

SOUTHERN COPPER CORPORATION

Moderator: Raul Jacob
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10:00 a.m. CT

Operator: Good morning and welcome to the Southern Copper Corporation first quarter 2010 results conference call. With us this morning, we have Southern Copper Corporation Mr. Raul Jacob, manager of financial planning and investor relations, who will discuss the results of the company for the first quarter and answer any questions that you might have.

The information discussed on today's call may include forward-looking statements regarding the company's results and prospects, which are subject to risks and uncertainties. Actual results may differ materially and the company cautions to not place undue reliance on these forward looking statements. Southern Copper Corporation undertakes no obligation to publicly update or revise any forward-looking statements whether as the result of new information, future events or otherwise. All results are expressed in full U.S. GAAP.

Now I pass the call on to Mr. Raul Jacob.

Raul Jacob: Thank you very much, Christa and good morning, everyone, and welcome to Southern Copper's first quarter 2010 earnings conference call. Today, we will discuss our view on the metal markets, as well as Southern Copper's production, sales, operating costs, financial results and capital spending program. After that, we will open the session for questions.

During 2009, we saw continued recovery of metal prices, particularly copper, molybdenum, silver and zinc, which are the most important commodities produced by Southern Copper. This trend has been strengthening in the first

quarter of 2010. In the case of copper, prices increased by 110 percent from an average of \$1.56 per pound in the first quarter of 2009 to \$3.28 in the first quarter of 2010. For molybdenum, our main byproduct, prices went up by 80 percent from an average of \$8.75 per pound in the first quarter of 2009 to \$15.78 in the first quarter of this year, while silver and zinc prices increases by 34 percent and 96 percent respectively. What this significant price increases indicate is that metal markets are recovering from the economic slowdown that affected them that year.

Looking at the copper market, we maintain our positive view on it – due to the following factors; emerging economies' increasing consumption is the current driver of the market. We believe that this growth in demand, led by China, will give support copper prices for the rest of 2010. According with Copper Research Unit or CRU, Asian economies are now 57 percent of the world's copper demand and these economies grew 18 percent in their copper consumption in the first quarter of 2010.

As you know, most of the Asian countries are currently in a strong ongoing modernization process and have been increasing their copper demand at a steeper pace than their GDP growth. The U.S. and European economies are also increasing copper consumption in 2010 as a result of the ending of inventory adjustments, as well as a modest restocking in some areas, particularly cable and wire. A reflection of this growth in demand is the 25 percent rod sales increase of our Mexican operations. On the supply side, we expect production to recuperate pre- crisis activity levels as a result of higher mine copper production, as well as the new copper availability. However, ore grade depletion as well as significant production issues at certain important operations, may offset new production from ramp up operations.

For molybdenum our first byproduct, 16 percent of total sales in the first quarter of this year, we are seeing a demand that decreased significantly in 2009. That year, it decreased by 15 percent. Currently, we're seeing consumption coming back to where it was before the economic crisis. For the rest of 2010, we expect a relatively balanced market at about \$16 per pound for molybdenum. In the case of silver, it represented five percent of our sales in the first quarter of 2010. We think that silver prices will have strong

support in 2010 due to higher industrial demand, as well as inflation concerns. For zinc, that was also five percent of sales in the first quarter of this year, we're expecting market to be balanced through the rest of 2010 at the current price level of about \$1 per pound.

Looking at our production, for copper, we're reporting a nine percent decrease in copper from our mines when comparing the last quarter with this first quarter of 2009. The major reason for this reduction in production was a 16 percent drop in Cuajone ore grades that resulted in a decrease in copper production 7,700 tons. The remaining production decrease was caused by slightly lower ore grades and recoveries at our Toquepala and La Caridad mines. The reduction in production as a consequence of lower ore grades is a temporary event. Thus, we're not changing our current guidance of 500,000 tons of copper production for 2010. This guidance assumes no Cananea production for the rest of the year.

Regarding our metallurgical facilities, we're glad to report a 25 percent increase in rod production due to higher sales in Mexico and the U.S. As mentioned before, this is a sound indication of the recovery of durable goods demand in the U.S. and Mexican economies. On March 16, 2010, as part of a remediation program to full comply with the international standard for mining industry, the company announced the closing of the San Luis Potosi copper smelter, which was in operation for almost 100 years. We believe more efficiency will be achieved by having the La Caridad absorb the copper smelting of San Luis Potosi. Our modern zinc refinery will not be affected by the smelter's closing and an expansion to double the capacity of our zinc refinery is currently under study.

