

**SOUTHERN COPPER CORPORATION**

**Moderator: Raul Jacob**  
**July 25, 2008**  
**11:00 am CT**

Operator: Good morning and Welcome to Southern Copper Corporation's Second Quarter 2008 Results Conference Call.

With us this morning, we have Southern Copper Corporation, Mr. Genaro Guerrero, Chief Financial Officer, and Mr. Raul Jacob, Head of 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 statement whether as a result of new information, future events, or otherwise. All results are expressed in full US GAAP.

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

Raul Jacob: Thank you very much, (Jennifer). And thank you, everyone, again for joining us for the second quarter 2008 Southern Copper earnings conference call.

Participating in today's conference are Oscar Gonzalez Rocha, the company's CEO, and Genaro Guerrero, Southern Copper's CFO.

Mr. Guerrero will now lead the conference.

Genaro Guerrero: Good morning, everyone, and thanks again for participating in our 2Q08 conference call results.

Today I will comment about prices, production, financial results, labor situation, our 3 to 1 stock split, expansion projects, and also I will comment about dividends for this quarter.

After that, we will open the session for questions.

Let's just start now with copper prices. We continue having a positive trend on copper prices. The London Metal Exchange second quarter of 2008 average copper price was \$3.83 per pound, higher 10% than the \$3.47 per pound average for the same quarter of 2007 and 8% higher than the first quarter of 2008.

Our view regarding copper market has still been very strong. Even though there are some signs of demand softness coming from the major developed economies and a temporary Chinese de-stocking, we think that this will not mean downward in copper prices for the remaining of 2008 or significant correction in 2009.

On the contrary, we concur with the concept of a high probability of higher copper prices in 2009 due to the rebound in Chinese demand and moderate response from the supply side.

I would like to open my comments about production mentioning that even though second quarter '08 is showing a decrease in copper production, mainly due to the operating stoppages in some of our Mexican mining operations, the rest of our mining activities are working in a regular basis. The total material moved at the mines is above the mining plans for 2008. And this situation would permit the mining operations to get more exposed reserves and continue rational production.

Southern Copper second quarter '08 copper production was 117,000 metric tons, lower 26% than the second quarter of 2007 and 8% lower than the first quarter '08.

The reduction of 40,900 copper tons in production quarter to quarter was mainly the result of the following -- first the Cananea stoppage that has decreased the production by 35,100 tons comparing second quarter '08 with second quarter '07, the Toquepala production decreased by 13% or 5500 tons due to lower mine ore grade of 0.60% in 2008 versus 0.75% in second quarter '07.

This ore grade reduction results from the change in mining plans derived from the new reserve of Toquepala announced in 2006.

This production decrease was partially offset by higher recovery and higher SX/EW production at this operation.

La Caridad production was 3100 tons lower or 10% less than last year, also due to lower ore grade at this operation. The second quarter '08 copper ore grade was 0.38% per mineral ton. This figure compares with a 0.42% per mineral ton for the second quarter '07.

IMMSA copper production declined by 1600 tons due to the strike at San Martin and Taxco operations.

The lower production from the mentioned operations has been partially offset by an increase in Cuajone production of 10% or 4400 tons, which have improved ore grade and recovery in the second quarter of 2008.

Regarding our copper smelting production, I am pleased to report that Peruvian Ilo smelter operation is running at a smelting rate of 36% higher than last year's second quarter.

Now excluding the possible positive effect of Cananea production in the second half of 2008, we expect copper production to be approximately 245,000 for (such half) of the year.

Now let's talk about molybdenum. Molybdenum prices were \$32.76 per pound for the second quarter '08, 8% higher than the second quarter '07. Molybdenum maintains its level of production quarter to quarter at 3900 tons.

For the first quarter '08, molybdenum production increased by 3.5% as a result of higher recovery in La Caridad mine and better ore grade at Toquepala.

Southern Copper will produce a little bit more of 16,000 tons of molybdenum in 2008.

About zinc, it is the only metal that is not showing a positive price trend in 2008. Zinc prices in the second quarter '08 average 96 cents per pound, 42% lower than the second quarter '07.

Mined zinc production changed from 33,400 tons in the second quarter '07 to 27,600 tons in the second quarter '08.

This 17% decrease in production is the result of the stoppages in San Martin and Taxco mines.

Refined zinc production shows 28% improved quarter over quarter, consequence of one-month delay on a yearly programmed maintenance, from July to August of this year.

