

SOUTHERN COPPER CORPORATION

Moderator: Raul Jacob
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10:00 am CT

Operator: Good morning and welcome to Southern Copper Corporation's Third 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 third 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 risk and uncertainties. Actual results may differ materially and the company cautions to not to place undue reliance on these forward-looking statements.

Southern Copper corporation undertakes no obligations to publicly update or advise any forward-looking statement whether a result of new information, future events or otherwise.

All results are expressed in full U.S. GAAP now I'll pass the call onto Mr. Raul Jacob.

Raul Jacob: Thank you very much (Amanda) and thank you everyone again for joining us for the Third Quarter 2008 Southern Copper Results Conference Call.

Participating in today's conference are Mr. Oscar Gonzalez Rocha the company's CEO and Genaro Guerrero Southern Copper's CFO. Mr. Guerrero will now lead the conference. Genaro?

Genaro Guerrero: Thank you, Raul. Good morning everyone and thanks again to be participating in our third quarter '08 conference call results. Today I will comment about Southern Copper developments for production, operating cost, financial results and the status on our expansion projects. After that we will open the session for questions.

As we all know due to the severe crisis that is affecting the world's financial markets, the basic metal markets are suffering serious pricing decreases.

The economic weakness in U.S. and Europe and concerns about slower growth in China have weakened the copper demand for the remaining 2008 and 2009. As a consequence we think that a lower price environment will prevail you for the rest of 2008 and possibly in 2009.

However we are positive about the underlying fundamentals of the copper market. The credit crunch crisis and the curtailment of high cost operations are two new factors to add to the structural under perform of copper supply. Nothing has changed regarding the decreasing ore grades, labor unrest, energy and water shortages. All of these factors have been causing lower production levels then expect across the mining industry since 2004.

Giving consideration to the strong long term fundamentals of copper market we think that as long as demand recovers, so will prices. And Southern Copper will be ready to take a advantage of this new high price cycle.

The LME third quarter of 2008 average copper price was \$3.48 per pound, lower by 1% than the \$3.50 per pound average for the same quarter of 2007 and 9% lower then the second quarter of 2008.

Southern Copper third quarter '08 copper production was 118,700 tons, lower 13% than the third quarter of 2007, but 3% higher than the second quarter 2008. The reduction of 18,200 tons of copper in production quarter to quarter was mainly the result of the Cananea, and San Martin and Taxco operations stoppages that have decreased the production by 13,200 tons comparing third quarter '08, with third quarter '07.

Also the Toquepala production decreased by 18% or 8,400 tons due to lower mine ore grade of 0.60% in 2008 compared to 0.77% in third quarter '07. This ore grade reduction is an adjustment part of the company long-term mining plan. It should be mentioned that the Toquepala SX EW production increased by 700 tons due to higher leachable material, ore grade and recovery.

La Caridad production decreased by 200 tons due to minor variances in ore grade and recovery when compared to third quarter 2007. On the other hand, this production decreases have been partially offset by higher Cuajone production of 3500 tons and 8% increase due to higher recovery at this operation.

Regarding our copper smelting production I would like to report that the company finished in August the first major maintenance in our Ilo modernized

smelter. We expect our Ilo smelting rate per month to increase from 90,000 tons to over 100,000 tons.

We expect copper production to be approximately 120,000 for the fourth quarter '08 and 484,000 tons for the full year.

Molybdenum prices were \$33.27 per pound for the third quarter 2008, 6% higher than the third quarter 2007.

Molybdenum production increased by 3% quarter to quarter to 4.5K tons as a result of higher ore grade and recovery at La Caridad and better recovery at Cuajone. Southern Copper will produce a little bit more than 16.5K tons of molybdenum in 2008.

Regarding zinc prices in the third quarter '08, averaged 80 cents per pound, 45% lower than the third quarter '07.

Mine zinc production decreased by 2.4K tons in the third quarter '08 to 26.9K tons. This 8% production reduction is the result of the stoppages in San Martin and Taxco mines. Refined zinc production shows a 20% reduction quarter over quarter as a consequence of timing in program maintenance from second quarter '08 to August of this year.

