SOUTHERN COPPER CORP/
Form 10-K
March 02, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2014

OR

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

For the transition period from to

Commission File Number: 1-14066

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	**Name of each exchange on which registered:**
Common stock, par value $0.01 per share	New York Stock Exchange
	Lima Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	Yes x	No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	Yes o	No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days	Yes x	No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	Yes x	No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

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

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

At January 31, 2015, there were of record 806,690,968 shares of common stock, par value $0.01 per share, outstanding.

The aggregate market value of the shares of common stock (based upon the closing price at June 30, 2014 as reported on the New York Stock Exchange - Composite Transactions) of Southern Copper Corporation held by non-affiliates was approximately $4,425.8 million.

PORTIONS OF THE FOLLOWING DOCUMENTS ARE INCORPORATED BY REFERENCE:

Part III:	Proxy statement for 2015 Annual Meeting of Stockholders
Part IV:	Exhibit Index is on Page 152 through 154

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Southern Copper Corporation (SCC)

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PART I.

ITEM 1. BUSINESS

THE COMPANY

Southern Copper Corporation (SCC , Southern Copper or the Company) is one of the largest integrated copper producers in the world. We produce copper, molybdenum, zinc and silver. All of our mining, smelting and refining facilities are located in Peru and Mexico and we conduct exploration activities in those countries and in Argentina, Chile and Ecuador. See Item 2 Properties - Review of Operations for maps of our principal mines, smelting facilities and refineries. Our operations make us one of the largest mining companies in Peru and Mexico. We believe we have the largest copper reserves in the world. We were incorporated in Delaware in 1952 and have conducted copper mining operations since 1960. Since 1996, our common stock has been listed on both the New York and Lima Stock Exchanges.

Our Peruvian copper operations involve mining, milling and flotation of copper ore to produce copper concentrates and molybdenum concentrates; the smelting of copper concentrates to produce anode copper; and the refining of anode copper to produce copper cathodes. As part of this production process, we also produce significant amounts of molybdenum concentrate. Our precious metals plant at the Ilo refinery produces refined silver and gold, as well as other materials. Additionally, we produce refined copper using SX-EW technology. We operate the Toquepala and Cuajone mines high in the Andes Mountains, approximately 860 kilometers southeast of the city of Lima, Peru. We also operate a smelter and refinery west of the Toquepala and Cuajone mines in the coastal city of Ilo, Peru.

Our Mexican operations are conducted through our subsidiary, Minera Mexico S.A. de C.V. (Minera Mexico), which we acquired in 2005. Minera Mexico engages primarily in the mining and processing of copper, molybdenum, zinc, silver, gold and lead. Minera Mexico operates through subsidiaries that are grouped into three separate units. Mexicana de Cobre S.A. de C.V. (together with its subsidiaries, the La Caridad unit) operates La Caridad, an open-pit copper mine, a copper ore concentrator, a SX-EW plant, a smelter, refinery and a rod plant. The La Caridad refinery has a precious metals plant which produces refined silver and gold and other materials. Operadora de Minas e Instalaciones Mineras S.A de C.V. (the Buenavista unit) operates Buenavista, an open-pit copper mine, which is located at the site of one of the world s largest copper ore deposits, a copper concentrator and two SX-EW plants. Industrial Minera Mexico, S.A. de C.V. (together with its subsidiaries, the IMMSA unit) operates five underground mines that produce zinc, lead, copper, silver and gold, a coal mine and a zinc refinery.

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

The sales prices for our products are largely determined by market forces outside of our control. Our management, therefore, focuses on cost control and production enhancement to remain profitable. We endeavor to achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our focus is to remain profitable during periods of low copper prices and on maximizing results in periods of high copper prices. For additional information on the sale prices of the metals we produce, please see Metal Prices in this Item 1.

Currency Information:

Unless stated otherwise, all our financial information is presented in U.S. dollars and any reference herein to U.S. dollars , dollars , or $ are to U.S. dollars; references to nuevo sol , nuevos soles or S/. , are to Peruvian nuevos soles; and references to peso , pesos , or Ps. , are to Mexic pesos.

Unit Information:

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

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ORGANIZATIONAL STRUCTURE

The following chart describes our organizational structure, starting with our controlling stockholders, as of December 31, 2014. For clarity of presentation, the chart identifies only our main subsidiaries and eliminates intermediate holding companies.

