has contributed to stronger industry fundamentals. During 2004, inventory levels fell to 16-year lows. The estimated 2003 global copper production rankings of the ten largest copper mining companies are as follows:

Company	Copper (kt)	Share (%)
Codelco (Corporación Nacional del Cobre de Chile)	1,875	13.8
Phelps Dodge Corporation	1,059	7.8
BHP Billiton Group	994	7.3
Rio Tinto Group	836	6.1
Anglo American plc	781	5.7
Southern Peru Copper Corporation(1)	718	5.3
KGHM Polska Miedz S.A.	555	4.1
Freeport-McMoRan Copper & Gold Inc.	533	3.9
Norilsk Nickel Group	451	3.3
Noranda Inc.	328	2.4
Other	5,470	40.2
World Total	13,600	100%

Source: United States Geological Survey

Key:

kt = thousands of tons

(1)

Refers to our Company following the April 1, 2005 acquisition of our Minera México subsidiary.

***Trends in Copper Demand***

Global economic development is a principal factor that creates demand for copper. The demand is driven by the increasing intensity of use in traditional copper consuming products, as well as by the development of new products in which copper is incorporated.

According to certain mining consultants, global copper consumption is expected to grow by 4.4% in 2005 and 3.9% in 2006, from approximately 16.9 million tons in 2004 to approximately 18.4 million tons in 2006. The greatest overall increases in copper demand are expected to come from rapidly developing nations experiencing high levels of economic growth, notably China. Other Asian and perhaps eastern European countries are also expected to have economies with a growing demand for copper going forward. The large populations of the developing countries create significant demand for consumer products as access to electrical power and general improvements in living standards are achieved. Plumbing supplies, telecommunication devices, electrical appliances, automobiles and air conditioners are typical consumer products that utilize significant amounts of copper. Annual copper consumption per capita in the developing nations is very low by comparison to developed countries and, given their large populations, a modest increase in per capita consumption is expected to result in a large increase in overall copper demand.

Copper can be divided into three main product groups: copper wire rod, copper products (including, for example, copper sheet, strip and tube) and copper alloy products. These copper products are consumed in five broad sectors: construction, electric and electronic products, industrial machinery and equipment, transportation equipment and consumer and general products, each as described below.



*Construction* generates the largest single demand sector and accounted for approximately 37% of total copper demand in 2004. The main products consumed in this industry include building wire, power cable, copper plumbing and air conditioning tube, copper sheet and alloy products. Other copper and copper alloy products consumed by the construction sector include copper strip, rods, bars and sections, as well as brass products. Copper sheet is used for roofing, eaves, gutters and drainpipes. Rods are used for building fixtures and fittings.

*Electrical and electronic products* is copper's second largest sector in terms of consumption, accounting for approximately 26% of total copper demand in 2004. These products include telecommunication cables, power cables, transformer windings, semiconductors and motors for heavy appliances. Although fiber optic cables have largely become a substitute for copper cables, the high cost of fiber optic cables has helped copper telecommunications cable to remain the preferred link between central networks and consumers.

*Industrial machinery and equipment* is the third largest consuming sector, accounting for approximately 15% of total copper consumption in 2004. Various products supply this sector that includes equipment and machinery, industrial valves and fittings, off-highway vehicles and heat exchangers.

*Transportation equipment* is a sector that accounted for approximately 11% of total copper consumption in 2004. Applications include the automotive, marine and aircraft/aerospace sectors. It is within the automotive sector that developments of new copper applications have been most concentrated in recent years. Prior to 1930, copper and brass, having excellent pressure-containing and anti-corrosion characteristics, were favored materials for use in brake tubing. Although furnace-brazed steel tubing has become a lower cost substitute, copper has re-gained some of its lost market share through the introduction of a copper-nickel alloy that is more resistant to corrosion by mud and salt.

*Consumer and general products* accounted for approximately 11% of total copper consumption in 2004. The three primary types of products that constitute this sector are various electrical appliances, military ordinance and coinage.

### ***Trends in Copper Supply***

Mine production is the principal source of the world's copper supply, amounting to 14.5 million tons of output in 2004, with recycling of copper scrap amounting to only 1.6 million tons in 2004. Latin America is the largest contributor to mine production and accounts for 45% of this copper, followed by Eastern Europe at 19%, Oceania at 18% and North America at 12%.

High copper prices in the mid-1990s resulted in the development of a significant number of large copper mines that, by the late 1990s, materially increased the copper supply at a time of weakening demand resulting from a global economic slowdown. The resulting low copper prices precipitated a reduction in new mine development projects that has resulted in global supply lagging demand, which demand is being driven by China-led Asian economic growth. The lack of new large mines and the fact that average grades at existing mines have been declining over the past few years have helped to keep the market in a supply deficit. This supply deficit is expected to continue through at least 2005 as new supply sources cannot be rapidly developed to meet the forecast demand.

### ***Copper Market Conditions***

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

During the 1980s and 1990s, copper prices averaged, on an annual basis, approximately US\$0.84 per pound and US\$1.01 per pound, respectively. The price of copper has increased considerably over the past few years since its 15-year low reached in November 2001, particularly since March 2003 when significant appreciation of the metal commenced.

The graph below shows copper prices over the past five years.

Source: Bloomberg LP, LME Copper Spot Price (U.S. dollars per pound)

We believe factors contributing to the current strength of copper prices include:

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

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

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

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

## **Molybdenum Overview**

Molybdenum is a metal used primarily as an alloying agent in steel, cast iron and superalloys to enhance material properties, including hardenability, strength, toughness and corrosion resistance. For similar purposes, it is also frequently used in combination with chromium, niobium, manganese, nickel and tungsten. The metal further serves as an additive in chemical applications, such as catalysts, lubricants and pigments. There are few viable substitutes for molybdenum in its major applications.



Molybdenum is mainly found naturally in conjunction with sulfide minerals of other metals, notably copper. It is mined from ore bodies that contain the metal in grades typically between 0.01% and 0.50%. Reserves and production capacity are largely concentrated in only a few countries of the world. The United States Geological Survey reports that the United States, China and Chile accounted for approximately 75% of the estimated global production of molybdenum in 2004 and currently possess approximately 85% of the estimated world reserves.

Prices for molybdenum increased for the third consecutive year in 2004, averaging US\$16.41 per pound as demand continued to increase. We believe this increase in demand is largely attributable to higher levels of steel production and consumption in China and was further enhanced by substitution of higher priced nickel-bearing stainless steel with lower cost duplex stainless steel, which contains higher levels of molybdenum.

#### Metals Prices

Prices for metals that we mine are established on the Commodities Exchange, Inc., or COMEX, in New York and the London Metal Exchange, or LME, the two most important metal exchanges globally. These exchanges broadly reflect the worldwide balance of supply and demand of metals. The profitability of our operations is dependent on, and our financial performance is significantly affected by, the international market prices for the metals we produce, especially copper, molybdenum, zinc and silver. Metals prices have historically been subject to wide fluctuations and are affected by numerous factors beyond our control. In addition, the market prices of certain metals have on occasion been subject to rapid short-term changes due to speculative activities.

The following graphs show molybdenum, zinc, silver and gold prices over the past five years:

Source: Bloomberg LP, Metal Bulletin Price  
(U.S. dollars per pound)

Source: Bloomberg LP, LME Zinc Spot Price  
(U.S. dollars per pound)

Source: Bloomberg LP, Silver Spot Price  
(U.S. dollars per ounce)

Source: Bloomberg LP, Gold Spot Price  
(U.S. dollars per ounce)

## BUSINESS

*Many of the terms used in this section, including "reserves," "proven reserves" and "probable reserves," are defined in the glossary of mining terms, beginning on page A-1.*

### Company Overview

#### *Overview*

We are a leading integrated producer of copper, molybdenum, zinc and silver. All of our mining, smelting and refining facilities are located in Peru and in Mexico and we conduct exploration activities in those countries and Chile. See "Mining Operations" for maps of our principal mines, smelting facilities and refineries. Our operations make us the largest mining company in Peru and also in Mexico. We are the largest publicly traded copper mining company in the world based on reserves and the fifth largest copper mining company in the world based on 2004 sales. We were incorporated in Delaware in 1952 and have conducted copper mining operations since 1960. Since 1996, our common stock has been listed on both the New York Stock Exchange and the Lima Stock Exchange.

Our Peruvian copper operations involve mining, milling and flotation of copper ore to produce copper concentrates, the smelting of copper concentrates to produce blister copper and the refining of blister copper to produce copper cathodes. We also produce refined copper using SX/EW technology. We operate the Toquepala and Cuajone mines high in the Andes, approximately 984 kilometers southeast of the city of Lima, Peru. We also operate a smelter and refinery west of the Toquepala and Cuajone mines in the city of Ilo, Peru.