Going forward, all the company's mining and metallurgical activities in Mexico and Peru comply with the highest international environmental standards. Therefore, the company will apply for (ISO 14000) certification as a ratification of our clean industry standards.

Regarding molybdenum, we have excellent production in the first quarter of this year reaching 4,800 tons, a 17 percent increase when compared to the first quarter of 2009. This better molybdenum production was the result of

improved recovery and higher ore grade at the La Caridad and Toquepala operations. The company expects to produce and sell 19,000 tons of molybdenum this year. Zinc mined and refined production slightly decreased by three and one percent respectively when compared to the first quarter of 2009. The company estimates zinc sales of 110,000 tons for the year 2010.

In the case of silver, silver mine production increased by one percent in the past quarter when compared to the first one of 2009. However, refined silver production increased by 45 percent for the quarter due to higher production at the IMMSA and La Caridad precious metals plants. We estimate sales of 16.5 million ounces of silver in 2010.

Focusing on Southern Copper financial performance, net sales for the first quarter of 2010 were \$1.2 billion, 96 percent higher than the \$622 million in the first quarter of 2009. The main drivers for higher sales were the previously mentioned recovery in metal prices and the 18 percent increase in the volume of molybdenum sales. Copper sales volume decreased by three percent in the first quarter of this year. Silver volumes sold decreased by 13 percent due to a temporary variance not related to production. Zinc volumes sold decreased by five percent when compared to the first quarter of 2009 volumes.

Our total operating costs and expenses have increased by \$133 million when compared to the first quarter of 2009. The main variances are the following; fuel and power costs increased by \$9 million, exchange rate variances due to local currency depreciation increased by \$10 million, worker's profit sharing increased by \$47 million, royalties by \$8 million and third party copper concentrate purchases by \$35 million. The important thing to note here is that with the exception of energy and exchange rate adjustments, the major cost changes between the first quarter of 2010 and the first quarter of 2009 are clearly related to the better metal prices that we had in the past quarter. That's the case for worker's profit sharing, royalties, and third party proper copper concentrate purchases, which are the main variances that explain the difference between these two quarters.

When comparing the first quarter of this year with the last one of 2009, you have a small variance in total operating costs and expenses of \$3.7 million, less than one percent of a difference. The main variances are the following; power costs increased by \$2 million, lower labor costs decreased by \$2 million net of a pension fund adjustment of \$3 million that is included in our administrative expenditures, worker's profit sharing increased by \$6 million and other costs and expenses reductions explain the remaining difference. As a result of the mentioned sales and operating cost variances, the first quarter of 2010 EBITDA was \$691 million or 57 percent of sales. This figure compares with \$616 million in the fourth quarter of 2009 that was 54 percent of sales and \$226 million for the first quarter of 2009 that was 36 percent of sales.

Southern Copper operating and cash costs, including the benefit of byproduct credit, was negative or credit of 15 cents per pound in the first quarter of 2010. This figure compares to a cash cost of 60 cents per pound for the first quarter of 2009, a 75 cent total variance. The improvement in cash costs was the result of continuing operational efficiencies and higher byproduct credits, principally from molybdenum. As indicated before, the molybdenum price increased by 80 percent, explaining that alone 66 cents in additional credit per pound of the total 75 cent positive variance. The company first quarter cash cost per pound in this year, in 2010, before byproduct credits, was \$1.50 per pound, higher than the \$1.29 per pound of the first quarter of 2009. The 21 cent cash cost before byproduct credits is explained as follows; a nine percent temporary reduction in production that the company had in the first quarter accounts for 13 cents, eight cents are explained by higher costs of energy, as well as royalties.

On April 16th, 2010, the company issued \$1.5 billion in fixed senior unsecured notes. This \$1.5 billion in notes were issued in two tranches, \$400 million due to 2020 at an annual interest rate of 5.375 percent and \$1.1 billion due in 2040 at an annual interest rate of 6.75 percent. The proceeds of this issuance will be used to accelerate the company growth program, which will further strengthen our position as one of the industries lowest cost copper producers. We believe that Moody's recent upgrade of its corporate rating from Baa3 to Baa2 is a confirmation of the company's financial strength, stability and industry leading position. In evaluating the timing for addressing the

international financial markets, the company considered that longer dated maturities were available at historically low interest rates. In affirmation of the company views, demand for the notes was extremely strong with orders nearly \$9 billion; roughly equally split between the 10 and 30 year notes.