We are a majority-owned, indirect subsidiary of Grupo Mexico S.A.B. de C.V. (Grupo Mexico). At December 31, 2014, Grupo Mexico through its wholly-owned subsidiary Americas Mining Corporation (AMC) owned 84.6% of our capital stock. Grupo Mexico s principal business is to act as a holding company for shares of other corporations engaged in the mining, processing, purchase and sale of minerals and other products and railway and other related services.

We conduct our operations in Peru through a registered branch (the SPCC Peru Branch , Branch or Peruvian Branch). The SPCC Peru Branch comprises substantially all of our assets and liabilities associated with our copper operations in Peru. The SPCC Peru Branch is not a corporation separate from us and, therefore, obligations of SPCC Peru Branch are direct obligations of SCC and vice-versa. It is, however, an establishment, registered pursuant to Peruvian law, through which we hold assets, incur liabilities and conduct operations in Peru. Although it has neither its own capital nor liability separate from us, it is deemed to have equity capital for purposes of determining the economic interests of holders of our investment shares (See Note 12 Non-Controlling Interest of our consolidated financial statements).

On April 1, 2005, we acquired Minera Mexico, the largest mining company in Mexico on a stand-alone basis, from Americas Mining Corporation (AMC), a subsidiary of Grupo Mexico, our controlling stockholder. Minera Mexico is a holding company and all of its operations

are conducted through subsidiaries that are grouped into three units: (i) the La Caridad unit (ii) the Buenavista unit and (iii) the IMMSA unit. We own 99.96% of Minera Mexico.

In 2008, our Board of Directors (BOD) authorized a $500 million share repurchase program that has since been increased by the BOD and is currently authorized to $3 billion. Pursuant to this program, through December 31, 2014 we have purchased 79.9 million shares of our common stock at a cost of $1,842.3 million. These shares are available for general corporate purposes. We may purchase additional shares from time to time, based on market conditions and other factors. This repurchase program has no expiration date and may be modified or discontinued at any time.

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REPUBLIC OF PERU AND MEXICO

Our revenues are derived primarily from our operations in Peru and Mexico. Risks related to our operations in both countries include those associated with economic and political conditions, the effects of currency fluctuations and inflation, the effects of government regulations and the geographic concentration of our operations.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (SEC). You may read and copy any document we file at the SEC s Public Reference Room at 100 F Street NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains a website that contains annual, quarterly and current reports, proxy statements and other information that issuers (including Southern Copper Corporation) file electronically with the SEC. The SEC s website is www.sec.gov.

Our Internet address is www.southerncoppercorp.com. Commencing with the Form 8-K dated March 14, 2003, we have made available on this internet address our annual, quarterly and current reports, as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC. Our website also includes the Company s Corporate Governance guidelines and the charters of our principal Board Committees. However, the information found on our website is not part of this or any other report.

CAUTIONARY STATEMENT

Forward-looking statements in this report and in other Company statements include statements regarding expected commencement dates of mining or metal production operations, projected quantities of future metal production, anticipated production rates, operating efficiencies, costs and expenditures, including taxes, as well as projected demand or supply for the Company s products. Actual results could differ materially depending upon certain factors, including the risks and uncertainties relating to general U.S. and international economic and political conditions, the cyclical and volatile prices of copper, other commodities and supplies, including fuel and electricity, the availability of materials, insurance coverage, equipment, required permits or approvals and financing, the occurrence of unusual weather or operating conditions, lower than expected ore grades, water and geological problems, the failure of equipment or processes to operate in accordance with specifications, failure to obtain financial assurance to meet closure and remediation obligations, labor relations, litigation and environmental risks, as well as political and economic risk associated with foreign operations. Results of operations are directly affected by metal prices on commodity exchanges, which can be volatile.

Additional business information follows:

COPPER BUSINESS

Copper is the world s third most widely used metal, after iron and aluminum, and an important component in the world s infrastructure. Copper has unique chemical and physical properties, including high ductility, malleability, and thermal and electrical conductivity, and resistance to corrosion that has made it a superior material for use in electrical and electronic products, including power transmission and generation, which accounts for about three quarters of its global copper use, telecommunications, building construction, transportation and industrial machinery. Copper is also an important metal in non-electrical applications such as plumbing and roofing and, when alloyed with zinc to form brass, in many industrial and consumer applications.