Our Mexican operations are conducted through our Minera México subsidiary, which we acquired on April 1, 2005. Minera México engages principally in the mining and processing of copper, zinc, silver, gold, lead and molybdenum. Minera México operates through subsidiaries that are grouped into three separate units. Mexcobre (together with its subsidiaries, the "Mexcobre Unit") operates an open-pit copper mine, a copper ore concentrator, an SX/EW refinery and a smelter, refinery and rod plant. Mexcananea (together with its subsidiaries, the "Cananea Unit") operates an open-pit copper mine, which is located at the site of one of the world's largest copper ore deposits, a copper concentrator and two SX/EW refineries. Industrial Minera México, S.A. de C.V. ("Immsa") and Minerales Metálicos del Norte, S.A. (together with Immsa and its subsidiaries, the "Immsa Unit") operate five underground mines that produce zinc, copper, silver and gold, a coal and coke mine and several industrial processing facilities for zinc and copper.

We utilize many up-to-date mining and processing methods, including global positioning systems and computerized mining operations. Our operations have a high level of vertical integration that allows us to manage the entire production process, from the mining of the ore to the production of refined copper and other products and most related transport and logistics functions, using our own facilities, employees and equipment.

The sales prices for our products are largely determined by market forces outside of our control. For additional information on the pricing of the metals we produce, see "Industry Metals Prices." Our management, therefore, focuses on cost control and production enhancement to improve profitability. We achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our focus is on seeking to remain profitable during periods of low copper prices and maximizing results in periods of high copper prices.

## **Our Organizational Structure**

The following is a chart describing Grupo México's ownership of us and our ownership of our recently acquired Minera México subsidiary. For clarity of presentation, the chart identifies only principal subsidiaries and eliminates intermediate holding companies.

We are a majority-owned, indirect subsidiary of Grupo México. Through its wholly-owned subsidiaries, Grupo México currently owns approximately 75.1% of our capital stock. Grupo México's principal business is to act as a holding company for shares of other corporations engaged in the mining, processing, purchase and sale of minerals and other products and railway and other related services.

Pursuant to Peruvian law, we conduct our operations in Peru through a registered branch (the "SPCC Peru Branch"). The SPCC Peru Branch comprises substantially all of our assets and liabilities associated with our copper operations in Peru. The SPCC Peru Branch is not a corporation separate from us. It is, however, an establishment, registered pursuant to Peruvian law, through which we hold assets, incur liabilities and conduct operations in Peru. Although it has neither its own capital nor liability separate from us, it is deemed to have equity capital for purposes of determining the economic interests of holders of our investment shares.

On April 1, 2005, we acquired Minera México, the largest mining company in Mexico on a stand-alone basis, from AMC, a subsidiary of Grupo México, our controlling stockholder. Minera México is a holding company and all of its operations are conducted through subsidiaries that are grouped into three separate units: (i) the Mexcobre Unit, (ii) the Cananea Unit and (iii) the Immsa Unit.

## **Competitive Strengths**

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

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

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

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

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

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

### **Business Strategies**

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

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

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

*Improving the cost position of our operations.* We are focused on improving our cost structure in order to maintain our profitability throughout the commodity price cycle and to generate cash flow to fund attractive investment opportunities. We seek to lower costs by (i) improving economies of scale

through production expansions, (ii) investing selectively in new equipment and advanced production technologies, such as SX/EW, and (iii) fully utilizing our metallurgical facilities to capture processing margins and premiums.

*Maintaining a relatively conservative capital structure.* As of March 31, 2005, we had a cash balance of US\$809 million and total debt of US\$1.21 billion, giving us a net debt position of US\$402 million and a ratio of net debt to net debt plus shareholders' equity of 0.12. Since March 31, 2005 the most significant change to our cash balance was the payment of a US\$350 million dividend. We seek to maintain a relatively conservative level of financial leverage with the goal of enabling us to minimize our borrowing costs, to be opportunistic regarding growth projects and strategic investments and acquisitions and to reduce financial risks during market downturns.

*Dividends.* We have distributed a significant amount of our net income as dividends since 1996. We anticipate paying significant amounts of dividends for the immediately foreseeable future, although we cannot assure you that this dividend practice will be maintained.

## **Reserves**

### ***Reserves Analysis***

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

For purposes of our long-term planning, our management uses metals price assumptions of US\$0.90 per pound for copper and US\$4.50 per pound for molybdenum. These prices are intended to approximate average prices over the long term. Our management uses these price assumptions as it believes these prices reflect the full price cycle of the metals market.

For SPCC, commencing in 2003, we have used reserves estimates based on current average prices as of the most recent year then ended to determine the amount of mine stripping that is capitalized, units of production amortization of capitalized mine stripping and amortization of intangible assets. In calculating such items in the case of our Minera México subsidiary for periods prior to 2005 and for periods prior to 2003 for SPCC, we have used reserves estimates based on the longer-term price assumptions discussed above.

We periodically reevaluate estimates of our ore reserves, which represent our estimate as to the amount of unmined copper remaining in our existing mine locations that can be produced and sold at a profit. These estimates are based on engineering evaluations derived from samples of drill holes and other openings, combined with assumptions about copper market prices and production costs at each of our mines. We cannot assure you that the reserve estimates included in this prospectus supplement are correct, whether based on current average prices, the longer-term prices used by our management or otherwise.

For more information regarding our reserve estimates, see "Management's Discussion and Analysis of Financial Conditions and Results of Operations Critical Accounting Policies and Estimates Ore Reserves" and "Risk Factors Risks Relating to Our Business Generally Our actual reserves may not conform to our current estimates of our ore deposits."



### Copper and Molybdenum Reserves By Site

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

								Sensitivity to 20% Change in Metals Prices(3)	
	Cuajone Mine(1)	Toquepala Mine(1)	Cananea Mine(1)	La Caridad Mine(1)	Total Open-Pit Mines	Immsa(2)	Increase 20%	Decrease 20%	
Mineral Reserves									
Metal prices:									
Copper (\$/lb.)	\$ 0.939	\$ 0.939	\$ 0.939	\$ 0.939	\$ 0.939	\$ 0.939	\$ 1.127	\$ 0.751	
Molybdenum (\$/lb.)	\$ 8.425	\$ 8.425	\$ 8.425	\$ 8.425	\$ 8.425	\$ 8.425	\$ 10.11	\$ 6.74	
Cut-off grade	0.356%	0.365%	0.287%	0.325%					
Sulfide ore reserves (thousands of tons)	1,395,244	1,382,678	2,524,785	555,747	5,858,454	32,601	7,802,175	3,089,664	
Average grade:									
Copper	0.616%	0.665%	0.571%	0.427%	0.590%	0.53%	0.538%	0.662%	
Molybdenum	0.020%	0.036%		0.025%	0.027%		0.026	0.029	
Leachable material (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	4,510,564		4,811,687	2,793,729	
Leachable material grade	0.424%	0.203%	0.278%	0.195%	0.225%		0.203%	0.268%	
Waste (thousands of tons)	2,956,952	3,755,389	3,392,097	268,532	10,372,970		12,404,681	5,054,128	
Total material (thousands of tons)	4,374,959	7,025,334	7,320,363	2,021,332	20,741,988		25,018,543	10,937,521	
Stripping ratio	2.14	4.08	1.90	2.64	2.54		2.21	2.54	
Leachable material									
Reserves in stock (thousands of tons)	25,137	790,462	553,599	435,635	1,804,833		1,804,833	1,804,833	
Average copper grade	0.478%	0.139%	0.279%	0.250%	0.214%		0.214%	0.214%	
In-pit reserves (thousands of tons)	22,763	1,887,267	1,403,481	1,197,053	4,510,564		4,811,687	2,793,729	
Average copper grade	0.424%	0.203%	0.278%	0.195%	0.225%		0.203%	0.243%	
Total leachable reserves (thousands of tons)	47,900	2,677,729	1,957,680	1,632,688	6,315,997		6,616,520	4,598,562	
Average copper grade	0.452%	0.184%	0.278%	0.210%	0.222%		0.184%	0.247%	
Copper contained in ore reserves (thousands of tons)(4)									
	8,691	13,026	18,318	4,707	44,742	173	51,728	27,255	

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

(2)

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

(3)

In preparing the sensitivity analysis, we recalculated our reserves based on the assumption that current average metal prices were 20% higher and 20% lower, respectively, than the actual current average prices for year-end 2004. Reserve results of this sensitivity analysis are not proportional to the increase or decrease in metal price assumptions.