Southern Copper produces sulfuric acid as a byproduct out of its smelting operations. The company consumes internally about 18% of its sulfuric acid production for its own SXEW copper production. The remaining production is sold in either long term contracts or at spot market conditions.. During the third quarter '08 the company produced 354,000 tons of sulfuric acid.

Net sales for the third quarter were \$1440 million, this figure compares with \$1606 million in the third quarter '07 and \$1462 million in the second quarter '08. Net sales have been affected by lower volume sales, partially offset by higher volume and prices for molybdenum and higher prices in precious metals prices.

The total operating cost for third quarter '08 was \$764 million. This figure compares with a cost of \$673 million in the second quarter 2007 or \$669 million in the second quarter of 2008. The cost of sales in the third quarter 2008 was \$646 million, \$86 million higher than the third quarter of 2007.

The cost increase is explained by the following variances: fuel and power costs increased by \$55 million due to higher power and fuel prices, purchases of copper concentrate from third parties to feed La Caridad smelter increased by 37 million, labor costs increased by \$6 million, lower leaching material capitalization credit of \$6 million at Cananea, and other materials cost increases of \$12 million.

These cost increases were partially offset by the following: workers profit sharing decreased by \$10 million and we had a favorable exchange rate variance of \$20 million for both Mexican and Peruvian currency depreciation.

Despite the reported cost increases, we now are seeing some cost reductions in our power and fuel costs. Also currently higher exchange rates particularly in Mexico will offset local cost increases.

In terms of EBITDA for the third quarter of 2008 was \$784 million equivalent to 54% of sales. This figure compares with an EBITDA of \$1B or 63% of net sales for the same period of 2007.

The company cash cost per pound of copper produced in the third quarter of '08 before - byproduct revenues was \$2.03 per pound, 52 cents higher than the \$1.51 per pound for the same period of 2007 and 18 cents higher than the \$1.85 per pound in the second quarter of 2008.

Including the benefit of byproduct revenues, the company cash cost was 18 cents per pound in the third quarter of 2008. This figure compares with a negative cash cost of 17 cents per pound for the same period of 2007.

We believe that our company is well prepared to face the current difficult circumstances. Our cash position, even though affected by power, fuel, and steel cost increases in recent years, is one of the most competitive in the industry.

Our reserve base and project pipeline will enhance this cash cost position by adding low cost copper units to our current production base in the upcoming years.

Net income for third quarter of 2008 was \$418 million, 34% lower than the \$628 million achieved in the same period of 2007. Earnings per share amounted 47 cents for fully diluted shares compared to 71 cents for fully diluted shares for the third quarter of 2007.

A significant strength of the company is its cash position. As of September 30th, 2008 is in excess of \$1.1 billion. These funds will continue supporting our operational needs as well as our capital expenditures program in process.

In order to protect the company's cash investment, the Risk and Cash Management Committee comprised of members of senior management has

agreed to maintain the company funds in low risk and quality financial instruments with financially solvent institutions.

As of September 30th, 2008, we held copper derivative contracts to protect 30,000 tons of copper production for the period October/December, 2008. These contracts are 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 third quarter of '08, we had gains of \$54 million on these derivatives. In addition to copper derivatives, we hold exchange rate derivatives to protect about 30% of our Mexican peso denominated cost.

In the first nine months of 2008, we recorded a gain of \$2.1 million on these exchange rates transactions and we have an unrealized loss of \$14.8 million in the open positions as of September 30 of 2008.

About Southern Corporate Corporation capital projects, under the new economic environment a detailed review of capital budgets will be undertaken to target reduction in costs for all of our projects.

In respect of Tia Maria, as of September 30, 2008, we have spent \$79 million as part of the \$580 million committed in purchases, orders, and contracts for this project. After the approval of Tia Marias environmental impact study, expected by the first quarter of 2009, the company would begin the civil works corresponding to this project.

The Toquepala expansion project is moving forward as expected. We have spent \$5 million as part of the \$87 million committed in the purchase of two 73 cubic yard shovel, two mine drills, and seven 320-ton trucks.

We continued with the feasibility study that basic and detailed engineering and procurement support. The environmental impact assessment should be completed by November 2009.