In terms of sulfuric acid production, our company is an integrated producer. Southern Copper manufactures sulfuric acid as of byproduct out of its smelting operations.

The company consumes internally about 18% of its sulfuric acid production from the existing SX/EW copper production. The remaining production is sold in either long-term contracts or at spot market conditions.

During the second quarter '08, the company produced 434,000 tons of sulfuric acid and for the first half of 2008 the production was 871,000 tons.

Now let's talk - let's go on to the financial results.

Net sales for the second quarter were \$1.462 billion. This figure compares with \$1.826 billion in second quarter '07 and \$1.499 billion in the first quarter

2008. Net sales have been affected by lower volume sales partially offset by higher prices for certain of our products.

As of June 30, 2008, we held copper derivative contracts to protect around 88,000 tons of copper production for the period July-December 2008. These contracts are mainly zero cost collars with average floor prices of \$3.40 per pound of copper and average ceiling prices of \$4.23 per pound of copper.

In the first six months of 2008, we've had gains of \$8.6 million on these copper copper derivative transactions, which were included in net sales.

In respect of our operating cost, the total for the second quarter '08 was \$669 million. This figure compares with a cost of \$681 million in second quarter 2007 or \$634 million in the first quarter of 2008.

Cost of sales in the second quarter '08 was \$550 million, \$12 million lower compared with the same period of 2007. That was \$562 million.

This change basically is due to the following variances – fuel and power cost increased by \$31 million in Southern Copper. This variance results from higher fuel and power cost by approximately \$36 million in the Peruvian operations. \$8 million in La Caridad, and \$3 million in IMMSA.

These cost increases were partially offset by \$16 million reduction in fuel and power cost at Cananea.

Workers profit sharing decreased by \$27 million, mainly as a consequence of the Cananea strike.

Sales expenses decreased by \$10 million due to lower freight expenses. And this is because in 2007, we sold greater quantity of copper in concentrate, form which increased our shipping cost during that period.

We had a favorable exchange rate variance of \$2 million, mainly from the Peruvian currency depreciation.

Royalty payments decreased by \$1 million in Mexico due to the strike, and other Cananea-related costs decreased by \$30 million. However, these costs were partially offset by strike-related expenses such as \$11 million on severance payments and \$16 million in Cananea fixed costs.

As you know, our industry is under significant cost pressures. Costs have not decreased as expected due to these factors. And this is a major concern for us.

As reported in our press release, the company is taking several actions to reduce or contain operating costs. Among them, we are looking at different options to reduce our long-term electricity cost in both Mexico and Peru.

In Mexico, the company is evaluating a power purchase agreement with an independent power producer who would build and operate a coal-fired 600-megawatt power generation plant in Mexico to supply our facilities and accommodate future demand from our Mexican projects.

In Peru, there is a good opportunity to obtain power generated from gas at a very affordable cost through the development of the Camisea gas deposit. The company is currently evaluating different options to secure additional power required by the expansion programs conducted in this country.

The company cash cost per pound of copper produced in the second quarter '08 before by product revenues was \$1.85 per pound, 53 cents higher than the \$1.32 cents per pound for the same period of 2007 and 34 cents higher than the \$1.51 cents per pound in the first quarter of 2008.

Including the benefit of the byproducts revenues, the company cash cost was 3.1 cents per pound in the second quarter of 2008. This figure compares with a negative cash cost of 29 cents per pound for the same period of 2007.

As I mentioned, our company is experiencing significant cost pressures in fuel, power, steel, and in spare parts costs. We believe that our cost control approach to operations and the quality of our assets will maintain our company as one of the most competitive copper producers during this inflationary process.

EBITDA for the second quarter of 2008 was \$877 million, equivalent to 60% of the sales. This figure compares with an EBITDA of \$1.179 billion or 65% of net sales for the same period of 2007.

The net income for the second quarter '08 was \$549 million, 24% lower than the \$726 million achieved in the same period of 2007. Earnings per share after the 3-to-1 split amounted to 62 cents per fully diluted share compared to 82 cents per fully diluted share for the second quarter of 2008.

About the labor situation, I have to say that the strike in Cananea continue during the second quarter of 2008. The federal and the state government together with the company are making all efforts to resume operations with a a positive labor relation with the workers as it is the case in our Peruvian operations and other units of Minera Mexico.

Just confirming the stock split, on June 19, 2008, we declare a 3-for-1 split of company common stock. On July 10, 2008, common shareholders of record at the close of business of June 30, 2008 received two additional shares of common stock for every share owned.