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The analysis above does not include our Immsa Unit's underground mines, for which the sensitivity analysis is as follows:

	Sensitivity to 20% Change in Metals Prices	
	Increase 20%	Decrease 20%
Sulfide ore reserves (thousands of tons)	39,893	23,366
Average grade copper	0.51%	0.62%
<b>Copper contained (thousands of tons)</b>	<b>203</b>	<b>145</b>

(4)

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

The following is the average drill-hole spacing for proven and probable sulfide reserves:

	As of December 31, 2004	
	Proven	Probable
	(average spacing in meters)	
Cuajone	80.1	125.2
Toquepala	74.3	119.3
Cananea	52.0	100.9
La Caridad	47.6	100.8

The table below details our copper and molybdenum reserves as of December 31, 2004 calculated based on long-term price assumptions of, US\$0.90 for copper and US\$4.50 for molybdenum.

	Cuajone Mine	Toquepala Mine	Cananea Mine	La Caridad Mine	Total Open-Pit Mines	Immsa(1)
<b>Mineral Reserves</b>						
Metal prices:						
Copper (\$/lb.)	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90	\$ 0.90
Molybdenum (\$/lb.)	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
Sulfide ore reserves (thousands of tons)	1,093,833	597,817	1,975,309	584,312	4,251,271	59,723
Average grade:						
Copper	0.636%	0.734%	0.609%	0.429%	0.609%	0.46%
Molybdenum	0.020%	0.042%		0.025%	0.027%	
<b>Leachable material</b>						
Reserves in stock (thousands of tons)	25,137	790,462	553,599	435,635	1,804,833	
Average copper grade	0.478%	0.139%	0.279%	0.250%	0.213%	
In-pit reserves (thousands of tons)	32,211	941,767	2,517,149	871,844	4,362,971	
Average copper grade	0.344%	0.218%	0.267%	0.188%	0.241%	
Total leachable reserves (thousands of tons)	57,348	1,732,299	3,070,748	1,307,479	6,167,874	
Average copper grade	0.403%	0.182%	0.269%	0.209%	0.233%	
<b>Copper contained in ore reserves (thousands of tons)(2)</b>	<b>7,068</b>	<b>6,441</b>	<b>18,750</b>	<b>4,146</b>	<b>36,405</b>	<b>275</b>

(1)

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

(2)

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

### Overview of Block Model Reconciliation Process

We apply the following block model to mill reconciliation procedure.

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The following stages are identified in the Cuajone, Toquepala, Cananea and La Caridad mines:

- (i) The mine geologists gather the necessary monthly statistical data from our information system ("SRP"), which provide ore tons milled and ore grades in the concentrator.
- (ii) Mined areas are topographically determined and related boundaries are built.
- (iii) Using the "interactive planner" option in our mining software (Minesight), ore metric tons and grades are calculated inside mined areas over the block model. At this point the current cut-off grade is considered.
- (iv) In the final stage, accumulated tons mined, weighted average grade for ore material and leach is compared with data coming from our SRP system.

Tonnage (in thousands) and grade reconciliation for 2004 are as follows:

Mine	Long Range Model		Mill		Variance	
	Tons (thousands)	% Copper	Tons (thousands)	% Copper	Tons (thousands)	% Copper
Cuajone	29,744	0.802	29,371	0.789	373	0.013
Toquepala	21,261	0.838	21,825	0.817	(564)	0.021
Cananea	25,768	0.573	20,314	0.575	5,454	(0.002)
La Caridad	29,343	0.480	27,574	0.504	1,769	(0.024)

#### Customers and End Markets

The metallurgical market prices for our products are characterized by cyclicalities, little product differentiation and strong competition. In general, the market prices for our products are influenced by production costs of worldwide competitors, worldwide economic conditions, world supply/demand balances, inventory levels, the U.S. dollar exchange rate and other factors. We compete directly or indirectly with many producers throughout the world primarily in respect of our main products copper, molybdenum and zinc. The copper concentrate and metal market is characterized by a few large mining and smelting companies, such as Corporación Nacional del Cobre de Chile (Codelco), Phelps Dodge Corporation, BHP Billiton Group, Rio Tinto Group and Anglo American plc. See "Industry Copper Overview Copper Industry."

Competition in the copper market is principally on a price and service basis, with price being the most important consideration when supplies of copper are ample. Our metal products also compete with other materials, including aluminum and plastics, that can be used in similar applications by end users. Competition in the molybdenum market is also principally on a price and service basis, with price being the most important consideration when supplies of molybdenum are ample. Zinc prices also are affected by the demand for end-use products, such as anti-corrosion coating on steel, precision components, construction material, brass, pharmaceuticals and cosmetics.

We sell copper, as well as molybdenum, zinc, silver, gold and sulfuric acid as byproducts. There is limited seasonality in our sales volumes. We ship a significant portion of our products to our customers on a monthly basis at a constant rate and volume throughout the year under annual or longer-term contracts. In addition, we sell copper, silver and gold on a spot-sale basis. Our sales are based on U.S. dollar prices and we accept payment only in U.S. dollars, except that our Minera México subsidiary accepts both U.S. dollar payment and payment in pesos equivalent to the U.S. dollar price. Final sales prices are determined based on prevailing commodity prices for the quotation period, generally being the month of, the month prior to or the months following the actual or contractual month of shipment or delivery according to the terms of the contract.

In 2002, 2003 and 2004, our largest customer accounted for approximately 6.9%, 6.7% and 10.7%, respectively, of our sales. Additionally, our top five customers in each of 2002, 2003 and 2004 collectively accounted for approximately 25.8%, 26.5% and 33.7%, respectively, of our sales. See "Risk

Factors Risks Relating to Our Business Generally The loss of one of our large customers could have a negative impact on our results of operations."

In 2004, copper constituted approximately 68.1% of our sales. Our top five customers for copper in 2004 were Industrias Unidas, S.A. de C.V. (IUSA) (through Gerald Metals Inc.), Gerald Metals Inc., Mitsui & Co. Metals, Ltd., Cobre de México and Nacional de Cobre S.A. de C.V., which together purchased 39.8% of our total copper sold.

We have qualified and registered our copper cathode products with the LME which will permit us to sell copper cathodes directly to the LME as a buyer of last resort.

The following table shows sales to our top five copper customers in 2003 and 2004:

Customer	Year Ended December 31,	
	2003	2004
IUSA(1)	\$ 106,300	\$ 250,300
Gerald Metals Inc.(2)(3)		167,921
Mitsui & Co. Metals, Ltd.	82,373	155,880
Cobre de México	52,400	134,700
Nacional de Cobre, S.A. de C.V.	74,900	131,400
Pirelli Cables & Systems, S.A.(4)	41,873	
Total	\$ 357,846	\$ 840,201

- (1) Copper purchased by IUSA is sold through Gerald Metals Inc.
- (2) Copper purchased by Gerald Metals Inc. for its own account.
- (3) Not a top five copper customer in 2003.
- (4) Not a top five copper customer in 2004.

In 2004, molybdenum constituted approximately 20.9% of our sales. Our top five customers for molybdenum in 2004 were Molibdenos y Metales, S.A., Molimex, S.A. de C.V., Derek Raphael & Company Limited, Sadaci NV, and Comsup Commodities, Inc., which together purchased 93% of our total molybdenum sold in 2004.

The following table shows sales to our top five molybdenum customers in 2003 and 2004:

Customer	Year Ended December 31,	
	2003	2004

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	Year Ended December 31,	
Molibdenos y Metales S.A.	\$ 84,707	\$ 333,623
Molimax, S.A. de C.V.	32,100	123,312
Derek Raphael & Company Limited	8,462	63,634
Sadaci NV	11,669	51,435
Comsup Commodities, Inc.(1)		27,043
Chemetal G.E.S.(2)	3,200	
<b>Total</b>	<b>\$ 140,138</b>	<b>\$ 599,047</b>

(1) Not a top five molybdenum customer in 2003.

(2) Not a top five molybdenum customer in 2004.

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In 2004, zinc constituted approximately 4.1% of our sales. Our top five customers for zinc in 2004 were Corporación FAEZA, S.A. de C.V., Nacional de Cobre, S.A. de C.V., IUSA, United States Steel Corporation and USS-Posco Industries, which together purchased 32.2% of our total zinc sold in 2004.

In 2004, silver constituted approximately 4.1% of our sales and gold, lead and other metals (excluding copper, molybdenum and zinc) constituted approximately 2.8% of our sales.