Copper is an internationally traded commodity with prices principally determined by the major metal exchanges, the Commodities Exchange, or COMEX , in New York and the London Metal Exchange or LME. Copper is usually found in nature in association with sulfur. Pure copper metal is generally produced from a multistage process, beginning with the mining and concentrating of low-grade ores containing copper sulfide minerals, and followed by smelting and electrolytic refining to produce a pure copper cathode. An increasing share of copper is produced from acid leaching of oxidized ores. Copper is one of the oldest metals ever used and has been one of the most important materials in the development of civilization.

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BUSINESS REPORTING SEGMENTS:

Our management views Southern Copper as having three reportable segments and manages it on the basis of these segments.

The three segments identified are groups of individual mines, each of which constitutes an operating segment with similar economic characteristics, type of products, processes and support facilities, regulatory environments, employee bargaining contracts and currency risks. In addition, each mine within the individual group earns revenues from similar types of customers for their products and services and each group incurs expenses independently, including commercial transactions between groups.

Inter-segment sales are based on arm s length prices at the time of sale. These may not be reflective of actual prices realized by the Company due to various factors, including additional processing, timing of sales to outside customers and transportation cost. Added to the segment information is information regarding the Company s sales. The segments identified by the Company are:

1. Peruvian operations, which include the Toquepala and Cuajone mine complexes and the smelting and refining plants, including a precious metals plant industrial railroad and port facilities that service both mines. Sales of its products are recorded as revenue of our Peruvian mines. The Peruvian operations produce copper, with production of by-products of molybdenum, silver and other material.

2. Mexican open-pit operations, which include the La Caridad and Buenavista mine complexes and the smelting and refining plants, including a precious metals plant and a copper rod plant and support facilities that service both mines. Sales of its products are recorded as revenue of our Mexican mines. The Mexican open-pit operations produce copper, with production of by-products of molybdenum, silver and other material.

3. Mexican underground mining operations, which include five underground mines that produce zinc, copper, silver and gold, a coal mine that produces coal and coke, and a zinc refinery. This group is identified as the IMMSA unit and sales of its products are recorded as revenue of the IMMSA unit.

Financial information is regularly prepared for each of the three segments and the results are reported to Senior Management on a segment basis. Senior Management focuses on operating income and on total assets as measures of performance to evaluate different segments and to make decisions to allocate resources to the reported segments. These are common measures in the mining industry.

Segment information is included in Item 2 Properties, under the captions Metal Production by Segments and Ore Reserves. More information on business segment and segment financial information is included in Note 18 Segment and Related Information of our consolidated financial statements.

CAPITAL INVESTMENT PROGRAM AND EXPLORATION ACTIVITIES

For a description of our capital investment program, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Capital Investment Program and for our exploration activities, see Item 2 Properties Explorations Activities.

PRINCIPAL PRODUCTS AND MARKETS

Copper is primarily used in the building and construction industries, electrical and electronic products and, to a lesser extent, industrial machinery and equipment, consumer products and in the automotive and transportation industries. Molybdenum is used to toughen alloy steels and soften tungsten alloy and is also used in fertilizers, dyes, enamels and reagents. Silver is used for photographic, electrical and electronic products and, to a lesser extent, brazing alloys and solder, jewelry, coinage, silverware and catalysts. Zinc is primarily used as a coating on iron and steel to protect against corrosion. It is also used to make die cast parts, in the manufacturing of batteries and in the form of sheets for architectural purposes.

Our marketing strategy and annual sales planning emphasize developing and maintaining long-term customer relationships. Thus acquiring annual or other long-term contracts for the sale of our products is a high priority. Generally 80% to 90% of our metal production is sold under annual or longer-term contracts. Sales prices are determined based on prevailing commodity prices for the quotation period according to the terms of the contract.

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

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For additional information on sales, please see, Revenue recognition in Note 2 Summary of Significant Accounting Policies and Note 18 Segment and Related Information of our consolidated financial statements.

METALS PRICES

Prices for our products are principally a function of supply and demand and, with the exception of molybdenum, are established on COMEX and LME, the two most important metal exchanges in the world. Prices for our molybdenum products are established by reference to the publication Platt s Metals Week. Our contract prices also reflect any negotiated premiums and the costs of freight and other factors. From time to time, we have entered into hedging transactions to provide partial protection against future decreases in the market price of metals and we may do so under certain market conditions. For a further discussion of our products market prices, please see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Metal Prices.