Also I would like to review our expansion and capital projects. As indicated in our press release, during the second quarter '08, we continue our efforts on the \$2.1 billion investment plan at our Peruvian operations. Capital expenditures including exploration total \$139.9 million for the second quarter '08. And we plan to spend approximately \$480 million on capital projects and our exploration programs in 2008.

Investment in the Tia Maria project is underway. As of June 2008, we have committed \$540 million in purchase orders and contracts for the acquisition of major equipment, including \$389 million committed at a fixed price.

The Toquepala and Cuajone expansion projects are also underway. For the Toquepala project, we have committed \$56.1 million to purchase equipment. And we have signed a contract for the feasibility study, basic and detailed engineering and procurement support. The environmental impact assessment is also underway.

In the case of Cuajone project, we have committed \$31.6 million to purchase equipment. We have signed the contract for feasibility study. The engineering and procurement process and the environmental impact assessment is also underway.

We plan to invest approximately \$1.2 billion in Los Chancas project, a copper/molybdenum property in the southern part of Peru. This is in addition

to the \$2.1 billion previously announced for our Peruvian project. This project would increase our annual copper production by 80,000 tons by the year 2013.

With respect to El Arco, a copper deposit located in Mexico's Baja California peninsula, a feasibility study has been initiated and we expect to receive its results by the end of this year.

We are currently estimating an investment of \$1.8 billion to produce approximately 190,000 metric tons of copper by year.

And the Angangueo project, a polymetallic deposit with precious metals in Mexican state of Michoacán, is also progressing. A pre-feasibility study is in process to determine the optimal size of the underground mine and concentrator operations.

And finally, in relation with payment of dividends, I would like to remind that it is the company policy to review at each board meeting the capital investment plans, cash resources, and expected future cash flow generation from operations in order to determine the appropriate quarterly dividend.

Accordingly, the company will evaluate the payment of our quarterly dividend at the board meeting scheduled for this July 31<sup>st</sup>.

At this point, we can not provide guidance until the board meeting happens.

Well, thank you very much for your attention and now we would like to open up the forum for questions.

Thank you for your attention.

Operator: At this time, I would like to remind everyone, if you would like to ask a question, press star then the number 1 on your telephone keypad.

We'll pause for just a moment to compile the Q&A roster.

Your first question comes from Victoria Santaella from Santander. Your line is now open.

Victoria Santaella: Thank you very much.

Genaro, good morning. I have a couple of questions. The first one is if you can give us a more clear view or perspective of what can we expect with the Cananea strike?

Is there a date that we should be looking for? Is there a timeline? Is there something that we can, you know, start thinking about a possible solution here?

And the second one, if you kindly go over again the cash cost without including byproducts (unintelligible) for the second quarter?

Genaro Guerrero: Yeah, Victoria, nice to hear from you.

Victoria Santaella: Thank you.

Genaro Guerrero: About Cananea, it's - I would say that it's very, very difficult to determine a date in where we are going to find a resolution for this issue.

We have a very good expectations and in terms that this problem can be resolved before the end of the year. But it's very difficult to determine a date.

As I said, what we are doing is to put all of the efforts necessary with the government and with the union in order to try to - well, to define a solution and resume operations, well, as soon as possible.

Victoria Santaella: Okay.

Genaro Guerrero: In terms of cash cost, I will pass the question to Raul Jacob, who is going to give you a little bit more of the tale on that matter.

Raul Jacob: Hello, Victoria.

On the cash cost, what was informed a few minutes ago was that before byproduct, cash cost for the company has been \$1.85 for the second quarter. That number compares with \$1.32 during the second quarter of 2007 and with \$1.51 for the first quarter of 2008.

I'd like to remind you and our audience that in the second quarter of 2007, we had a full capacity, the production of the Cananea mine. And this is something that has certainly besides the cost inflation that has been discussed influenced our cash costs for the second quarter of 2008.

Victoria Santaella: Excellent. Thank you very much, gentlemen.

Genaro Guerrero: Thank you, Victoria.

Operator: Your next question comes from Carlos de Alba with Morgan Stanley. Your line is now open.

Carlos de Alba: Good morning, gentlemen. I have two questions.

The first one would be just following up on the Cananea issue, what are the alternatives that you could have to solve the issue? I mean, it has been an impasse (unintelligible) that has become a political...

Man: Carlos, we are losing you a little bit. Could you speak a little bit up?