Over the past several years, our product sales mix based on volume has typically remained very stable among copper, molybdenum, zinc, silver, lead, gold and the other metals we produce. However, as a result of fluctuations in metals prices, our revenue mix has changed from year to year. The following table shows our revenue mix for 2004.

**Sales Distribution 2004**  
(dollars in thousands)

	United States	Europe	Mexico	Latin America(1)	Asia	Peru	Total (\$)	Total (%)
Copper	\$ 915,559	\$ 516,424	\$ 383,981	\$ 102,593	\$ 156,029	\$ 34,291	\$ 2,108,877	68.1%
Molybdenum	47,289	137,007	127,829	335,269		23	647,417	20.9
Zinc	48,848	4,325	70,601	3,435			127,209	4.1
Silver	69,647	3,144	16,316	22,943	14,179	976	127,205	4.1
Lead			16,398		1,084		17,482	0.6
Gold	6,182		5,209		2,919	2,286	16,596	0.5
Others	18,774	11,697	9,680	3,908	1,689	6,163	51,911	1.7
Total (\$)	\$ 1,106,299	\$ 672,597	\$ 630,014	\$ 468,148	\$ 175,900	\$ 43,739	\$ 3,096,697	
Total (%)	35.7%	21.7%	20.4%	15.1%	5.7%	1.4%		100.0%

(1) Excluding Mexico and Peru.

For a disclosure regarding our net sales, capital expenditures and property, net attributable to our operations in each of Mexico and Peru, see Note 18 to our Audited Combined Financial Statements.

### ***Marketing and Sales***

Our marketing strategy and annual sales planning emphasize developing and maintaining long-term customer relationships, and thus acquiring annual or other long-term contracts for the sale of our products is a high priority. Approximately 91.5% of our metal production for 2004 was sold under annual or longer-term contracts. Sales prices are determined based on prevailing commodity prices for the quotation period, generally being the month of, the month prior to or the months following the actual or contractual month of shipment or delivery, according to the terms of the contract.

We focus on the ultimate end-user customers as opposed to selling on the spot market or to trading companies. In addition, we devote significant marketing effort to diversifying our sales both by region and by customer base. We strive to provide superior customer service, including just-in-time deliveries of our products. Our ability to consistently fulfill customer demand is supported by our substantial production capacity.

### ***Metals Prices***

Prices for our products are principally a function of supply and demand and are established on the Commodities Exchange, Inc., or COMEX, in New York and the LME the two most important metal exchanges in the world. Our contract prices also reflect any negotiated premiums and the costs of freight and other factors. From time to time, we have entered into hedging transactions to provide partial protection against future decreases in the market price of metals and we may do so under certain market conditions. In 2002, 2003 and 2004, however, we did not enter into any material hedging transactions. We have, however, entered into copper swap contracts in 2005. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosure about Market Risk." For a further discussion of prices for our products, see "Industry Metals Prices."





### **Copper and Molybdenum Extraction Processes**

Our operations include open-pit and underground mining, concentrating, copper smelting, copper refining, copper rod production, solvent extraction/electrowinning (SX/EW), zinc refining, sulfuric acid production, molybdenum concentrate production and silver and gold refining. The extraction process is outlined in the chart below, followed by a description of each principal component process.

#### ***Open-Pit Mining***

In an open-pit mine, the production process begins at the mine pit, where waste rock, leaching ore and copper ore are drilled and blasted and then loaded onto diesel-electric trucks by electric shovels. Waste is hauled to dump areas and leaching ore is hauled to leaching dumps. The ore to be milled is transported to the primary crushers. Crushed ore is then sent to the concentrator.

#### ***Underground Mining***

In an underground mine, the production process begins at the stopes, where copper, zinc and lead veins are drilled and blasted and the ore is hauled to the underground crusher station. The crushed ore is then hoisted to the surface for processing.

### ***Concentrating***

The copper ore from the open-pit primary crusher or the copper, zinc and lead-bearing ore from the underground mines is transported to a concentrator plant where gyratory crushers break the ore into sizes no larger than three-quarters of an inch. The ore is then sent to a mill section where it is ground to the consistency of sand. The finely ground ore is mixed with water and chemical reagents and pumped as a slurry to the flotation separator where it is mixed with certain chemicals. In the flotation separator, reagents solution and air pumped into the floatation cells cause the minerals to separate from the waste rock and bubble to the surface where they are collected and dried.

If the bulk concentrated copper contains molybdenum it is first processed in a molybdenum plant as described below under " Molybdenum Production."

### ***Copper Smelting***

Copper concentrates are transported to a smelter, where they are smelted using a furnace, converter and anode furnace to produce either copper blister (which is in the form of cakes with air pockets) or copper anodes (which are cleaned of air pockets). At the smelter, the concentrates are mixed with flux (a chemical substance intentionally included for high temperature processing) and then sent to reverberatory furnaces producing copper matte and slag (a mixture of iron and other impurities). Copper matte contains approximately 65% copper. Copper matte is then sent to the converters, where the material is oxidized in two steps: (i) the iron sulfides in the matte are oxidized with silica, producing slag that is returned to the reverberatory furnaces; and (ii) the copper contained in the matte sulfides is then oxidized to produce copper that, after casting, is called blister copper, containing approximately 99.7% copper, or anodes, containing approximately 99.7% copper. Some of the blister production is sold to customers and the remainder is sent to the refinery.

### ***Copper Refining***

Anodes are suspended in tanks containing sulfuric acid and copper sulfate. A weak electrical current is passed through the anodes and chemical solution and the dissolved copper is deposited on very thin starting sheets to produce copper cathodes containing approximately 99.99% copper. During this process, silver, gold and other metals (for example, palladium, platinum and selenium), along with other impurities, settle on the bottom of the tank. This anodic mud (slime) is processed at a precious metal plant where silver and gold are recovered.

### ***Copper Rod Plant***

To produce copper rods, copper cathodes are first melted in a furnace and then dosified in a casting machine. The dosified copper is then extruded and passed through a cooling system that begins solidification of copper into a 60x50 millimeter copper bar. The resulting copper bar is gradually stretched in a rolling mill to achieve the desired diameter. The rolled bar is then cooled and sprayed with wax as a preservation agent and collected into a rod coil that is compacted and sent to market.

### ***Solvent Extraction/Electrowinning (SX/EW)***

An alternative to the conventional concentrator/smelter/refinery process is the leaching and SX/EW process. During the SX/EW process, certain types of low-grade mineral are leached with sulfuric acid to allow copper content recovery. The acid and copper solution is then agitated with a solvent that contains chemical additives that attract copper ions. As the solvent is lighter than water, it floats to the surface carrying with it the copper content. The solvent is then separated using an acid solution, freeing the copper. The acid solution containing the copper is then moved to electrolytic extraction tanks to produce copper cathodes. Refined copper can be produced more economically (though over a longer

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period) and from lower grade ore using the SX/EW process instead of the traditional concentrating, smelting and refining process.

### ***Molybdenum Production***

Molybdenum is recovered from copper-molybdenum concentrates produced at the concentrator. The copper-molybdenum concentrate is first treated with a thickener until it becomes slurry with 60% solids. The slurry is then agitated in a chemical and water solution and pumped to the flotation separator. The separator creates a froth that carries molybdenum to the surface but not the copper mineral (which is later filtered to produce copper concentrates of approximately 27%). The molybdenum froth is skimmed off, filtered and dried to produce molybdenum concentrates of approximately 58% contained molybdenum.

### ***Zinc Refining***

Metallic zinc is produced through electrolysis using zinc concentrates and zinc oxides. Sulfur is eliminated from the concentrates by roasting and the zinc oxide is dissolved in sulfuric acid solution to eliminate solid impurities. The purified zinc sulfide solution is treated by electrolysis to produce refined zinc and to separate silver and gold, which are recovered as concentrates.

### ***Sulfuric Acid Production***

Sulfur dioxide gases are produced in the copper smelting and zinc roasting processes. As a part of our environmental preservation program, we treat the sulfur dioxide emissions at two of our Mexican plants and at Peruvian processing facilities to produce sulfuric acid, some of which is, in turn, used for the leaching process, with the rest sold to fertilizer companies located in Mexico, the United States, Chile, Australia and other countries.

### ***Silver and Gold Refining***

Silver and gold are recovered from copper, zinc and lead concentrates in the smelters and refineries, and from slimes through electrolytic refining.