Regarding our copper deposit projects at El Arco and Los Chancas and the underground polymetallic mine in Angangueo, the company will continue to evaluate these projects taking into account the changes in the financial and economic conditions.

With respect to labor matters, the company continues to take steps pursuing a positive resolution of the work stoppages at Cananea and San Martin. Based upon a recent ruling related to Cananea tried by a federal court which was favorable to the company, it is expected that the labor judicial authorities will declare this strike illegal.

If a favorable ruling is reached, the next step would be to regain control of the property and the operations. And we believe that once in control of operations full production can be ramped up in approximately three months.

Finally regarding the dividends, I would like to remind that it is the company's policy to review at each board meeting the capital investment plan, the cash resources and the expected future of cash flow generation from operations in order to determine the appropriate quarterly dividends.

Accordingly the company will evaluate the payment of a quarterly dividend at the board meeting that's scheduled for October 30. At this point, we cannot provide guidance until the board happens.

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

Operator: At this time, I would like to remind everyone, if you would like to ask a question please star and then the number one on your telephone keypad. We'll pause for a moment to comply the Q&A roster.

The first question is from (Philippe Erac) from Merrill Lynch. Your line is now open.

(Philippe Erac): Hi, good morning, everyone. Thanks for taking me during this call. So I have two questions here. First one is regarding the costs. We saw a significant increase in your cost structure in this quarter. What's your expectations for the next two quarters? Where is this cash cost going?

And the second is regarding your projects. You're saying that you might have to delay or review your projects and maybe try to reduce some cost there if you -- I just wondered if you could us some details on what you're expectations for the second half of the project and also for any potential decline in costs. Thank you.

Genaro Guerrero: Yes, Raul is going to give you a little bit more detail on the cash cost and our guidance for the last quarter.

Raul Jacob: Hello, (Philippe). The third quarter operating cost has been affected by two major factors. The first one is the cost increase in fuel and power. And as Genaro reported, \$55 million for the third quarter that when compared same period of last year.

And basically we had an increase the power and fuel costs at the Peruvian operations due the fill up of the gas pipeline that has increased the power cost in Peru significantly. This is a short-term event. Should be finished by mid-

2009 but between now and 2009 we will have more hydro-powered production (crude) that would reduce the energy costs for the country.

So we think that for the third quarter we had a high power costs but that shouldn't be the case in the future.

Man: (Unintelligible) oil price.

Raul Jacob: Yes. Also oil prices are you know are coming down and that's going to help us obviously in the future.

The second important event was the purchases of copper concentrate for Caridad -- the smelter of Caridad that increase our cash position by \$37 million. It had to be taken into consideration that we do this obtaining a profit in processing this third party concentrate.

Other than that, we believe that we'll see some cost reductions in the fourth quarter but so far we can't give you any guidance from what we expect because it's a matter of talk in some cases with our vendors and suppliers.

Phillipe Erac: (Raul), just on last point, do you have any idea of how the purchase of copper concentrate are going to be for the next two quarters?

Raul Jacob: Well, we this is (unintelligible) time of the year where most of the contracts are being negotiated or are finished so we have no specific numbers at this point that we can comment on.

Genaro Guerrero: Complimenting that answer from that answer from Raul, I can tell that probably going to be around 12,000 tons of copper content and most of that is

going to be in the form of (unintelligible) instead of purchase, then we have that alternative as well.

Phillipe Erac: Okay, thank you Genaro. And in regarding the CapEx, any expectations for delays and reduction in the cost?

Raul Jacob: Delays in CapEx) you said?

Phillipe Erac: Yes, any because you once said in your mentioned in your press release that you are...

Raul Jacob: No, I don't think the delays are going to happen, as we mentioned we have all the financial infrastructure to place all the capital expenses on our own profit and what is important to consider is that we are going to review all of our projects in order to try to look for savings and that is what -- how the company is trying to do in front of these new financial conditions.

Genaro Guerrero: Phillipe, let me add that in the past copper cycles capital expenditures when we past from high prices to lower part of the copper price cycle, capital expenditures in total decreased in some cases between 40 to 50 percent for the whole industry, so we think that the times where you have to travel to get capital equipment it's going to be (unintelligible) in the next few months. Considering that the company, is auditing the capital cost of all of the projects and trying to obtain cost reduction in the budgets for these projects.