Carlos de Alba: Yeah, is this better now?

Man: Yes.

Carlos de Alba: Yeah, I was just wondering what are the alternatives that you have to solve Cananea? If you could comment on those, you know, besides the date, what are the alternatives?

I think it would be very important for your audience to see what are the choices or the avenues that you may have to solve the situation. That would be my question number one.

And the question number two is given all of the cost pressures that the industry is facing, where would you put the, you know, the top of the highest cost (unintelligible) in terms of dollars per pound and what would be the marginal cost as you see it?

Thank you very much.

Genaro Guerrero: Okay, thank you, Carlos.

Well, in terms of the alternatives of - that we have in the Cananea strike, I would say that the company's idea and the basic alternative that the company is taking in consideration is to terminate all of the workers as we made in the

past with - in front of this kind of issues and rehire all of the workers again with a new labor agreement.

That would be - well, the alternative that the company is looking for.

Now in relation with your second question, I will pass the question to Raul.

Raul Jacob: Carlos, I think that the fuel and power, but power specifically, it's the one cost that is increasing at a very high rate in the last few months, whereas you have seen in our press release, we are taking some actions in order to reduce power costs long term.

We are also focusing on some other actions to reduce other costs. Let me give you an example of that. In Peru, we have an internal production of scrap of about 10,000 tons per year.

And we have made some arrangements with some of our grinding media suppliers to use that stainless steel that comes from scrap from our own operations due to replacement of equipment or truck that are replaced, and that material (we've seen) basically sold back to us at much lower cost, as you may imagine.

This kind of ideas, plus the fact of increasing the number of hours that our tires are lasting now, we almost doubled them from say two years ago, are the kind of actions that we're taking to contain or to control costs.

And you have similar concern that I like you to explain a little bit, please.

Operator: Sir, he took himself out of queue.

Raul Jacob: Okay.

Operator: Our next question comes from Philippe Hourai with Merrill Lynch. Your line is now open.

Philippe Hourai: Hi, good afternoon, gentlemen.

We - I just have two other questions. The first one is regarding other strikes in Peru. We are hearing all the time all of the headlines news of potential strikes in Peru, so if you could just tell us what's the situation there, what are the risks of a significant strike in the country?

And also continuing the issue of the costs, if you could give us a breakdown between the energy, labor, or fuel or other, spare parts or other materials in your costs?

Thank you.

Genaro Guerrero: Thank you, Philippe.

I will pass this question to Mr. Gonzalez Rocha, who is going to give you some information about the Peruvian situation.

Oscar Gonzalez Rocha: Yes, Philippe, this is Mr. Gonzalez Rocha.

And about the possibility of a strike again, I will mention that we already send a letter to the Minister of Labor in Peru mentioning that we already lost from November 2007 to July 5 of this year 11,000 man days because the people of the National Federation of Mining in Peru make this week or two week strikes since November.

And for that reason, in the last strike that they made - national strike for mining, we start sending about 300 letter of investigation to that number of workers. And at the end, we sent 17 termination letters, seven for Cuajone and seven for Ilo, trying to stop this kind of illegal strikes or illegal (unintelligible) of work.

We are going to have a meeting with the minister and the unions again August 5 trying to mention to them that we are not going to replace or put to work again any of the 17 that we already lay off.

And, of course, is going to be a difficult position and maybe they will try, the unions, to make a (paralyzation) again. We think that the workers in both areas, Ilo and Cuajone, and including Toquepala, that they didn't paralyze the last time that the Federation make the strike, the national strike, then we think that they are not going to support the unions.

But let's wait until the meeting of the 5th. And we don't think that we will have any problem like we didn't have in the past because of lack of production because we hire contractors and different workers that we have on our list during that time, plus the work of our supervisors.

Then like you see in all these 11,000 man days that we lose, we don't lose any pound or any ton of production. Then we don't think that will be a problem, at least in Peru, because of these reasons.

Operator: Your next question comes from Oscar Cabrera with Goldman Sachs. Your line is now open.

Oscar Cabrera: Thank you. Good afternoon, everybody.

The question has to do with your sulfuric acid. The, you know, sulfuric acid prices on this market have gone up substantially and from what you indicated earlier on, you're long sulfuric acid. (Unintelligible) correctly, you know, your requirements are met with about 20% of your production.

Can you speak about the type of contracts you have? And are you long sulfuric acid both in Mexico and Peru? And I have a follow-up to that, please.