### ***Production Facilities***

The following table sets forth as of December 31, 2004, the locations of production facilities where we use the processes described above, as well as the key production capacity data for each location:

<b>Facility Name</b>	<b>Location</b>	<b>Process</b>	<b>Nominal Capacity(1)</b>	<b>2004 Production</b>	<b>2004 Capacity Utilization</b>
<b>Mining Operations</b>					
Cuajone Open-pit Mine	Cuajone (Peru)	Copper Ore Milling and Recovery, Copper and Molybdenum Concentrate Production	87.0 ktpd Milling	80.8 ktpd	92.8%
Toquepala Open-pit Mine	Toquepala (Peru)	Copper Ore Milling and Recovery, Copper and Molybdenum Concentrate Production	60.0 ktpd Milling	60.6 ktpd	101.0%

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Toquepala SX-EW Plant	Toquepala (Peru)	Leaching, Solvent Extraction and Cathode Electrowinning	56.0 ktpy	Refined	42.1 ktpy	75.2%
Cananea Open-pit Mine	Sonora (Mexico)	Copper Ore Milling and Recovery, Copper Concentrate Production	76.7 ktpd	Milling	73.1 ktpd	95.3%
Cananea SX/EW I, II Plants	Sonora (Mexico)	Leaching, Solvent Extraction and Refined Cathode Electrowinning	54.8 ktpd (combined)		50.2 ktpy	89.6%
La Caridad Open-pit Mine	Sonora (Mexico)	Copper Ore Milling and Recovery, Copper and Molybdenum Concentrate Production	90.0 ktpd	Milling	75.3 ktpd	83.7%
La Caridad SX/EW Plant	Sonora (Mexico)	Leaching, Solvent Extraction and Cathode Electrowinning	21.9 ktpy	Refined	21.8 ktpy	99.5%
Immsa Underground Mines Charcas	San Luis Potosí (Mexico)	Copper, Zinc, Lead Milling, Recovery and Concentrate Production	3.7 ktpd	Milled Ore	3.6 ktpd	97.3%
San Martin	Zacatecas (Mexico)		4.1 ktpy	Milled Ore	3.4 ktpy	83.9%
Santa Bárbara	Chihuahua (Mexico)		4.5 ktpd	Milled Ore	4.0 ktpd	88.9%
Santa Eulalia(2)	Chihuahua (Mexico)		0.6 ktpy	Milled Ore	0.0 ktpy	1.1%
Taxco	Guerrero (Mexico)		1.4 ktpy	Milled Ore	1.0 ktpy	68.6%
<b>Processing Operations</b>						
Ilo Copper Smelter	Ilo (Peru)	Copper Smelting, Blister Production	1,180 ktpy	Concentrate Feed	1,213 ktpy	102.8%
Ilo Copper Refinery	Ilo (Peru)	Copper Refining	280 ktpy	Refined Cathode	280.7 ktpy	100.2%
Ilo Acid Plant	Ilo (Peru)	Sulfuric Acid	350 ktpy	Sulfuric Acid	390.2 ktpy	111.5%
Ilo Precious Metals Refinery	Ilo (Peru)	Slime recovery and processing, Gold and Silver Refining	0.32 ktpy	Slime	325 tpy	101.6%
La Caridad Copper Smelter	Sonora (Mexico)	Concentrate Smelting, Anode Production	1,000 ktpy	Concentrate Feed	1,062 ktpy	106.2%
La Caridad Copper Refinery	Sonora (Mexico)	Copper Refining	270 ktpy	Copper Cathode	202 ktpy	74.8%
La Caridad Copper Rod Plant	Sonora (Mexico)	Copper Rod Production	150 ktpy	Copper Rod	69.5 ktpy	46.3%
La Caridad Precious Metal Refinery	Sonora (Mexico)	Slime recovery and processing, Gold and Silver Refining	2.9 ktpy	Slime	0.9 ktpy	23.9%

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La Caridad Sulfuric Acid Plant	Sonora (Mexico)	Sulfuric Acid	1,733.7 ktpy	Sulfuric Acid	778.4 ktpy	44.9%
San Luis Potosí Copper Smelter	San Luis Potosí (Mexico)	Copper Blister Production	24 ktpy	Copper Blister	22.7 ktpy	94.6%
San Luis Potosí Zinc Refinery	San Luis Potosí (Mexico)	Refining of Zinc Concentrates, Refined Zinc Production	105 ktpy	Zinc Cathode	102.5 ktpy	97.6%
San Luis Potosí Sulfuric Acid Plant	San Luis Potosí (Mexico)	Sulfuric Acid	189.8 ktpy	Sulfuric Acid	178.7 ktpy	94.2%
Nueva Rosita Coal and Coke Complex	Coahuila (Mexico)	Clean Coal Production	900 ktpy	Clean Coal	238 ktpy	26.4%

### Key:

koz = thousands of ounces; ktpd = thousands of tons per day; ktpy = thousands of tons per year; tpy = tons per year

(1)

Our estimates of actual capacity contemplate normal operating conditions with allowance for normal downtime for repairs and maintenance and are based on the average metal content for the relevant period.

(2)

The Santa Eulalia underground mine restarted production in December 2004.

### Mining Operations

The following maps set forth the locations of our principal mines, smelting facilities and refineries. We operate copper mines in the southern part of Peru at Toquepala and Cuajone and in Mexico, principally at La Caridad and Cananea.

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The table below sets forth 2002, 2003 and 2004 production data by metal.

	<b>2002</b>	<b>2003</b>	<b>2004</b>
Copper contained in concentrates (tons)	491,828	547,172	603,907
Copper in SX/EW cathodes (tons)	122,190	118,744	114,100
<b>Total copper (tons)</b>	<b>614,018</b>	<b>665,916</b>	<b>718,007</b>
Zinc contained in concentrate (tons)	135,442	128,760	133,778
Molybdenum contained in concentrate (tons)	11,747	12,521	14,373
Silver contained in concentrate (thousands of ounces)	18,076	18,002	18,531
Gold contained in concentrate (ounces)	28,000	31,000	34,000

Set forth below are descriptions of the operations and other information relating to our open-pit mines.

### *Cuajone*

The Cuajone Unit operates an open-pit copper mine and a concentrator located in southern Peru, 30 kilometers from Moquegua City and 840 kilometers from Lima. The concentrator has a milling capacity of 87,000 tons per day. Overburden removal commenced in 1970 and ore production commenced in 1976. Cuajone uses a conventional open-pit mining method to collect copper ore for further refining in our concentrator.

The table below sets forth 2002, 2003 and 2004 production information for Cuajone.

		<b>2002</b>	<b>2003</b>	<b>2004</b>
Average ore mined per day	(kt)	81.5	81.5	80.3
Stripping ratio	(x)	2.36	2.28	2.45
Copper grade	(%)	0.696	0.745	0.792
Molybdenum grade	(%)	0.025	0.026	0.025
Copper concentrate	(kt)	651.2	710.0	752.9
Molybdenum concentrate	(kt)	7.6	9.0	8.7
Copper concentrate average grade	(%)	25.84	25.99	25.82
Molybdenum concentrate grade	(%)	54.322	53.881	53.742
Copper in concentrate	(kt)	168.2	184.5	194.4
Molybdenum in concentrate	(kt)	4.1	4.9	4.7
Average copper ore processed by concentrator per day	(kt)	83.0	83.3	80.8
Copper recovery	(%)	81.19	83.13	83.64
Molybdenum recovery	(%)	54.7	63.5	64.5

Key:

kt = thousands of tons

### *Geology*

The Cuajone porphyry copper deposit is located on the western slopes of Cordillera Occidental, in the southern-most Andes Mountains of Peru. The deposit is part of a mineral district that contains two additional known deposits, Toquepala and Quellaveco. The copper mineralization at Cuajone is typical of porphyry copper deposits.

### *Concentrator*

Cuajone uses state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. Material with a copper

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grade over 0.40% is loaded onto rail cars and sent to the milling circuit, where giant rotating crushers reduce the size of the rocks to approximately one-half of an inch. The ore is then sent to the ball mills, which grind it to the consistency of fine powder. The finely ground powder is agitated in a water and reagents solution and is then transported to flotation cells. Air is pumped into the cells producing a froth that carries the copper mineral to the surface but not the waste rock, or tailings. Recovered copper, with the consistency of froth, is filtered and dried to produce copper concentrates with an average copper content of 25.8%. Concentrates are then shipped by rail to the smelter at Ilo.

Tailings are sent to thickeners where water is recovered. The remaining tailings are sent to the Quebrada Honda dam, our Peruvian tailings storage facility.