Phillipe Erac: Okay, thank you.

Operator: Thank you the next question is from (George Therestein) Your line is now open - from Deutsche Bank.

(George Therestein): Good morning, so (unintelligible) you kind of in your introductory remarks quoted some volume guidance for the fourth quarter or the full year for copper and molybdenum could I just get those key guidances again for your end December results from the copper sales volume?

Man: Yes, George, of course. We expect the production for the last quarter of the year to around 120,000 pounds of copper.

(George Therestein): Sorry, I had a phone ringing, could you repeat that again?

Man: Yes, 120,000 pounds of copper is what we are expecting for...

(George Therestein): Okay, and for molybdenum?

Man: And for molybdenum we will produce 16.5 thousand tons for the whole 2008.

(George Therestein): Okay, so that implies a fairly low fourth quarter, around 3500?

Man: A 3500 for the quarter?

(George Therestein): Yes.

Man: Around...

(George Therestein): No, sorry that's 4500.

Man: Yes.

(George Therestein): So that would be in line with what you did in the third.

Man : Yes, 4500.

(George Therestein): Yes, okay. And could you also comment a little bit about what you are seeing in the sulfuric acid market and obviously prices have come down, but could you kind of quantify if these contracts have already been sold forward for some this sulfuric acid if you would expect to still see very high prices into the fourth quarter?

Raul Jacob: Yes, George, what we are seeing is that the market is still very strong, it's not as strong, say as six months ago, we are currently negotiating our contracts but we expect to have much better prices than in 2008 for next year.

(George Therestein): Could you quantify roughly sort of what level you will be looking at year on year?

Raul Jacob: No, I'm sorry I can't say that right now because this is part of the talks we are having.

(George Therestein): Okay, and could you also update us on your credit situation. Just running us through what are your working capital lines, what kind of commercial paper facilities - do you have any credit facilities that exist but have not been drawn -- just kind of walk us through you big kind of headline credit numbers?

Genaro Guerrero: Well, our debt position is from a (Yankee) bonds that are very long term maturity. Let me see if we have some information breakdown here. Our total debt long-term debt is \$1.2 billion. And -- go ahead.

Raul Jacob: George, what we are going to pay in the next four years is \$10 million for a (unintelligible) loan that we took a few years ago. Then in 2015 we will have the payment of \$200 million for bond issue that we did in '05. And after that our debts are very long term, one (Yankee) bonds that Genaro just mentioned

for 2028 and a \$1 billion bond issue that we did in 2005 that matures in 2035.
At this point we don't have any credit lines...

Genaro Guerrero: We don't have any commercial paper or any short term lines that we are using for working capital.

(George Therestein): Okay, so would you be looking in this environment to establish credit lines? Short term credit lines?

Raul Jacob: Well, there's a possibility that if we need it for our project we have been in contact with all agencies to finance products that are coming from U.S., from Japan, from Germany. We also have -- we have been maintaining conversations with agency from those countries in order to maintain an open window if we need to finance the equipment that we are importing from those places.

(George Therestein): Okay, thank you.

Operator: Thank you, the next question is from (Carlos Saymous) from Morgan Stanley. Your line is now open.

(Carlos Saymous): Could you give us please a sensitivity on the FX from the Mexican operations as well as the Peruvian operations, either on EBITDA or on earnings would be great.

Raul Jacob: Well, Carlos, we don't have that sensitivity at hand right now but I can comment that local currency expenses would represent 40% of our total expenditures in both Mexico and Peru. That would give you an idea on how can we adjust or (unintelligible) variances or exchange rate will affect our (EBITDA).

(Carlos Saymous): Thank you and is there any timing on the Cananea labor situation that you can comment upon and when would you expect to hear from the labor authorities in Mexico in terms of hopefully find a resolution on strike?

Raul Jacob: Yes, sure in September, actually September report, the company as I mentioned receive a favorable ruling with the regards to the Cananea strike. And as I mentioned based on this decision we expect that the shortly, before the end of the years the labor judicial authorities will make a resolution in this respect declaring the strike illegal.