Genaro Guerrero: Yes, Oscar, well, first of all, yes, we are long in sulfuric acid production in both in Peru and Mexico. And as I mentioned, we have a long-term contracts and where we have some fixed prices, but we have another production that is going to the market in the spot prices.

You are right, the prices of sulfuric acid have been increasing substantially. Now we are seeing prices around \$400 a ton. And in addition to that or I can say about that that sulfuric acid as a byproduct has become a very important income component in the company.

Oscar Cabrera: Okay.

So could you just give us an indication at least of what's the nature of the long-term contracts, like how much of your production is contracted long term? And, you know, we can figure out the spot market.

Then also I'll just, you know, finish up with the second question and pass it on.

You had - you talked about your costs and cost pressures you're seeing, which is, you know, fair enough on a per-pound basis, but, you know, can you comment on the cost per ton of ore mined?

Because I - you know, I've got to believe that the, you know, you are producing less copper, but, you know, it would be good to hear what are you guys seeing on the (per-ton) basis just to establish what the cost inflation in the system is.

Thank you.

Genaro Guerrero: Well, on a per-ton basis, Oscar, we are not having such a high inflation cost as the one that you are seeing on a per-pound basis, by per ton of material moved I mean, rather than a per pound of copper.

On per ton, what we're seeing is obviously higher diesel number 2 costs at the mines and obviously higher stainless steel or steel costs at our - at all of our operations in general terms, but we don't have the same kind of inflation that on a per-pound basis because of the fact of the Cananea strike, one, and second, the fact that our operations are being - producing in the first half of the year a little bit less than last year, the operations are not on strike obviously.

On the sulfuric acid question...

Man: On the sulfuric acid question, I would say that 70% is long-term contracts and 30% is going in the spot basis. But these long-term contracts are going to expire soon. And then we will be in a position in order to - well, to put this amount of or this (unintelligible) sulfuric acid contract with the new prices.

We think that the market is still is going to continue being short in the supply of sulfuric acid and we are going to continue seeing a very high level of sulfuric acid prices.

Oscar Cabrera: Alright, yeah, sorry.

And then just on the - in terms of the dollar or cost-per-ton basis, that - so the increase that you are seeing is what, kind of 5%, 10%?

Man: The increases in dollars per ton of what, sorry?

Oscar Cabrera: Of ore mined.

((Crosstalk))

Operator: Your next question comes from Silvio...

((Crosstalk))

Man: Hold on one second. We are going to - we are trying to answer the - Oscar's question.

Operator: I do apologize, sir. It was a long delay and I thought that he may have finished his questions. Sir, I do apologize.

Man: No problem.

Man: It's about 20% what we're seeing on cost per ton of material moved at the mines, Oscar.

Oscar Cabrera: Okay, thank you very much.

Operator: Okay, our next question comes from Silvio Micheloto from Deutsche Bank.  
Your line is now open.

Jorge Beristein: Hi, this is Jorge Beristein actually with Deutsche Bank.

I understand that the dividend question was addressed earlier, but I was also wondering if conceptually you could kind of talk about your dividend policy going forward in the face of larger or growing CAPEX, the fact that currently the Cananea mine is offline.

Would you be willing to increase Southern Copper's leverage in order to maintain dividends at the rate you've been posting for the last few quarters? Or would you make adjustments to the dividend?

That's my question.

Genaro Guerrero: Okay, Jorge.

((Crosstalk))

Genaro Guerrero: Yeah, well, first, the - as I mentioned, the policy is going to be - the - or the decision is going to be in the board of directors. But we think that with cash generation that we have continued having, as a matter of fact, at this point of time, we are (unintelligible) around \$1.4 billion of cash as of today. And our debt is around \$1.3 billion total debt. Then we will still having a negative debt or a positive balance between debt and cash.

And we think that for short-term capital investments, that can be financed with our own cash generation. And in the long term, we have all of the balance sheet in the company in order to go the market and write some credit.

We don't think that the dividend policy would be affected, but again, we can not speculate in that matter and we need to wait until the board of directors deciding in that respect.

Jorge Beristein: Okay.

But you feel comfortable given the business's strong fundamentals that credit-raising credit would not be an issue if you chose to increase leverage?

Genaro Guerrero: Yeah, we feel comfortable with that, Jorge.

Jorge Beristein: Okay, thank you.

Operator: Our next question comes from (Rudolfo Angela) from JP Morgan. Your line is now open.

(Rudolfo Angela): Hi. Good afternoon.