### *Toquepala*

The Toquepala unit operates an open-pit copper mine and a concentrator and also refines copper at the SX/EW facility through a leaching process. Toquepala is located in southern Peru, 30 kilometers from Cuajone and 870 kilometers from Lima. The concentrator has a milling capacity of 60,000 tons per day, which has been expanded from 45,000 tons per day in 2002. The SX/EW facility has a refining capacity of 56,000 tons per year. Overburden removal commenced in 1957 and ore production commenced in 1960. Toquepala uses a conventional open-pit mining method to collect copper ore for further refining in our concentrator.

The table below sets forth 2002, 2003 and 2004 production information for Toquepala.

		<b>2002</b>	<b>2003</b>	<b>2004</b>
		<b>_____</b>	<b>_____</b>	<b>_____</b>
Average ore mined per day	(kt)	48.2	58.1	59.6
Stripping ratio	(x)	4.81	3.96	4.28
Copper grade	(%)	0.785	0.749	0.817
Molybdenum grade	(%)	0.035	0.029	0.044
Copper concentrate	(kt)	446.4	505.2	580.1
Molybdenum concentrate	(kt)	7.8	7.8	11.2
Copper concentrate average grade	(%)	28.10	28.18	27.73
Molybdenum concentrate grade	(%)	53.8	53.2	53.7
Copper in concentrate	(kt)	125.4	142.4	160.9
SX/EW cathode production	(kt)	52.9	47.8	42.1
Molybdenum in concentrate	(kt)	4.2	4.2	6.0
Average copper ore processed by concentrator per day	(kt)	50.1	60.0	60.6
Copper recovery	(%)	90.81	89.63	90.28

Key:

kt = thousands of tons

### *Geology*

The Toquepala porphyry copper deposit is located on the western slopes of Cordillera Occidental, in the southern-most Andes Mountains of Peru. The deposit is part of a mineral district that contains two additional known deposits, Cuajone and Quellaveco.

### *Concentrator*

Toquepala uses state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. Material with a copper grade over 0.40% is loaded onto rail cars and sent to the milling circuit, where giant rotating crushers reduce the size of the rocks to approximately one-half of an inch. The ore is then sent to the ball and bar mills, which grind it to the consistency of fine powder. The finely ground powder is



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agitated in a water and reagents solution and is then transported to flotation cells. Air is pumped into the cells producing a froth, which carries the copper mineral to the surface but not the waste rock, or tailings. Recovered copper, with the consistency of froth, is filtered and dried to produce copper concentrates with an average copper content of 27.7%. Concentrates are then shipped by rail to the smelter at Ilo.

Tailings are sent to thickeners where water is recovered. The remaining tailings are sent to the Quebrada Honda dam, our Peruvian tailings storage facility.

### *SX/EW Plant*

The SX/EW facility at Toquepala produces refined copper from solutions obtained by leaching low-grade ore stored at the Toquepala and Cuajone mines. The leach plant commenced operations in October 1995 with a design capacity of 35,629 tons per year of copper cathodes. In August 1999 the capacity was expanded to 56,000 tons per year.

### *Cananea*

The Cananea Unit operates an open-pit copper mine, a concentrator and two SX/EW plants at our Cananea mining complex, located 44 miles from La Caridad, Mexico and 38 miles south of the Arizona border on the outskirts of the town of Cananea. At Cananea, we produce copper concentrates and copper cathodes. The Cananea site is one of the world's largest porphyry copper deposits. The Cananea mine is the oldest continuously operating copper mine in North America, with operations tracing back to 1899. Cananea uses a conventional open-pit mining method to collect copper ore for further refining in our concentrator.

The table below sets forth 2002, 2003 and 2004 production information for Cananea.

		<b>2002</b>	<b>2003</b>	<b>2004</b>
		<b>_____</b>	<b>_____</b>	<b>_____</b>
Average ore mined per day	(kt)	53.3	58.4	73.1
Stripping ratio	(x)	3.65	2.73	2.55
Copper grade	(%)	0.565	0.576	0.583
Copper concentrate	(kt)	323.4	337.9	469.3
Copper concentrate average grade	(%)	26.79	27.85	26.26
Copper in concentrate	(kt)	86.6	94.1	123.2
SX/EW cathode production	(kt)	50.0	49.5	50.2
Average copper ore processed by concentrator per day	(kt)	53.3	58.4	73.1
Copper recovery	(%)	80.48	80.63	80.53

Key:

kt = thousands of tons

### *Geology*

The Cananea mine is unusual in that the ore explored and sampled at the mine has been of consistent quality, unlike most copper deposits which evidence a decline in grades at deeper strata. The Cananea region is within the southern Cordilleran region, extending from southern Mexico to the northwestern United States.

### *Concentrator*

Cananea uses state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. Material with a copper grade over 0.34% is loaded onto trucks and sent to the milling circuit, where giant rotating crushers reduce the size of the rocks to approximately one-half of an inch. The ore is then sent to the ball and

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bar mills, which grind it to the consistency of fine powder. The finely ground powder is agitated in a water and reagents solution and is then transported to flotation cells. Air is pumped into the cells producing a froth, which carries the copper mineral to the surface but not the waste rock, or tailings. Recovered copper, with the consistency of froth, is filtered and dried to produce copper concentrates with an average copper content of 26.26%. Concentrates are then shipped by rail to the smelter at La Caridad.

### *SX/EW Plant*

The Cananea Unit operates a leaching facility and two SX/EW plants. All copper ore with a grade lower than the mill cut-off grade (0.34%), but higher than 0.15% copper, is delivered to the leaching dumps. A cycle of leaching and resting occurs for approximately five years to achieve a 56% recovery. The SX/EW facilities have a total capacity of 55,000 tons of copper cathodes per year.

The Cananea Unit currently maintains 4.74 million cubic meters of pregnant leach solution in the old Cananea pit with a concentration of approximately 1.21 grams of copper per liter.

### *La Caridad*

The Mexcobre Unit operates the La Caridad mining complex, located in the State of Sonora, Mexico 14 miles southeast of the town of Nacozari de García and 75 miles south of the U.S.-Mexico border. It includes an open-pit mine concentrator, smelter, refinery, rod plant, SX/EW plant, lime plant and two sulfuric acid plants. The smelter and the sulfuric acid plants, as well as the new refineries and rod plant, are located approximately 15 miles from the mine, and the lime plant is situated 11 miles from the U.S. border. Access is by paved highway and by railroad.

The concentrator began operations in June 1979, the molybdenum plant in June 1982, the smelter in June 1986, the first sulfuric acid plant in July 1988, the SX/EW plant in July 1995, the second sulfuric acid plant in January 1997, the copper refinery in July 1997, the rod plant in April 1998 and the precious metals refinery in July 1999.

The table below sets forth 2002, 2003 and 2004 production information for La Caridad.

		2002	2003	2004
Average ore mined per day	(kt)	67.5	74.9	75.5
Stripping ratio	(x)	1.88	1.70	1.63
Copper grade	(%)	0.535	0.508	0.504
Molybdenum grade	(%)	0.0403	0.0345	0.0341
Copper concentrate	(kt)	333.9	410.5	401.6
Molybdenum concentrate	(kt)	5.9	6.1	6.5
Copper concentrate average grade	(%)	27.53	26.12	27.49
Molybdenum concentrate average grade	(%)	57.66	57.33	56.69
Copper in concentrate	(kt)	91.9	107.2	110.4
SX/EW cathode production	(kt)	19.3	21.5	21.8
Molybdenum in concentrate	(kt)	3.4	3.5	3.7
Average copper ore processed by concentrator per day	(kt)	67.8	74.8	75.3
Copper recovery	(%)	78.73	77.36	79.62

Key:

kt = thousands of tons

### *Geology*

The La Caridad deposit is a porphyry copper deposit typical of those in the southern basin and range province in the southwestern United States. The Mexcobre Unit uses a conventional open-pit

mining method. The ore body is situated within a mountain top, which gives La Caridad the advantage of a relatively low waste-stripping ratio, natural pit drainage and relatively short haul distances for both ore and waste. The mining method involves drilling, blasting, loading and haulage of waste, leach and ore to waste and leaching dumps and to the primary crushers.

#### *Concentrator*

Mexcobre uses state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. The concentrator has a current capacity of 90,000 metric tons of ore per day.

Ore extracted from the mine is processed at the concentrator and is processed into copper concentrates and molybdenum concentrates. The copper concentrates are sent to the smelter and the molybdenum concentrate is exported. The molybdenum recovery plant has a capacity of 2,000 tons per day of copper-molybdenum concentrates. The lime plant has a capacity of 340 tons of finished product per day.