During the marketing process, secondary trading levels for the company's existing notes tightened considerably and pricing of the new notes came at effectively no new issue premium to its existing issuances.

As a result of the better market prices, higher molybdenum volumes sold and efficiency gains, net earnings in the first quarter of 2010 were \$383 million or diluted earnings per share of 45 cents. This figure compares with net earnings for the first quarter of 2009 of \$79 million or diluted earnings per share of nine cents. This is a 389 percent variance.

As previously announced, the company is strongly committed to continuing its organic growth program and therefore, the Board of Directors has approved an investment program of \$2.8 billion for the next three years to develop new production capacity. This program is expected to increase annual production by 342,000 tons of copper and 6,600 tons of molybdenum and include the company's cost competitiveness and efficiency and efficiencies. The company intends to allocate approximately \$1.8 billion to Peru and \$1 billion to Mexico. From those, approximately \$600 million and \$200 million are intended to be invested in Peru and Mexico respectively in 2010.

The company has spent approximately \$305 million out of the \$934 million approved budget for the Tia Maria, out of which approximately \$25.3 million was spent in the first quarter of 2010. The detailed engineering is in process and almost completed. Work on the project includes equipment fabrication and some early construction work such as access roads and platforms.

The second public hearing scheduled for April 19th, 2010 was cancelled due to social unrest in the Islay province of Arequipa in Peru, where the Pan American highway was disrupted by a large group of people opposing the development of any mining activity in the region. According to applicable

law for public participation in Peru, the public hearing has to be substituted by the Ministry of Energy and Mines with other mechanisms of information to open a final round of public discussion for the Southern Copper environmental impact assessment. In this phase, Southern Copper will participate as required by the Ministry of Energy and Mines to further inform the citizens of the Islay province of the value of the project, the benefits that it would bring to the region and to them. This process will take the next 90 days and only after such period the Ministry of Energy and Mines will be in a position to approve the environmental impact assessment. Construction will begin as soon as we receive the environmental impact approval – assessment approval which is expected not before the third quarter of 2010.

Let me be a little bit more specific on the next steps in this process. They are the following:

A special commission, coordinated by the ministry of environment and with the participation of the ministry of agriculture, the president of the region and other local authorities, as well as Southern Copper's personnel, have been formed last week to review the EIA. This group will conclude its work in 90 days with a report to the Ministry of Energy and Mines regarding the environmental impact assessment of the project. At that point, we expect the local communities and the region of Arequipa to be fully informed of the important benefits of the Tia Maria project and the environmental impact study as a consequence also approved.

As indicated previously, the investment will be \$934 million to produce 120,000 tons of copper cathodes using state of the art technology, which will comply with the highest international environmental and sustainable development standards. The project is expected to generate 4,000 jobs during the construction phase. When in operation, Tia Maria will directly employ 600 workers and indirectly another 3,500. Through the expected 18 years of life, the required services will create significant opportunities for small and medium businesses growth in the region. In addition to these facts, the company will develop social responsibility programs in the Arequipa region similar to those already established in the communities near its Peruvian operations of Toquepala, Cuajone and Ilo. On top of these initiatives, the

mining voluntary contribution program is estimated to be approximately \$5 million per year to be spent in Arequipa and could be immediately applied to the development of the communities near Tia Maria.

To obtain the necessary water supply for the project, the company has offered to build the Paltiture dam with an increased capacity of 40 million cubic meters of water that currently drains to the Pacific Ocean. The company will only use seven million cubic meters per year of the dam, the remaining additional 33 million cubic meters will be available for the benefit of the agriculture communities and the Islay population.

As part of its contribution to the local communities, the company will improve the telecommunication facilities in the (inaudible) with better services for cell phone, television and Internet.

Moving on to other projects, as of March 31st, 2010 the company has spent \$97.6 million on the Toquepala concentrator expansion. Detailed engineering was awarded and work started in December of 2009. One 320 ton truck and two drilling machine and a second 73 cubic shovel were put in operation. The push back substation expansion was also completed and is currently in operation. The environmental impact study is still being conducted and is expected to be completed in the second quarter of this year.