My question is related to the Cananea strikes. And I'm just wondering what measures are you taking to optimize the smelting and (unintelligible). Are you buying the (unintelligible) concentrate (unintelligible). Could you give us any color on that?

Genaro Guerrero: Yeah. Yes, (Rudolfo).

In order to maintain the Caridad smelting capacity and efficiency, we are buying some concentrate. Basically we are bringing those concentrate from the United States operations.

And with that, we are, well, trying to maintain as I said efficiency on the Caridad smelter that, well, as you know, is processing all of the Caridad concentrate and all of the Cananea concentrate when the regular operations are in place.

(Rudolfo Angela): Do you have any, you know, reference of volumes of what to expect, anything that you could provide to us?

Genaro Guerrero: I don't have the tonnage of - or the volume of concentrate that we have purchased because as a matter, we have been purchasing this year and we have plans to get a little bit more for the second half.

I would say that it's around 100,000 tons.

Man: Of concentrate.

Genaro Guerrero: Of concentrates, not copper...

((Crosstalk))

Genaro Guerrero: Tons of concentrate.

(Rudolfo Angela): Okay, thank you very much.

Genaro Guerrero: No problem.

Operator: Your next question comes from Terence Ortslan from TSO & Associates.

Terence Ortslan: Thank you, good afternoon.

Let me - I'm trying to model the sulfuric acid, which is a very lucrative market as you described yourself. Now 70% long term, 30% short term, I guess the first question is are you going to keep that ratio after the year-end?

And typically -- correct me if I'm wrong -- but (unintelligible) the new year, the contracts you renew at each year, typically there are (three)-year contracts, but every year the price is negotiated.

So it's going to be 30/70 continuing or are you going to spot more? And what is the long-term market now that you envisage you'll be able to get for this very lucrative market?

And I have a question later on - on the copper pricing. Thank you.

Genaro Guerrero: Well, for sulfuric acid, I would say that what we are going to try to do is to enjoy the current copper prices. And we are trying to jump from long term to a spot market.

And as I mentioned, our view is that the copper price - that the sulfuric acid price is going to continue being in a high level and that is the rationale of our - and that would be the rationale of our decision.

Terence Ortslan: The long-term market or the contract market now is what, about \$50 or \$60 I assume? As you're getting it now from the previous contracts?

Genaro Guerrero: Yes, it...

Man: (Unintelligible).

Genaro Guerrero: That is more or less (it).

Terence Ortslan: Okay.

Genaro Guerrero: (Yeah).

Terence Ortslan: (Unintelligible) long-term market next year...

Genaro Guerrero: (Unintelligible).

Terence Ortslan: ...I've seen numbers in almost like \$100 to \$120. Is that what we're talking about in terms of guidance here? Because that's a very different number, a very good number for you.

Genaro Guerrero: Yeah. How much you say?

Terence Ortslan: Hundred to \$120 long-term market.

Genaro Guerrero: Well, we think that is - that would be higher than that.

Terence Ortslan: For long-term market?

Genaro Guerrero: For long-term market.

Terence Ortslan: For the contract market.

Genaro Guerrero: Yes.

Terence Ortslan: Well, that's great. So can you make the assumption then to model for us (to understand) is that next year's entire volume will be 70% in this contract market and 30% in the spot market with the new prices?

Genaro Guerrero: No, I don't think so. As I mentioned, that (relation) is going to change as a result of the current situation in the sulfuric acid price.

I don't have a - I don't have an accurate idea how would be the percentages.  
But that - I'm convinced that that is going to change for next year.

Terence Ortslan: So let's say 50/50 spot and contract, maybe something like that, right?

Genaro Guerrero: Well, we don't know.

Man: (Unintelligible).

Genaro Guerrero: That's what you have to think about.

Terence Ortslan: Okay. Alright.

The other question I have - thank you. The other question I have is that obviously with the (capital expenditures) program that you have, and it's a struggle for every company who goes through and as analysts who go through as well trying to use a leading copper price for us to figure out our reserves, our economics, and everything else.

Now the pit optimization and all works on the (NSR) basis, I understand. We appreciate that. And for this \$2.1 billion and going forward, what adjustments

did you make into the price assumptions as you go on? And I got from (another companies) feedback. I'd like to see what your assumptions are.

Thank you.

Genaro Guerrero: Well, you may understand we don't disclose our long-term view on copper prices with that detail. For our reserves, we have been using \$1.20 for computing our reserve base. With that, this company has the highest reserve base of the industry that is traded publicly.