#### *SX/EW Plant*

Approximately 438 million tons of leaching ore with an average grade of approximately 0.25% copper have been extracted from the La Caridad open-pit mine and deposited in leaching dumps from May 1995 to December 31, 2004. In 1995, Mexcobre completed the construction of a new SX/EW facility at La Caridad that has allowed processing of this ore and certain leach ore reserves that are unmined and has resulted in a reduction in Mexcobre's production costs of copper.

#### *Underground Mining Poly-Metallic Division (Immsa)*

Our Immsa Unit operates five underground mining complexes situated in central and northern Mexico. All of Immsa's mining facilities employ exploitation systems and conventional equipment. We believe that all the plants and equipment are in satisfactory operating condition. Immsa's principal mining facilities include Charcas, Santa Bárbara, San Martín, Santa Eulalia and Taxco.

The Charcas mining complex is located 69 miles north of the city of San Luis Potosí in the State of San Luis Potosí, Mexico. The complex includes three underground mines and one flotation plant and produces zinc, lead and copper concentrates, with significant amounts of silver. The Charcas mining district was discovered in 1573 and operations in the 20th century began in 1911. The Charcas mine is characterized by low operating costs and good quality ores and is situated near the zinc refinery. We have expanded production capacity of the mine by 32% since 1993, and the Charcas mine is now Mexico's largest producer of zinc.

The Charcas mining district occupies the east-central part of the Central Mesa and is part of the Sierra Madre Metallogenic Province.

The Charcas mine uses the hydraulic cut-and-fill method and the room-and-pillar mining method with descending benches. The broken ore is hauled to the underground crusher station. The crushed ore is then hoisted to the surface for processing in the flotation plant to produce lead, zinc and copper concentrates. The capacity of the flotation plant is 4,000 tons of ore per day; 1,342,703, 1,212,938 and 1,317,288 tons of ore were mined at Charcas during 2002, 2003 and 2004, respectively. The lead concentrate produced at Charcas is sold to third parties in Mexico. The zinc and copper concentrates are treated at the San Luis Potosí zinc refinery and copper smelter.

The Santa Bárbara mining complex is located approximately 16 miles southwest of the city of Hidalgo del Parral in southern Chihuahua, Mexico. It includes three main underground mines and a flotation plant and produces lead, copper and zinc concentrates, with significant amounts of silver.

Gold-bearing veins were discovered in the Santa Bárbara district as early as 1536. Mining activities in the 20th century began in 1913.

The mining operations at Santa Bárbara are more diverse and complex than at any of the other mines in our Mexican operations, with veins that aggregate approximately 13 miles in length. Each of the three underground mines has several shafts and crushers. Due to the variable characteristics of the ore bodies, four types of mining methods are used: shrinkage stoping, long-hole drilled open stoping, cut-and-fill stoping and horizontal bench stoping. The ore, once crushed, is processed in the flotation plant to produce concentrates. The flotation plant has a capacity of 4,800 tons of ore per day; 1,590,650, 1,450,124 and 1,453,793 tons of ore were mined at the Santa Bárbara mine during 2002, 2003 and 2004, respectively. The lead concentrate produced is sold to third parties in Mexico. The copper concentrates are treated at the San Luis Potosí copper smelter, and the zinc concentrates are either treated at the San Luis Potosí zinc refinery or exported.

The San Martín mining complex is located in the municipality of Sombrerete in the western part of the state of Zacatecas, Mexico, approximately 63 miles southeast of the city of Durango. The complex includes an underground mine and a flotation plant and produces lead, copper and zinc concentrates, with significant amounts of silver. The mining district in which the San Martín mine is located was discovered in 1555. Mining operations in the 20th century began in 1949. San Martín lies in the Mesa Central between the Sierra Madre Occidental and the Sierra Madre Oriental.

The horizontal cut-and-fill mining method is used at the San Martín mine. The broken ore is hauled to the underground crusher station. The ore is then brought to the surface and fed to the flotation plant to produce concentrates. The flotation plant has a total capacity of 4,600 tons of ore per day; 1,237,051, 1,287,239 and 1,259,220 tons of ore were mined at San Martín in 2002, 2003 and 2004, respectively. The lead concentrate is sold to third parties in Mexico. The copper concentrate is treated at the San Luis Potosí copper smelter and zinc concentrate is either treated at the San Luis Potosí zinc refinery or exported.

The mining district of Santa Eulalia is located in the central part of the state of Chihuahua, Mexico, approximately 16 miles east of the city of Chihuahua. This district covers approximately 48 square kilometers and is divided into three fields: east field, central field and west field. The west field and the east field, in which the principal mines of the unit are found, are separated by 4 miles. The Buena Tierra mine is located in the west field and the San Antonio mine is located in the east field. The mining district was discovered in 1590, although exploitation did not formally begin until 1870.

The Santa Eulalia unit suspended operations totally from October 2000 to December 2004, during which time rehabilitation work was completed at the Tiro San Antonio and pipes were installed to expand the pumping capacity to 10,500 gallons per minute. In January 2005, operations began at the San Antonio mine, with a production plan for 230,900 tons. The flotation plant, at which lead concentrate and zinc concentrate are produced, has a capacity of 1,500 tons per day. The lead concentrate is sold to MET-MEX Peñoles, and the zinc concentrate is treated at the San Luis Potosí zinc refinery.

The Taxco mining complex is located on the outskirts of the city of Taxco in the northern part of Guerrero State, Mexico, approximately 44 miles from the city of Cuernavaca. The complex includes several underground mines and a flotation plant and produces lead and zinc concentrates, with some amounts of gold and silver. The mining district in which the Taxco mines are located was discovered in 1519. Mining activities in the 20th century commenced in 1918.

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The Taxco district lies in the northern part of the Balsas-Mexcala basin adjacent to the Paleozoic Taxco-Zitacuaro Massif.

Immsa employs shrinkage, cut-and-fill and the room-and-pillar mining methods at the Taxco mines. The flotation plant has a capacity of 3,300 tons of ore per day; 433,800, 328,243 and 352,174 tons of ore were mined at Taxco in 2002, 2003 and 2004, respectively. The lead concentrate is sold in Mexico. The zinc concentrate is either treated at the San Luis Potosí zinc refinery or exported.

### Processing Facilities

#### *Ilo*

##### *Overview*

Our Ilo smelter and refinery complex is located in the southern part of Peru, 17 kilometers north of the city of Ilo, 121 kilometers from Toquepala, 147 kilometers from Cuajone, and 1,240 kilometers from the city of Lima.

##### *Smelter*

Our Ilo smelter provides blister copper for the refinery we operate as part of the same facility. Blister copper produced by the smelter exceeds the refinery's capacity and the excess is sold to other refineries around the world. The nominal installed capacity of the smelter is 1,180,000 tons per year. We are in the process of modernizing the Ilo smelter to comply with Peruvian government requirements. The project is part of the our Environmental Compliance and Management Program, or PAMA, which was approved by the Peruvian government in 1997. The project will modernize the smelter and is targeted to capture no less than 92% of the sulfur dioxide emissions, in compliance with PAMA requirements.

During 2002, 2003 and 2004, 316,493, 314,920 and 320,722 tons, respectively, of copper blister were produced, with average grades of 99.27%, 99.31% and 99.37%, respectively. The copper recovery was 97.10% for 2002, 96.80% for 2003 and 97.23% for 2004.

##### *Refinery*

The refinery consists of an anode plant, an electrolytic plant, a precious metals plant and a number of ancillary installations. The refinery is producing grade A copper cathode of 99.99% purity. Anodic slimes are recovered from the refining process and sent to the precious metals to produce silver, gold and selenium.

During 2002, 2003 and 2004, 281,669, 284,006 and 280,679 tons, respectively, of copper cathodes were produced, with an average grade of 99.998% for the three years.

The precious metals plant produced 113,857 kilograms of refined silver and 315 kilograms of gold in 2002, 111,951 kilograms of refined silver and 265 kilograms of gold in 2003 and 118,906 kilograms of refined silver and 174 kilograms of gold in 2004. Selenium production was 49.7 tons, 47.8 tons and 51.9 tons in 2002, 2003 and 2004, respectively.

#### *La Caridad*

##### *Overview*

Our La Caridad complex includes a smelter, an electrolytic copper refinery, a precious metal refinery and a copper rod plant. The distance between this complex and the La Caridad mining unit is approximately 15 kilometers.

*Smelter*

Copper concentrates are carried to the La Caridad smelter where they are processed and cast into copper anodes of 99.2% purity to be sold to refineries. Sulfur dioxide off-gases collected from the flash furnaces and converters are processed into sulfuric acid at two sulfuric acid plants and sold to third parties.