The table below shows the high, low and average COMEX and LME per pound copper prices during the last 10 years:

	Copper (COMEX)			Copper (LME)		
Year	**High**	**Low**	**Average**	**High**	**Low**	**Average**
2005	2.28	1.40	1.68	2.11	1.39	1.67
2006	4.08	2.13	3.10	3.99	2.06	3.05
2007	3.75	2.40	3.23	3.77	2.37	3.23
2008	4.08	1.25	3.13	4.08	1.26	3.16
2009	3.33	1.38	2.35	3.33	1.38	2.34
2010	4.44	2.76	3.43	4.42	2.76	3.42
2011	4.62	3.05	4.01	4.60	3.08	4.00
2012	3.97	3.28	3.61	3.93	3.29	3.61
2013	3.78	3.03	3.34	3.74	3.01	3.32
2014-1st Q	3.43	2.98	3.24	3.37	2.92	3.19
2014-2nd Q	3.19	3.02	3.10	3.19	2.99	3.08
2014-3rd Q	3.27	3.01	3.16	3.26	3.06	3.17
2014-4th Q	3.11	2.84	2.98	3.11	2.86	3.00
2014	3.43	2.84	3.12	3.37	2.86	3.11

The per pound COMEX copper price during the last 5 and 10 year periods averaged $3.50 and $3.10, respectively. The per pound LME copper price during the last 5 and 10 year periods averaged $3.49 and $3.09, respectively.

The table below shows the high, low and average per-pound, except silver, which is per ounce, market prices for our three principal by-products during the last 10 years:

				Molybdenum (Dealer Oxide Platt s Metals Week)					
	Silver (COMEX)						Zinc (LME)		
Year	**High**	**Low**	**Average**	**High**	**Low**	**Average**	**High**	**Low**	**Average**

2005	9.00	6.43	7.32	39.25	25.00	31.99	0.87	0.53	0.63
2006	14.85	8.82	11.54	28.20	21.00	24.75	2.10	0.87	1.49
2007	15.50	11.47	13.39	33.75	24.50	30.19	1.93	1.00	1.47
2008	20.69	8.80	14.97	33.88	8.75	28.42	1.28	0.47	0.85
2009	19.30	10.42	14.67	18.00	7.83	10.91	1.17	0.48	0.75
2010	30.91	14.82	20.18	18.60	11.75	15.60	1.14	0.72	0.98
2011	48.58	26.81	35.18	17.88	12.70	15.33	1.15	0.79	0.99
2012	37.14	26.25	31.19	14.80	10.90	12.62	0.99	0.80	0.88
2013	32.41	18.53	23.82	11.95	9.12	10.26	0.99	0.81	0.87
2014-1st Q	22.05	19.11	20.46	10.80	9.70	9.93	0.98	0.88	0.92
2014-2nd Q	21.11	18.65	19.62	15.05	11.00	13.45	1.00	0.89	0.94
2014-3rd Q	21.46	17.01	19.63	13.40	10.55	12.62	1.10	1.00	1.05
2014-4th Q	17.50	15.39	16.45	10.25	8.75	9.22	1.06	0.96	1.01
2014	22.05	15.39	19.04	15.05	8.75	11.30	1.10	0.88	0.98

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The per ounce COMEX silver price during the last 5 and 10 year periods averaged $25.88 and $19.13, respectively. The per pound Platt s Metals Week Dealer Oxide molybdenum price during the last 5 and 10 year periods averaged $13.02 and $19.14, respectively.The per pound LME zinc price during the last 5 and 10 year periods averaged $0.94 and $0.99, respectively.

COMPETITIVE CONDITIONS

Competition in the copper market is based primarily on price and service basis, with price being the most important consideration when supplies of copper are ample. Our products compete with other materials, including aluminum and plastics. For additional information, see Item 1A Risk Factors The copper mining industry is highly competitive.

LABOR FORCE

As of December 31, 2014, we had 12,735 employees, approximately 71% of whom are unionized and represented by 10 different labor unions. In recent years we have experienced a positive labor environment in our operations in Mexico and Peru, which is allowing us to increase productivity as well as helping us achieve the goals of our capital expansion program.

Peru

Approximately 69% of our 4,524 Peruvian employees were unionized at December 31, 2014. There are seven separate unions, three of them at each major production area that represent the majority of our workers; and four smaller unions that represent the balance of workers. Our collective bargaining agreements with all of these unions will expire in the second half of 2015. We expect to begin negotiations for new agreements in the second quarter of 2015.