(Carlos Saymous): But there is not a specific date?

Genaro Guerrero: No, there is not a specific date of course.

(Carlos Saymous): So basically, if you get a positive resolution by the end of the year and then it takes about three months to ramp up we could expect that by the second quarter you'd be at full capacity if everything goes well?

Raul Jacob: Yes, that is where our expectation and the three months is a period of time that we consider as a ramp up and that of course will start running as soon as we get control of the operations again.

(Carlos Saymous): Thank you very much (Raul) (unintelligible).

Raul Jacob: Thank you.

Operator: Thank you, your next question is from (Oscar Comperara) from Goldman Sachs. Your line is now open.

(Oscar Comperara): Thanks, good morning gentlemen. The first question has to do with your CapEx. Can you just remind us what's the level of expenditures that you expect with Tia Maria and Toquepala - the Toquepala expansion over the next two or three years - just based on what you spent so far.

Oscar Gonzales: Yes (Oscar), it is Oscar Gonzales and what we are expecting the right now and I was mentioned by Genaro our commitment for Tia Maria is in the order of \$570 million. Right now, we already paid 79 of that and we expect that by the end of 2010, we will spend the - around \$1 billion that is the cost of that project.

And in Toquepala within that - right now we waiting for the (unintelligible) from his company cash from Canada that he is doing this in Santiago, Chili and within that the cost is going to be higher of what we had before of a little more than \$640 million.

Then we will need to like what mention - (unintelligible) with that extra cost is, the Toquepala depending on the prices of the copper, we'll need to go at the changes still or we will need to revise that in order.

We already have purchase in all the mining equipment that we are going to receive it next year and pay it next year. And with that, we will start a moving all the materials, because that mine has a ratio of seven - it's going to have a ratio of seven to one for ore.

Then we will need use that equipment that we are buying that are equipment from (unintelligible). Then again, in Toquepala is going to - if everything continues like we expect it, it's going to be finished by the end of 2010 or the first quarter of 2011, the new (unintelligible) of 40,000 ton.

(Oscar Comperara): Great, Okay. Thank you Mr., Gonzales. The next question has to do with cost and your flexibility to reduce cost. You just commented on the affect of the exchange, but can you give us a sense of the amount of diesel that your operations consume at first.

And secondly, you know most mining companies, I believe you included, having mining below reserve grades. Have you thought about increasing your head grades in the ,you know, for the next three to four quarters or one year or do you know, are you going to wait and see what the cover price is due before you take those measures?

Raul Jacob: Oscar, regarding head grades, we're not doing any changes from that. Let me remind you that our cash cost at current is 20 cents per pound, which is very low. And we think that we have one of the most competitive cost positions in the industry.

We have some cost flexibility in the sense of some cost items that are automatically reducing its weight in our cost as we have a reduction in price. Let me comment on two of them. One of them is the profit sharing, which represents roughly 9% of our profit before taxes and obviously as prices are going down, so will its profit sharing charge to cost of sales.

The second one is the royalty payments that we do that are related to copper prices in Peru and represents about 1% of total sales and we'll be decreasing its importance as prices are reducing as well.

On diesel, we are consuming - I don't have right now the figure of our annual diesel consumption. We believe that both of our operations in Peru and Mexico have been affected by diesel prices in the past and we'll start to recover some cost savings from this matter.

Where we're seeing the first effects of fuel cost reduction is in the, what is called banker's oil, which is basically diesel #6 and on this one, we are seeing some important cost reductions for the year and for the quarter specifically.

(Oscar Comperara): Okay, thank Raul. You know, if we just circle back to that you know 20 cents per pound but what were the molybdenum prices and sulfuric acid by products that you got at that you know at that cost?

Man: (Unintelligible)

((Crosstalk))

(Oscar Comperara): You know, molybdenum we have in the press release but sulfuric acid prices that you had...

Man: Sulfuric acid prices for the quarter was an average \$140 per pound and the (unintelligible) price during the third quarter was \$33.20 per pound.

Genaro Guerrero: Oscar, I'd like to add that we are expecting our sulfuric acid prices to be higher for 2009 or than they are right now.