Regarding the Cuajone mine and concentrator expansion, the purchase of mine equipment is in the bidding process. As of March of this year, combined commitments total \$15 million and expenditures were \$22 million. The Cuajone expansion project also includes the installation at the of high pressure grinding rolls, a technology that we believe will increase the milling capacity of our facilities. For this project, the scope of work and technical specification for main equipment was completed and basic engineering started.

The El Arco project in Mexico is a world-class copper deposit in the central part of the Baja California peninsula, with estimate mineralized material of over one billion tons, with an ore grade of 0.51 percent copper and 14 grams of gold per ton. This project is expected to produce 190,000 tons of copper

and 105,000 ounces of gold annually. The company continues to invest in land acquisition required for the project. The project feasibility study, with a cost of \$15 million was recently finished.

The company has also initiated a project for the construction of a gas fire power plant in it's La Caridad metallurgical complex in Mexico with an initial capital budget of \$250 million. The nominal capacity of this plant will be 250 megawatts. The generated power will replace electricity source from the Mexican governmental agency commission.

In addition to these projects, we have recently finished a pre feasibility study for the expansion of the La Caridad concentrator. This expansion will offset the effect of declining ore grades and increasing rock hardness at the La Caridad mine. The pre feasibility study shows that milling capacity of this plant could increase gradually from 90,000 tons of mineral mill per day to 120,000 tons per day.

On March 16, the company put in operation a sewage treatment plant at (inaudible) in Mexico. This \$6.6 million plant uses state of the art technology to treat 1.6 million cubic meter of sewage water per year that will be consumed by our facilities. Thus we're using clean water consumption from the San Luis Potosi potable water grid.

On February 11 of this year, a Mexican federal court ruled in favor of Southern Copper in then Cananea case. As a consequence, all the labor contracts were terminated. A workers' appeal was dismissed on April 21st of this year by the Mexican Supreme Court. At this point, all legal instances are finished in this process. We expect to regain access to the asset in accordance with the law.

The company is ready to resume operations at Cananea with a new labor contract, which we believe would increase productivity and competitiveness for this operation. The end of the labor struggle at Cananea will also make possible Southern Copper investments of about \$3.8 billion to expand Cananea's production from 180,000 tons copper to 460,000 tons of copper per year and 5,400 tons of molybdenum, as well as the development of the Pilares

mine site also in the Mexican state of Sonora. These projects include the generation of its own power requirement at a very competitive cost and will generate approximately 9,000 new jobs during the prior construction phase and bring significant economic benefit to the people of Cananea. Such investments were on hold until now due to union activities.

Regarding dividends, as you know, it is a company policy to review at each board meeting the capital investment plan, cash resources and expected future cash flow generation from operations in order to determine the appropriate quarterly dividend. Accordingly, in April 22 of this year the Board of Directors authorized a dividend of 45 cents per share. This dividend will be paid on May 25 of this year to shareholders as of record at the close of business on May 12, 2010.

With this in mind, ladies and gentlemen, we would like to open the forum for questions.

Operator: If you would like to ask a question at this time, please press star the number one on your telephone keypad. To withdraw your question, please press the pound key. Our first question comes from the line of Carlos De Alba, from Morgan and Stanley. Your line is open.

Carlos De Alba: Yes, good morning, Raul. Good morning, gentlemen. My first question would be in terms of Tia Maria, what would be the worst-case scenario in this project? And second, what do you expect to be the operating cash cost of Tia Maria? And also if you can talk, when would you – where are you going to get to the point of no return in Tia Maria? Clearly, you're – the preliminary studies have been – or the (inaudible) study has been concluded. When do you expect to bring El Arco to the board and a decision will be made on this? Thank you very much.

Raul Jacob: OK. Let me focus first on the Tia Maria project. Where we are now is that a technical commission has been formed to discuss our environmental impact study. Objections to the study will be put on the table and the company will answer to those objections. At the end of the 90 day process, we will have a report issued by this committee to the Ministry of Energy and Mines that will

be one of the elements that the Ministry have to take into consideration before approving the environmental impact assessment of Southern Copper for the Tia Maria project.

The main issue is water and on that, the company has offered to build the Paltiture dam. As a possible other option, there is the possibility of using seawater. Tia Maria is about 26 kilometers away from the coast and it's about 1,000 meters high. So water in this option would be pumped from the ocean to above 1,000 meter over sea level and 26 kilometers away.