Employees of the Toquepala and Cuajone units reside in townsites, where we have built 3,700 houses and apartments. We also have 90 houses at Ilo for staff personnel. Housing, together with maintenance and utility services, is provided at minimal cost to most of our employees. Our townsite and housing complexes include schools, medical facilities, churches, social clubs and recreational facilities. We also provide shopping, banking and other services at the townsites.

Mexico

Approximately 73% of our 8,105 Mexican employees were unionized at December 31, 2014, represented by three separate unions. Under Mexican law, the terms of employment for unionized workers is set forth in collective bargaining agreements. Mexican companies negotiate the salary provisions of collective bargaining agreements with the labor unions annually and negotiate other benefits every two years. We conduct negotiations separately at each mining complex and each processing plant.

In recent years, the Mexican operations have experienced a positive improvement of their labor environment as our workers opted to change their affiliation from the *Sindicato Nacional de Trabajadores Mineros, Metalurgicos y Similares de la Republica Mexicana* (the National Union of Mine and Metal Workers and Similar Activities of the Mexican Republic or the National Mining Union), which was formerly led by Napoleon Gomez Urrutia, to other less politicized unions. We believe that this change has created a more positive labor environment, which will benefit both the Company and workers and allow us to increase our productivity and develop our capital expansion programs.

Our Taxco and San Martin mines in Mexico have been on strike since July 2007. For a discussion of labor matters reference is made to the information contained under the caption Labor matters in Note 13 Commitments and Contingencies of the consolidated financial statements.

Employees of La Caridad and Buenavista units reside in townsites at Nacozari and Cananea, where we have built approximately 2,000 houses and apartments and 275 houses and apartments, respectively. Most of the employees of the IMMSA unit reside on the grounds of the mining or processing complexes in which they work and where we have built approximately 900 houses and apartments. Housing, together with maintenance and utility services, is provided at minimal cost to most of our employees. Our town sites and housing complexes include educational and, in some units, medical facilities, churches, social clubs, shopping centers, banking and other services. Through 2007, the Buenavista unit provided health care services free of charge to employees and retired unionized employees and their families through its own hospital at the Buenavista unit. In 2010, the Company signed an agreement with the Secretary of Health of the State of Sonora to provide these services to its retired workers and their families. The new workers of Buenavista del Cobre will receive health services from the Mexican Institute of Social Security as is the case for all Mexican workers.

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FUEL, ELECTRICITY AND WATER SUPPLIES

The principal raw materials used in our operations are fuels, electricity and water. We use natural gas to power boilers and generators and for metallurgical processes at our Mexican operations and diesel fuel for mining equipment. We believe that sources of fuel, electricity and water are readily available. Although the prices of these raw materials may fluctuate beyond our control, we focus our efforts to reduce these costs through cost and energy saving measures.

Energy is the principal cost in mining, therefore the concern for its conservation and efficient usage is very important. We have energy management committees at most of our mines. The committees meet periodically to discuss consumption and to develop measures directed at saving energy. Also, alternative sources are being analyzed at the corporate level, from both traditional and renewable energy sources. This has helped us to develop a culture of energy conservation directed at the sustainability of our operations.

Peru

Fuel: In Peru, we obtain fuel primarily from a local producer. The Company believes that adequate supplies of fuel are available in Peru.

Electricity: We currently receive power from Enersur S.A. under a power purchase agreement through April 2017. In June 2014, we entered into a power purchase agreement for 120 megawatt (MW) with the state company Electroperu S.A., which will supply energy for our Peruvian operations for twenty years starting on April 17, 2017 and ending on April 30, 2037. In July 2014, we entered into a power purchase agreement for 120MW with a private power generator Kallpa, which will supply energy for our Peruvian operations for ten years starting on April 17, 2017 and ending on April 30, 2027. In addition, we feel confident that additional power can be obtained from the Peruvian national grid, should the need arise.

Additionally, we have nine megawatts of power generation capacity from two small hydro-generating installations at Cuajone. Power is distributed over a 224-kilometer closed loop transmission circuit, which is interconnected with the Peruvian network.