Almost all of the anodes produced in the smelter are sent to the La Caridad copper refinery in order to increase the copper purity. The actual installed capacity of the smelter is 1,000,000 tons per year, capacity that is sufficient to receive the concentrates of the Mexicana de Cobre (La Caridad) and Mexicana de Cananea Mining Units. The amount of smelted copper concentrates was 629,505 tons and 820,459 tons for 2003 and 2004, respectively. The anode production capacity is 300,000 tons per year and the 2003 and 2004 production was 199,033 tons and 250,890 tons, respectively.

Sulfuric acid production was 603,300 tons and 778,350 tons for 2003 and 2004, respectively.

*Refinery*

The Mexcobre Unit includes an electrolytic copper refinery at La Caridad that uses permanent cathode technology. The refinery consists of an anode plant with a preparation area, an electrolytic plant, a slimes treatment plant and a number of ancillary installations. The refinery is producing grade A copper cathode of 99.99% purity. Anodic slimes are recovered from the refining process and sent to the slimes treatment plant where additional copper is extracted. The slimes are then filtered, packed and shipped to the La Caridad precious metals refinery to produce silver and gold. The refined cathode production for 2003 and 2004 was 163,965 tons and 202,146 tons, respectively.

The operations of the precious metal refinery are divided into two stages: (i) the antimony is eliminated from the slime; and (ii) the slime is dried in a steam dryer. After this the dried slime is smelted and a gold and silver alloy is obtained, which is known as doré. The process ends with the refining of the gold and silver alloy. The production of gold for 2003 and 2004 was 594 kilograms and 575 kilograms, respectively. The production of silver for 2003 and 2004 was 136,117 kilograms and 90,914 kilograms, respectively.

*Copper Rod Plant*

A rod plant at the Mexcobre Unit was completed in April 1998 and reached its maximum annual operating capacity of 150,000 tons in May 1999. The plant is producing 8 millimeter copper rods with a purity of 99.99%. Copper rod production for 2003 and 2004 was 53,822 tons and 69,529 tons, respectively.

***San Luis Potosí***

*Overview*

Our San Luis Potosí electrolytic zinc refinery is located in the city of San Luis Potosí, in the state of San Luis Potosí, Mexico. Our San Luis Potosí copper smelter is adjacent to the San Luis Potosí zinc refinery.

*Smelter*

The San Luis Potosí copper smelter has been in operation since 1925 and has gone through several phases of modernization, principally over the last ten years.

The plant operates one blast furnace (with a second on stand-by) that smelts incoming materials, mainly copper concentrates and copper byproducts from lead plants, to produce a copper matte. The copper matte is then treated in one of the two Pierce Smith converters, producing copper blister

(97.4% copper), which in 2004 contained approximately one ounce of gold and 400 ounces of silver per ton of copper blister produced. Of a total copper concentrate intake of 59,172 tons in 2004, approximately 98% was supplied by the Immsa Unit's mines and the remaining amount was smelted under toll arrangements with third parties. Copper blister production in 2002, 2003 and 2004 amounted to 24,381, 23,548 and 22,667 tons, respectively.

As the materials treated at the smelter contain various impurities (especially lead and arsenic), the facility has been equipped with an arsenic recovery plant for treatment of the flue dust produced in the blast furnace section. This material contains approximately 35% lead and 18% arsenic which, when treated, produces approximately 1,800 tons per year of high purity arsenic trioxide which is, in turn, sold in the United States principally to the wood preserving industry. Approximately 15,000 tons per year of lead bearing calcines (approximately 32% lead) are sold annually to Industrias Peñoles, S.A. de C.V. (Peñoles).

#### *Zinc Refinery*

The San Luis Potosí electrolytic zinc refinery was built in 1982. It was designed to produce 105,000 tons of refined zinc per year by treating up to 200,000 tons of zinc concentrate from our own mines, principally Charcas, located only 70 miles from the refinery. Refined zinc production in 2002, 2003 and 2004 amounted to 92,012, 101,069 and 102,556 tons, respectively. The refinery produces special high grade zinc (99.995% zinc), high grade zinc (over 99.9% zinc) and zinc-based alloys with aluminum, lead, copper or magnesium in varying quantities and sizes depending on market demand. In 2004, the plant produced as byproducts 178,704 tons of sulfuric acid, 697 tons of refined cadmium, 15,562 kilograms of silver and 8 kilograms of gold.

#### *Nueva Rosita Coal and Coke Complex*

##### *Overview*

The Nueva Rosita coal and coke complex, which began operations in 1924, is located in the state of Coahuila, Mexico on the outskirts of the city of Nueva Rosita near the Texas border. It comprises an underground coal mine, with a present yearly capacity of approximately 280,000 tons of coal, and a 21-coke oven facility capable of producing 90,000 tons of metallurgical coke per year. At present the 21 ovens are being re-engineered and modernized, with an investment of US\$12 million, to service the operations of the facility for the next 25 years.

##### *Production*

The room-and-pillar mining method is employed at the underground Nueva Rosita coal mine with continuous miners. At present, the coke oven installation supplies the San Luis Potosí copper smelter with low-cost coke, resulting in significant cost savings to the smelter. The surplus production (approximately 70,000 tons per year) is sold to Peñoles and other Mexican consumers in northern Mexico. The complex includes a coal washing plant completed in 1998 that has a capacity of 900,000 tons per year and produces cleaner coal of a higher quality. The 2003 and 2004 production of clean coal was 260,966 tons and 238,336 tons, respectively.

#### **Exploration and Development Activities**

We are engaged in ongoing extensive exploration to locate additional ore bodies in Peru, Mexico and Chile. We spent US\$13.3 million on exploration programs in 2002, US\$17.9 million in 2003 and US\$15.6 million in 2004, and have budgeted US\$20.8 million for 2005.

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Currently in Peru, we have direct control of 131,832 hectares of mineral rights and have control over 20,454 hectares of mineral rights through joint ventures with other companies. In Mexico, we hold 524,571 hectares in exploration and exploitation concessions.

### *Peru*

*Los Chancas.* The Los Chancas project, located in the department of Apurimac in southern Peru, is a copper and molybdenum porphyry deposit. In 2004 we completed the final phase of the diamond drilling program at Los Chancas with a total of 10,500 meters drilled. We have completed the second and final phase of metallurgical testing and have commenced pre-feasibility studies. Once completed, we will be able to make a determination if more exploration is needed or if the project contains commercially mineable reserves, which would warrant future development after comprehensive economic, technical and legal feasibility studies are completed. Testing to date indicates a mineral deposit of 200 million tons with a copper grade of 1.0%, 0.07% molybdenum and 0.12 grams of gold per ton.

*Tantahuatay.* The Tantahuatay project is located in the department of Cajamarca in northern Peru. We have performed exploration work in the upper part of the deposit principally for gold recovery. Work to date indicates mineralization of 27.1 million tons, with an average gold content of 0.89 grams per ton and 13.0 grams of silver per ton. This project, in which we have a 44.25% share, continues in the exploratory stage. Although we performed hydrological and evaluation studies during 2003 to prepare for the pre-feasibility study, during 2004 we concentrated our efforts on dealing with social and environmental concerns of communities near the project.

*Tía María.* The Tía María project, located in the department of Arequipa in southern Peru, is a copper porphyritic system. In 2004 a total of 12,165 meters of diamond drilling was completed out of the 15,000 meters projected. The drilling is continuing into 2005 to complete the program. This project is in the exploratory stage.

*Other Peruvian Prospects.* As part of our 2005 exploration and development program, drilling has been scheduled at the Gloria Cristina prospect located in northern Peru, in the department of La Libertad, and at the Millune prospect in southern Peru, in the department of Tacna. Both prospects show evidence of copper-gold mineralization.

### *Mexico*

In addition to exploratory drilling programs at existing mines, we are currently conducting exploration to locate mineral reserves at 42 other sites in Mexico. In particular, we have identified significant copper and gold deposits at El Arco site.

*El Arco.* The El Arco site is located in the state of Baja California in Mexico. Preliminary investigations of the El Arco site indicate that the deposit contains approximately 846 million tons of sulfide ore with average copper grades of 0.51% copper and 0.14 grams of gold per ton, and 170 million tons of leaching ore with average copper grades of 0.56%.

*Angangueo.* The Angangueo site is located in the state of Michoacán in Mexico. A reserve of 13 million tons of ore have been identified with diamond drilling. The reserve contains 0.16 grams of gold and 262 grams of silver per ton, and is comprised of 0.79% lead, 0.97% copper and 3.5% zinc. We expect the site may be able to proceed to the pre-feasibility stage, which would include additional metallurgical testing and environmental permitting.

### *Buenavis*