Regarding cash cost, the project have cash cost of about 70 per pound. That number could vary. We are focusing on getting power at a lower cost than what we assumed for the project and that's an important driver for the total unit costs at Tia Maria, but at this point, this is what we have as cash costs.

Carlos De Alba: And the 77 is with or without byproducts?

Raul Jacob: I'm sorry. I couldn't copy what you said.

Carlos De Alba: Yes, that 77 cents per pound would be before or after byproducts?

Raul Jacob: Seventy, seven zero cents per pound.

Carlos De Alba: Seven, zero. OK. Yes.

Raul Jacob: Yes. No byproduct. This is a SX-EW plant and has no byproducts in its copper production.

Carlos De Alba: Fair enough. And then...

Raul Jacob: Now...

Carlos De Alba: No, go ahead. Sorry.

Raul Jacob: In the case of El Arco, as we indicated, we finished the feasibility study. The project is moving forward at a good pace. The company is also securing some of the resources that we need to go in ahead with the project.

Daniel Muniz: Carlos, as you know, the El Arco project is not in the three year plan currently, but I mean we've been moving forward with the analysis, with the land acquisitions and it's something that we do have in mind. It's a great deposit, but it's not in the three year plan now. So I guess like in terms of Mexican governments, we're focusing on the plant generation on the Caridad expansion and mainly on the restart on Cananea. I don't know if you want to add to that, Raul.

Carlos De Alba: OK. Thank you, Daniel.

Operator: Your next question comes from the line of Victoria Santaella) from Santander. Your line is open.

Victoria Santaella:Hi, Raul and good morning. And Daniel. I would like if you can elaborate a little bit more on the cash costs before the byproduct and if you can repeat, if it was correct to say that the cash costs of this quarter was \$1.60 and which are your perspectives in terms of costs throughout the year as we are seeing a lot of pressures there. And last, but not least, if you can be a little bit more I would say specific on Cananea, I mean one of the biggest questions is, do we have a date frame? Or when is this going to finish? Thank you.

Daniel Muniz: Thank you, Victoria. Raul, if you would like, I will take the Cananea one and you can go ahead on the costs part of the question.

Raul Jacob: OK. I will take the cash costs. OK.

Daniel Muniz: Victoria, on Cananea, we, as you know, they've dismissed the last appeal and we believe there weren't any grounds to make that last appeal to disappear in court in Mexico and they dismissed that, so the Supreme Court has dismissed for the second time this last appeal they had and so we are really just waiting on the application of the law. I mean as you know, we have – I mean we have concluded individual relationships with every employee in the collective bargaining agreement, so we are entering into a new collective bargaining agreement with a different union and just waiting the appointment of their decision in order to take control of the asset and begin with the ramp up.

Victoria Santaella: Is there a timeframe? Has the government mentioned to you something? Are they going to give I don't know a notification for the people who have taken over the mine? How long can you wait?

Daniel Muniz: Sure. Let me just – but one thing to bear in mind that it's important that everybody has clear is that there aren't any other pending legal or administrative matters. It's just a matter of enforcement. And unfortunately in terms of timing, I mean we cannot give you a date. We are hoping that that is very soon and we are just waiting on the enforcement. I mean we believe the government is working towards the enforcement of this decision and we are just – and I guess kind of like on hold until we have news from them.

Victoria Santaella: OK. Thank you, Daniel.

Daniel Muniz: Just one other thing, lastly, on Cananea, as you know and Raul's commented on the conference, we have not budgeted any production for this year nor are numbers of any kind of a budget has production or any (inaudible) related to Cananea. So we will be looking at only windfall or upside if you like when we start this year.

Victoria Santaella: Thanks.

Daniel Muniz: Thank you. Raul, do you want to comment on the costs?

Raul Jacob: Certainly. Victoria, how are you? Let me explain to you what we see in terms of operating costs. When we compare the first quarter of this year with the fourth quarter of 2009, pretty much we didn't have massive cost pressure. So currently for us, evidence does not support what you have said, Victoria, in terms of we are having some cost inflation as we move on. The only exception to this is fuel and power that has increased, obviously. The cost pressures that we're seeing are basically related to the better metal prices that we are seeing. Workers' participation or profit sharing has increased, royalties also driven by higher metal prices, has increased and copper concentrate purchases that we pay at market prices with some discounts, with some credit regarding some discounts, are also increased. Those three are related to the new or the better metal prices.