(Oscar Comperara): And this is just on the expectation or because of your - of the lag in your - under your long-term contract?

Genaro Guerrero: We think it's a combination of that and also the sulfuric acid prices are not regulated commodity and then if the price is different, depends on the region in where you are selling and depends on the conditions that you are making the contracts and the volatility, as well has been affected this product.

(Oscar Comperara): (Unintelligible) that's fair enough, but I mean these prices have fallen from like \$400 a ton to less than half. So, you know, I'm assuming that the long-term contract, the nature of your contract will benefit the company.

If I can just add one more question. In terms of your zinc operations, zinc prices have fallen quite dramatically. Are there any plans to curtail zinc production or if you guys plan to maintain the (unintelligible), you know, in your capacity?

Genaro Guerrero: Not at this point of time. We are going to maintain our production plan. We think that - well even that the zinc has been a little bit more affected probably before the -- even before the financial situation that we are currently living.

The zinc also has been having an effect on all these situations but as for the rest of the metals, we think that the fundamentals are going to be recovered and as a result of that we will like to maintain our production in the zinc production, in the zinc (unintelligible).

Raul Jacob: Oscar, please keep in mind that zinc stands alone with silver, lead and copper, as well as an underground process from our (Insil) unit and (Insil) so far it's a profitable operation and we don't think that - think production will be affected even though at these prices.

(Oscar Comperara): OKAY, great, thanks very much.

Operator: Thank you, the next question is from (Adolpha Andelus). Your line is now opened - from JP Morgan.

(Adolpha Andelus): Hi, I just - my question was just answered, so thanks.

Operator: Thank you, the next question is from (Alonzo) (unintelligible) from (C N Pender). Your line is now opened

(Alonzo): A couple of questions. First if you can comment on what you see on the (volume) market these days and in the last couple of weeks. First what price levels you're seeing and second if you can give us a sense of what your mix of sales of copper are of the support specials contracts.

Raul Jacob: Molybdenum has been slightly affected by the current economic environment. We're seeing reduction of prices. They are around the \$27 per pound, as we speak. And on - the second question was regarding our copper sales.

Most of them are on (frank) contracts, not at (stock market) but using both prices as a reference.

(Alonzo): Okay.

Raul Jacob: ...do you understand what I just...

(Alonzo): Yes, yes, yes, well that's basically close to 100% - it's like that or...

Genaro Guerrero: Yes, it's close to 100%, all of our contracts are based on a yearly basis in terms of volume and in terms of price, we use the average for the month.

(Alonzo): Perfect, thank you very much.

Operator: Thank you. The next question is from (Jordy Dominguez) your - from HSPC. Your line is now opened.

(Jordy Dominguez): My question is could you please give a slighter, like clearer breakdown on the mine costs per mine as far as say, cost before buy products?

Genaro Guerrero: Well, I'm sorry (Jordy), but we don't disclose our cost by operation. We do that by segments and you can find that information in our 10K and Qs.

(Jordy Dominguez): Okay, that's all my questions, thank you.

Operator: Thank you, the next question is from (Jamie Nicholson) from Credit Suisse. Your line is not opened.

(Jamie Nicholson): Thanks, just a follow up on CapEx, how much are you spending in the fourth quarter and do you have a budget or a range for your CapEx for 2009?

Raul Jacob: For 2009, we don't have a figure right now. We're working on that and obviously, we're going to review very carefully all the budgets in light of the new economic circumstances. For the fourth quarter of 2008...

Genaro Guerrero: Well the same thing, I would say Raul, this - we are reviewing all of our capital standards program, but even that, I would say that - well we have a standard deal, the third quarter \$142. No, after September 30th, we have spent \$340 million.

(Jamie Nicholson): I mean do you expect fourth quarter to be...

Raul Jacob: Let me try to clarify this (Jamie). We are going to spend about \$150 million in the fourth quarter.

(Jamie Nicholson): Okay and then do you have - is your range for your budget -- now and I realize it is a fluid situation, but would it be you know kind of within 20% or

so of what you spent in '08 or is there anything -- you know any guidance on that or should we just wait for next conference call to get more details there?