Water: We have water rights or licenses for up to 1,950 liters per second from well fields at the Huaitire, Vizcachas and Titijones aquifers and also surface water rights from the Suches lake and two small water courses, Quebrada Honda and Quebrada Tacalaya. We believe these water sources are sufficient to supply the needs of our operating units at Toquepala and Cuajone. At Ilo, we have desalinization plants that produce water for industrial and domestic use that we believe are sufficient for our current and projected needs.

Mexico

Fuel: In Mexico, fuel is purchased directly from Petroleos Mexicanos, (PEMEX), the state oil monopoly.

The La Caridad unit imports natural gas from the United States through its pipeline (between Douglas, Arizona and Nacozari, Sonora). This permits us to import natural gas from the United States at market prices and thereby reduce operating costs. Several contracts with PEMEX and the United States provide us with the option of using a monthly fixed price or daily fixed prices for our natural gas purchases.

Natural gas is used for metallurgical processes, to power furnaces, converters, casting wheels, boilers and electric generators. Diesel oil is a backup for all these uses. We use diesel oil for mining equipment at our operations.

Electricity: Electricity is used as the main energy source at our mining complexes. We purchase electricity-from the *Comision Federal de Electricidad* (the Federal Electricity Commission or the CFE), the state s electrical power producer. In addition, we recover some energy from waste heat boilers at the La Caridad smelter. Accordingly, a significant portion of our operating costs in Mexico are dependent upon the pricing policies of CFE, as well as PEMEX, which reflect government policy, as well as international market prices for crude oil, natural gas and conditions in the refinery markets.

Mexico Generadora de Energia S. de R. L., (MGE), a subsidiary of Grupo Mexico, has completed the construction of the two power plants designed to supply power to some of the Company s Mexican operations. It is expected that MGE will supply approximately 12% of its power output to third party energy users. These plants are natural gas-fired combined cycle power

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generating units, with a net total capacity of 516.2 megawatts. In 2012, we entered into a power supply agreement with MGE through 2032. The first plant was completed in June 2013 and the second in the second quarter of 2014. MGE already has the authorization for the interconnection with the Mexican electrical system to start operations at the second plant. The first plant began to supply power to the Company in December 2013, and the second plant is ready to supply once the demand in the mine requires it.

Water: In Mexico, water is deemed a public property and industries not connected to a public service water supply must obtain a water concession from *Comision Nacional del Agua* (the National Water Commission or CNA). Water usage fees are established in the *Ley Federal de Derechos* (the Federal Law of Rights), which distinguishes several availability zones with different fees per unit of volume according to each zone, with the exception of Mexicana de Cobre. All of our operations have one or several water concessions and pump out the required water from wells. Mexicana de Cobre pumps water from the La Angostura dam, which is close to the mine and plants. At our Buenavista facility, we maintain our own wells and pay the CNA for water usage. Water conservation committees have been established in each plant in order to conserve and recycle water. Water usage fees are updated on a yearly basis and have been increasing in recent years. In December 2013, federal law pertaining to water rights was amended to change the method used to determine water usage fees for underground and surface water effective January 1, 2014. In 2014, the increase in usage fees had an after tax cost of $20.8 million.

ENVIRONMENTAL MATTERS

For a discussion of environmental matters reference is made to the information contained under the caption Environmental matters in Note 13 Commitments and Contingencies of the consolidated financial statements.

MINING RIGHTS AND CONCESSIONS

Peru

We have 166,696 hectares in concessions from the Peruvian government for our exploration, exploitation, extraction and production operations, at various sites, as follows:

	Toquepala	Cuajone	Ilo	Other	Total
			(hectares)		
Plants	300	456	421		1,177
Operations	22,653	23,155	4,607	33,859	84,274
Exploration				81,245	81,245
Total	22,953	23,611	5,028	115,104	166,696

We believe that our Peruvian concessions are in full force and in effect under applicable Peruvian laws and that we are in compliance with all material terms and requirements applicable to these concessions. The concessions have indefinite terms, subject to our payment of concession fees of up to $3.00 per hectare annually for the mining concessions and a fee based on nominal capacity for the processing concessions. Fees paid during 2014, 2013 and 2012, were approximately $1.2 million, $1.2 million and $1.3 million, respectively. We have two types of mining

concessions in Peru: metallic and non-metallic concessions.