In terms of cash costs, what we have seen is our cash costs per pound went from \$1.29 at the first quarter of 2009 to \$1.50 before byproduct credits. There is a 21 cent cash cost increase in that and it's explained mainly by two major changes; the first one is a drop of about nine percent in production that the company had in the first quarter of this year and that alone is 13 cents of the cost increase because we basically milled the same amount of mineral, moved the same material in our operations and we incur more or less the same costs just to produce less copper. So that alone is 13 cents of 21 cents. And then we have eight cents that are explained by the higher cost of energy and by this I mean fuel and power, as well as royalties. The other costs, like profit sharing, are not included as part of the cash costs. So those are the two major elements explain the increase in cost per pound. From those two, we believe that the 13 cents related to production will be offset in the next few months, so that's how we see these cash costs right now, Victoria.

Victoria Santaella: Thank you very much.

Daniel Muniz: Just lastly, Victoria, I will just – just to point out that in the fourth quarter '09, the cash costs without byproducts was \$1.55 and the cash costs for this quarter without byproducts, as well, is \$1.50. So that (inaudible) give you an explanation of the comparison year over year. I just wanted to put it in the quarter over quarter figures out there (inaudible).

Raul Jacob: Thank you.

Operator: Your next question comes from the line of Victoria – I'm sorry – Jorge Beristain). Your line is open.

Jorge Beristain: Yes. Good morning, gentlemen. My question was just, again, circling back on the two year Tia Maria project and the issue about the water. I just wanted to understand if this offer to build the 40 million cubic dam and allow the community to use 33 million cubic of that water if that is something that is new or if that was in your original environmental impact study? And secondly, you mentioned the possibility of pumping up the seawater those 26 kilometers. Could you qualify what that could add to the project cost if you

chose to go that route instead of doing the dam? As I understand that could be an option.

Raul Jacob: Yes. This has been an option that the company has considered – I mean the dam was an option that was also considered as part of the project and from the very beginning, we talk about that as one of the possibilities. For us, the best one is one that is not accepted by the farmers that are close by the project, which is pumping water from the valley that is the Cocachacra valley. So that one has been ruled out by the farmers. Then we have two other options, the Paltiture dam, that has a cost of approximately \$8 million and it will not have any extra operating costs for the company. The other option of pumping seawater has a capex cost of about \$50 million and it will increase our operating costs by about four cents per pound.

Jorge Beristain: So that's five oh, 50 as in five oh?

Raul Jacob: Yes.

Jorge Beristain: And that's, sorry, seven cents per pound.

Raul Jacob: No. Four cents per pound.

Jorge Beristain: Sorry. Four cents per pound.

Raul Jacob: So one of the alternatives, the dam, the Paltiture dam, is \$8 million, no increase in operating costs. The second, which used to be the third option, it's pumping water from the sea that has a capex cost of \$50 million and will increase cash costs by four cents from say 70 cents to 74 cents.

Jorge Beristain: Got it. And sorry, just to follow up on Victoria's earlier question, again, just related to kind (inaudible), Daniel I think had intoned that you're simply waiting on the government at this point to enforce the law? Is there anything on your company's side that you can do before then? In other words, what are the next steps here? Because it does seem that we're just kind of at a stalemate and are you able or willing to send in equipment and miners at this time to repair the facility? Are you waiting for the government to secure the facility entry for you? What is the next step?

Daniel Muniz: Right. Well, two things, Jorge, and that's a great question and thanks for the opportunity to clarify. The company has been also working as well to help out and expedite the enforcement of Cananea. First, we offered severance to employees when we were not required given the outcome of the legal battle, we've won that and we were not required to pay severance. We've offered severance voluntarily as an incentive in order to return the assets. Second, we've made a lot of compromises, if you like, and it's what Raul was just describing here of benefits to the region, etcetera, in terms of investments for the well being of the region. The whole region not only of the miners, but also as you know this kind of cities the economic future depends on the mine. So we've been doing that.

And other than that law enforcement of the decision which was only finally dismissed on August 21st – I mean I'm sorry – April 21st, Jorge, so that was just we can have a week ago. So we are expecting the government to enforce that and no, we cannot – we have not – we cannot send miners now to the mine. The mine is still being blocked, the entrance, by some of the old union guys and that's where we're hoping the government to really enforce.

I don't know if that's clear.