Raul Jacob: I think that we have to wait for the next conference call in detail.

(Jamie Nicholson): Okay, that's fine. And then just, my next question is just on your strategies for derivatives. Do you plan to continue hedging some of your copper sales after December or what's - can you give us some guidance on what your derivative policy is regarding copper sales. Thanks.

Genaro Guerrero: Well at this moment, we don't have any guidance that we can disclose. Of course, as a policy of the company, we always follow very close the expectations on the corporate market, on the metal market.

And if there's some opportunities, then we will decide or the committees will decide to make or to continue with the hedging program. But at this point of time, we don't have anything to disclose.

(Jamie Nicholson): Okay and then your hedges run out in December. You don't have anything in '09, is that correct?

Genaro Guerrero: That's correct.

(Jamie Nicholson): OKAY, great, thanks very much.

Genaro Guerrero: Thank you.

Operator: Thank you, the next question is from (Rodrigo Arabia) from BANIS. Your line is now opened.

(Rodrigo Arabia): Good morning, everyone. A couple of questions. The first one is what are you planning to do with FX (unintelligible) position? I mean with the Mexican peso (unintelligible) with your position?

Genaro Guerrero: Well, I would say that we are going to maintain the position and the term is not so long. It's less than one year and we are maintaining a very long position in dollars. Then -- that has given us a natural hedge against more or mostly via movements in the FX in terms of Mexican peso and solvency in Peru.

(Rodrigo Arabia): Okay and the next one would be how do you see - I don't know if you have all ready your budgets in terms of corporate price for the next year but, can you give us your point of view of copper prices for the next year?

Genaro Guerrero: Well, this is a very difficult question at this point of time. The volatility is very, very high and I would say that the drivers during the last time has been a - the sentiments or the feelings more than the fundamentals.

Then we need to wait a little bit and in order to try to get more clear expectations about the corporate prices in the - and during 2009. And our analysts are making a very often adjustments, then - it's difficult given that -- well we can say that -- or we think that the corporate price is going to be in the neighborhood of \$2.10, \$2.20 per pound given 2009.

(Rodrigo Arabia): Okay. My last one will be how do you estimate the operations margin for the next year given this - these increases in the costs on all that you've all ready committed?

Raul Jacob: Well, these point from mature to comment on that, but we, as we explained, we believe that as long as well Cananea back on track we'll be operating at a much lower cost that has to be considered in our 2009 expectations. And also,

as long as fuel and power costs are decreasing, that will reflect in a lower operating cost for our return unit.

(Pier and Petri) chemicals products will also go down from half. At this point, we don't know how much. But we are optimistic about that and the fact that we'll be operating at a lower cost in 2009.

(Rodrigo Arabia): So, the three quarters wouldn't be an indicator of the full year - I mean the 2009?

Raul Jacob: Difficult to say, but - well we can consider that, but - that we are going to be in that level of margin.

(Rodrigo Arabia): Okay, thank you.

Raul Jacob: Thank you.

Operator: Thank you, the next question is from (Anne Riley) from American Metal Market. Your line is now opened.

(Anne Riley): Hi, I wanted to ask some follow up questions - I want to ask some follow up questions on the copper market. Specifically, you said you're going to be reviewing capital investments.

You didn't mention you do actually have plans to cut projects or how that might go. But I'm wondering how low will copper prices have to fall before you're going to be faced with production halts?

Raul Jacob: Well, we have done our project evaluation with very conservative copper prices and byproduct prices, even lower than today's market prices. So, at this

point, we feel very comfortable on all the projects and we're reviewing them as we move on.

Within the circumstances we have changed and that has to be reflected in the capital budgets of the prior and that's different than - considering that at this point, we should eliminate some of them from our list.

They are all moving forward. We're looking at them with - under the current new circumstances, obviously, with a different point of view.

(Anne Riley): Okay. Now you - the second question, you mentioned you're making contacts at this point, talking to a number of other companies.

It sounds like buyers are hesitant to make contracts through next year, just with the market volatility. Have you experienced any of that or have you had any difficulty making next year's contracts?