So I'm sorry, but in this case, you have to use your own judgment to see on the long-term copper price.

Terence Ortslan: (Unintelligible) to \$1.60, \$1.65, \$1.80, you are not thinking of moving that direction?

((Crosstalk))

Genaro Guerrero: Not on reserves.

Terence Ortslan: Okay, alright. Alright. Thank you very much.

Operator: Your next question comes from Leonardo Correa from Credit Suisse. Your line is now open.

Leonardo Correa: Hi, good morning.

My only question is regarding your guidance on volumes. I think I missed the part during the beginning of the call where you gave the guidance, but can you

please if it's possible repeat the numbers for copper, moly, zinc, and silver,  
please, for 2008 and 2009 if possible?

Genaro Guerrero: Sure, Leonardo.

In terms of copper, our guidance is for the second half of the year around  
245,000 tons of copper. For molybdenum...

Man: (Unintelligible).

Genaro Guerrero: ...16,000 metric tons of molybdenum, and for zinc around 103,000 metric tons  
of zinc for the total of 2008.

Leonardo Correa: Okay, thank you on that.

Do you have any guidance on the numbers for 2009 yet?

Genaro Guerrero: No, not yet. We don't have any guidance at this point of time for 2009.

Leonardo Correa: Okay, thank you very much.

Operator: Your next question comes from Carlos de Alba from Morgan Stanley. Your  
line is now open.

Carlos de Alba: Yes, thanks again for taking the call and the questions, sorry. And this is just  
follow up on a prior question.

The first one is (unintelligible) if the current plan of offering (unintelligible)  
packages to the workers at Cananea doesn't work, what other alternatives do  
you have or (there is none)?

And then on the cost front, the question also that I had was what do you see as the marginal cost of production (unintelligible) the diesel, the fuel and diesel prices are affecting the (unintelligible) mines tremendously, but then the acid, the sulfuric acid and power costs are affecting the SX/EW production worldwide. So what do you see (unintelligible) that number, the marginal cost of production globally?

Thank you.

Raul Jacob: Carlos, let me - this is Raul Jacob and I'm going to answer the second question because it was your question that we couldn't answer before.

Obviously fuel prices are hitting significantly mining operations. We don't know yet about the total effect on the marginal cost for the industry, but if you take our case where we operate in a country where we have some kind of subsidies to oil and our cash cost has gone almost 30 cents from one quarter to the second, from the first quarter to the second one, so if that's what happens when you have certain control on fuel prices, you may imagine what is happening in some other operations as well.

On the sulfuric acid that basically affects the most is SX/EW production because that's the one that is intensive of sulfuric acid. Well, we're talking about a material that used to pay at about \$50 or less and that's dollars per ton a year or so ago and now on the spot it's at about \$400 per ton. So the effect of that on marginal cost at SX/EW operations is going to be very important if you are not long in sulfuric acid (unintelligible).

Obviously this will also affect - the sulfuric acid will also affect all of the projects that are being developed or think about developing that have a significant consumption of sulfuric acid as an input for copper production.

(Unintelligible).

Genaro Guerrero: And Carlos, in respect of the Cananea matter, well, I would say that we have some legal alternatives. But those legal alternatives are not in our hands to - in order to be or in order to use them for - to find a resolution of the problem. That - and we can not speculate in what of these alternatives or legal alternatives is going to work.

Then I would insist that the company - that the - what - the alternative that the company is taking as you know is first of all offering to the workers the severance package.

And we have a very good expectation in terms of that this package is going to be taken by them. And then I would return to my first comment about that, that that would be the solution that the company expects to have is to work and to find a positive and better labor agreement in which the company can work with the benefit for the - for all of the parties, the company and the workers.

Carlos de Alba: Thank you. Thanks Genaro.

Genaro Guerrero: Thank you, Carlos.

Operator: Your next question comes from Sayah Ghosh with Citadel Investments. Your line is now open.

Sayah Ghosh: My questions have been answered. Thanks.

Operator: Your next question comes from (Rudolfo Angela) from JP Morgan. Your line is now open.

(Rudolfo Angela): Hi. I had just a quick question.

Do you - could you give us any guidance in terms of what to expect on the cost side for the next quarters?

Genaro Guerrero: Well, that is a little bit difficult question, (Rudolfo), being in this very volatile market. We have seen the oil prices, the gas prices, and the energy prices going up and down.