Jorge Beristain: Sure. But when you're saying hoping, I mean concretely what is the next step? Have you received any indication from the government that they have the willingness to enforce the entry to the mine?

Daniel Muniz: Oh, absolutely. I mean I think I mean the decision was admitted on the 21st of April and I think they are – I mean we've just (inaudible) the decision by the court, I mean it would be I mean not enforcing something that's totally in our legal right. I mean they're blocking illegally now. I mean there are no further legal remedies or appeals so the mine is being blocked illegally and I mean yes, we understand the government is taking actions and I mean of course, I cannot tell you the exact date or anything like that (inaudible) not in our control, but it would be exactly as if they were blocking the entrance to your house.

Jorge Beristain: Right. But if they were doing that, I mean wouldn't the homeowner petition the government to enforce the law? I mean that's what I'm kind of getting at. I mean you guys are asking for this and you're simply waiting on the government's response?

Daniel Muniz: I'm not sure what is the question. I mean we have these – I mean we have the judgment in our favor. We are working with the government (inaudible) enforcement of decisions of this kind with the force can only be made by the government.

Jorge Beristain: OK. Thank you.

Daniel Muniz: Thank you.

Operator: Your next question comes from the line of (Alejandro Luciano) from Credit Suisse. Your line is open.

Alejandro Luciano: Hi, good morning. Thanks a lot for the call. I just – a couple of quick questions on Cananea, can you comment on some news articles stating that some of the union workers have set up explosives around the (inaudible) mine? And secondly, if you can talk about that \$3.8 billion number, what's the timing on that? How many years would that take to ramp up to the 460,000? And what are the financing requirements, if any, for that? Thanks.

Daniel Muniz: Sure. First, the first thing, explosives. I mean probably this is a group of very few employees or miners, ex workers of the mine estimated to be lost the legal battle. They would rather be making a lot of arguments and threats and what have you. We see no merit to it and I think that that should not happen in any case.

In terms of the \$3.8 billion, well, that – I mean as you know, around 50 percent of the reserves of Southern Copper are located at Cananea. So it is the largest reserve that we have. This is a mine that we acquired from the government and that we have been making more efficient year by year. There is a lot of potential and this \$3.8 was just a way to quantify the potential of that mine. We are not doing that now, if you like. I mean that's not either just part of the three year plan that the board has approved and this is just the

(inaudible) that was given to Jorge Beristain in the way that compromises that the company can make in the future in order to make a lot better atmosphere for the region, in the Cananea region and that's how the \$3.8 come up and that includes a molybdenum plant, that includes another facility, that includes a new concentrator. It's just what we call the greater (inaudible), if you like, and this is the way that we see the future for that mine, but that's not near term it's in the longer term and so no financings are now contemplated. As you know, we have raised \$1.5 billion in April and well, that is just (inaudible) taking advantage of the right timing of the market in order to be able to finance all our cap ex needs. But we are prioritizing our \$2.8 billion cap ex program, which was approved in January.

Alejandro Luciano: Thanks and just a quick follow up. So basically there is no evidence that workers have actually put explosives in the mine? And then, my second question is, are there still individual appeals or individual suits by the workers, not as the union, but as individuals?

Daniel Muniz: Well, no – first, no confirmation or no evidence of any kind of explosives. And second, (inaudible) all – I mean the decision has been worded to our favor, if you like. So there is no legal pending issues there.

Alejandro Luciano: All right. Thank you very much.

Raul Jacob: Thank you. Please let me add to what Daniel just said that the company will continue monitoring the international markets depending on how the markets evolve. So more decisions will be done regarding capital expenditures and also that the company will be very prudent in terms of how do we finance any new projects. At this point, we are focusing on our three year program that you know it's \$2.8 billion program that made us to look for some financing related to the projects in that package.

Alejandro Luciano: Thank you.

Operator: Again, if you would like to ask a question, please press star then the number one on your telephone keypad. Your next question comes from the line of (Nick Ivanov) from Prudential. Your line is open.

Nick Ivanov: My question has been answered. Thank you.

Operator: There are no further questions at this time. I turn the call back over to the presenters.

Raul Jacob: So with this, ladies and gentlemen, we certainly thank you for being with us today and we will expect you for the next conference call to – where we will report the second quarter results of this year. Thank you very much for being with us today.

Operator: This concludes today's conference call. You may now disconnect.

END