Genaro Guerrero: No, we are not experiencing any difficult. We already got our negotiations for (unintelligible) for next year. And basically, we are finding a house for all of our productions.

(Anne Riley): Okay, great. Well those are all of my questions. Thanks very much.

Genaro Guerrero: Thank you.

Operator: Thank you. The next question is from (Dan Richmond) who's a private investor. Your line is now open.

(Dan Richmond): Thank you and thank you for taking my questions. I have two. One relates to your income tax expense on your income statement where I noticed for the

third quarter of 2008, your average tax rate is 37.3% of pretax income whereas a year ago, it was 31.9%.

And for the nine months of 2008, it's 33.2%. Could you shed some light on the big percentage increase in your positions of income taxes and give us some guidance as to what we should expect for tax rate going forward?

Genaro Guerrero: Yes, sure. Well basically, the affect that we are having in the tax rate is due to the FX situation in Mexico, basically. We got at the end of September 61 cents, pesos per dollar (valuation) and then it's affecting the effective rate for September and others.

That is as we maintain our long position in dollars, then in Mexican gap, these fees are affecting our incomes and that is the reason that the tax rate is increasing for this period. And when we convert these Mexican gaps into the unit gap, the effect and income is eliminated.

But we are still having the affect in taxes.

(Dan Richmond): Thank you. My next question relates to your stock buyback program where your press release as of yesterday, you had spent \$158.8 million repurchasing 10.5 million shares.

According to your cash flow statement, as of September 30, you had spent \$68.5 million on the stock buyback. Can I conclude then that so far during October, you spent \$90.3 billion buying back stock?

Raul Jacob: Can you repeat your last part - we couldn't copy you well, Dan.

(Dan Richmond): Yes, the press release was as of the date of this report. You had spent \$158.8 million buying back stock. Looking at your statement of cash flows, as of September 30, you had spent 68.5 million.

Can I then conclude that you spent \$90 million so far in October buying back stock?

Genaro Guerrero: Yes, that is correct. Yes, we have been very actively in the repurchase of (unintelligible) shares, based on our 300 million program that was disclosed in last quarter. But you are right - the difference is because we have been active in that respect.

(Dan Richmond): At under \$10, I think it's a good idea. Have you purchased any of these shares from America's Mining?

Genaro Guerrero: No, no we have been purchasing the shares from, directly from the market.

(Dan Richmond): Okay , then I sug- and when I did the math with 10.5 million fewer shares outstanding and America's Mining shares remaining unchanged, the percentage ownership is approximately 76% as of yesterday and your press release still says on the last page, 75.1.

Raul Jacob: Well (Dan), these are not -- these are not (Group of Mexico) shares. These are Southern Copper in treasury shares, so you can't attribute those shares to (Group of Mexico). They were both for all the (unintelligible), not only Group of...

(Dan Richmond): I'm attributing them to America's Mining. The percentage of shares remains unchanged and there's fewer shares outstanding so the percentage ownership

goes up. I just passed that along to you. You may consider that for your next press release.

Genaro Guerrero: Okay, thank you very much.

(Dan Richmond): Thank you.

Operator: Thank you, your next question is from (Carlos Diablo) from Morgan Stanley. Your line is not open.

(Carlos Diablo): Thank you. Just a followup question - could you share with us your long-term of functions for molybdenum and corporate prices when you get knowledge of your projects?

Raul Jacob: Yes (Carlos), we have made our copper price of, I'm sorry - product evaluation based on a corporate price of \$1.50 per pound and molybdenum in the price of \$12 per pound.

(Carlos Diablo): Okay, thank you and on -- with these assumptions, what would be your cash cost?

Raul Jacob: Well roughly, in the range of 40 cents to 50 cents per pound depending on the prices that you were assuming for power, fuel, etc cetera.

(Carlos Diablo): Thank you.

Operator: At this time, there are no further questions. But as a reminder, if you wish to ask a question, please star and then one on your telephone key pad. We'll pause for just a moment to convolve the Q&A roster.

There are no further questions in cue at this time.

Genaro Guerrero: Okay, if we don't have any other questions, I would like to thank everyone to joining us in this conference call and I hope that you will join us for the next quarter. Thank you very much.

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

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