Well, it's clearly that the power, we have been facing a huge increases in energy costs, in some cases or in the case of Peru, we are facing a - increases of more than 50% in - per kilowatt hour, as well as the fuel and the cost of the steel.

Then it's very difficult to - well, to give you a guidance but - in this kind of inflationary environment.

(Rudolfo Angela): Okay. Thanks very much.

Genaro Guerrero: Thank you.

Operator: Your next question comes from Oscar Cabrera from Goldman Sachs. Your line is now open.

Oscar Cabrera: I'll make it a quick, thank you very much for taking all this time to answer questions.

You mentioned you bought about 100,000 tons of concentrate to fit into the Caridad smelter. Was that over the first half? And are you expecting to have something similar? Is that included in your outlook for the second half?

Thanks.

Genaro Guerrero: Well, that is a - that is for the whole year, Oscar. That's our estimation. I don't have exactly the number that we are planning to buy in concentrate for this year. That is a roughly number. That is the - that is for the whole year, as I said.

Oscar Cabrera: Okay.

Raul Jacob: The answer on this, Oscar, is also conditioned to the commercial terms that we get from the concentrate that we want to buy. And as you know, concentrate market is very strong right now.

Oscar Cabrera: Yeah, no, that's fair enough, Raul and Genaro. Thank you very much.

It's just, you know, of the outlook that you are providing for the second half, does that include concentrate bought from third parties?

Man: Yes.

Man: Sure.

Oscar Cabrera: Okay, great. Thank you very much.

Operator: Your next question comes from Rodrigo Heredia from IXE Broker House.  
Your line is now open.

Rodrigo Heredia: Good morning, everyone.

Earlier in the conference, you talked about the restocking of China and you said something like you are expecting this for 2009. Can you give us some more color on that of if I - if you see the possibility that this happen in this year or maybe in which quarter of the next year?

Genaro Guerrero: Well, what is clear is that the Chinese copper consuming industries are still growing at a very strong pace. And they are not demanding the copper that they should. That's why we derive as copper producers that there is a de-stocking of copper inventories in China.

When will they come back to the market is something that we don't know at this point. But as long as they are growing at 10% on GDP and that transforms into higher demand for copper than 10% coming from China, we understand that they are coming back to the market at certain point in time, which we don't know.

We - I'd like to mention that we don't have direct sales to China. So in this case, we can't put no color on that.

Rodrigo Heredia: Okay, thank you.

Operator: Your next question comes from Anthony Young, Dahlman Rose. Your line is now open.

Anthony Young: Hi guys. Thank you for taking the question.

Just real quick on the guidance that you guys have provided, that 245,000 tons, is there any contribution from Cananea associated with that?

Genaro Guerrero: No. No. We are not including Cananea in our guidance.

Anthony Young: Okay.

And then just on the - your capital costs, the \$2.1 billion, realize that you guys have locked in part of that. You talked about locking in some of the equipment you've purchased for one of the projects, about \$498 million I believe.

How often do you guys review like the capital costs, I mean, as far as like the rest that you guys are going to have to spend, I mean, given all of the cost pressures in the industry. I mean, is there a chance that that \$2.1 billion heads higher?

Man: Well, it depends on the maturity on the projects, Anthony. In the case of Tia Maria, which has a budget of \$934 million, we already committed over \$500 million in purchase orders (that's fixed), about \$300 million of the total budget. And then we have some contracts that are - that may be affected by cost increases.

At the same time, you have to keep in mind that these kind of projects always consider a contingency (effect) that in other thing - among other things, want to accommodate for some cost inflation in capital goods.

On the other projects, the Toquepala and Cuajone expansion and the metallurgical facilities in Peru expansions (where) currently develop the feasibility studies. And at the end of these feasibility studies, we will know with more - more clearly the kind of capital costs that these expansions will have.

Our numbers for those expansions are as of 2007. And as you have seen, we're taking extensive action to buy in advance equipment so that the lowest to (unintelligible) the cost of major capital equipment required for these projects.

Anthony Young: So the \$2.1 billion does include the contingency then?

Man: It does.

Anthony Young: Okay.

Man: It does include contingency.

Anthony Young: Okay. Thank you.

Operator: We have no further questions in queue, sir.

Genaro Guerrero: Well, then, thank you very much for joining us and we hope that you join us for the next quarter conference call. Thank you for your participation.

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

END

SOUTHERN COPPER CORPORATION

Moderator: Raul Jacob

07-25-08/11:00 am CT

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