In 2011, the Peruvian Congress approved an amendment to the mining royalty charge. The mining royalty charge is based on operating income margins with graduated rates ranging from 1% to 12% of operating profits, with a minimum royalty charge assessed at 1% of net sales. If the operating income margin is 10% or less, the royalty charge is 1% and for each 5% increment in the operating income margin, the royalty charge rate increases by 0.75%, up to a maximum of 12%. In 2014, 2013 and 2012, we made provisions of $32.4 million, $34.8 million and $51.0 million, respectively.

At the same time the Peruvian Congress amended the mining royalty charge, it enacted a new tax for the mining industry. This tax is also based on operating income and its rates range from 2% to 8.4%. For additional information see Note 7 Income Taxes to the consolidated financial statements.

Mexico

In Mexico we have approximately 547,815 hectares in concessions from the Mexican government for our exploration and

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exploitation activities as outlined on the table below.

	IMMSA	La Caridad	Buenavista	Projects	Total
Mine concessions	185,018	104,854	93,706	164,237	547,815

We believe that our Mexican concessions are in full force and in effect under applicable Mexican laws and that we are in compliance with all material terms and requirements applicable to these concessions. Under Mexican law, mineral resources belong to the Mexican nation and a concession from the Mexican federal government is required to explore or mine mineral reserves. Mining concessions have a 50-year term that can be renewed for another 50 years. Holding fees for mining concessions can be from $0.4 to $9.7 per hectare depending on the beginning date of the mining concession. Fees paid during 2014, 2013 and 2012 were approximately $5.7 million, $5.6 million and $4.5 million, respectively. In addition, all of our operating units in Mexico have water concessions that are in full force and effect. Although ownership is not required in order to explore or mine a concession, we generally own the land related to our Mexican concessions. We also own all of the processing facilities of our Mexican operations and the land on which they are constructed.

In December 2013, the Mexican government enacted a new law which, among other things, established a mining royalty charge of 7.5% on earnings before taxes adjusted as defined by Mexican tax regulations and an additional royalty of 0.5% over gross income from sales of gold, silver and platinum. These charges are effective January 2014 and are deductible for income tax purposes.

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ITEM 1A. RISK FACTORS

Every investor or potential investor in Southern Copper Corporation should carefully consider the following risk factors.

Financial risks

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

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

The table below provides the sales value of our products as a percentage of our total net sales value.

	Year Ended December 31,		
Product	**2014**	**2013**	**2012**
Copper	78.0%	78.2%	77.0%
Molybdenum	8.8%	6.5%	6.8%
Silver	4.7%	6.6%	7.4%
Zinc	3.6%	3.4%	2.9%
Other by-products	4.9%	5.3%	5.9%

See also historical average price of our products on Item 1 Business caption Metals prices.

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

Our business requires levels of capital expenditures which we may not be able to maintain.

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

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

Our financing instruments and those of our Minera Mexico subsidiary include financial and other restrictive covenants that, among other things, limit our and Minera Mexico s abilities to incur additional debt and sell assets. If either we or our Minera Mexico subsidiary do not comply with these obligations, we could be in default under the applicable agreements which, if not addressed or waived, could require repayment of the indebtedness immediately. Our Minera Mexico subsidiary is further limited by the terms of its outstanding notes, which also restrict the Company s applicable incurrence of debt and liens. In addition, future credit facilities may contain limitations on our incurrence of additional debt and liens, on our ability to dispose of assets, or on our ability to pay dividends to our common stockholders.

We may not continue to pay a significant amount of our net income as cash dividends on our common stock in the future.

We have distributed a significant amount of our net income as dividends since 1996. Our dividend practice is subject to change at the discretion of our Board of Directors at any time. The amount that we pay in dividends is subject to a number of factors, including our results of operations, financial condition, cash requirements, tax considerations, future prospects, legal restrictions,

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contractual restrictions in credit agreements, limitations imposed by the government of Peru, Mexico or other countries where we have significant operations and other factors that our Board of Directors may deem relevant. In light of our capital investment program and global economic conditions, it is possible that future dividend distributions will be reduced from the levels of recent years.

Operational risks

Our actual reserves may not conform to our current estimates of our ore deposits and we depend on our ability to replenish ore reserves for our long-term viability.

There is a degree of uncertainty attributable to the calculation of reserves. Until reserves are actually mined and processed, the quantity of ore and grades must be considered as estimates only. The proven and probable ore reserves data included in this report are estimates prepared by us based on evaluation methods generally used in the mining industry. We may be required in the future to revise our reserves estimates based on our actual production. We cannot assure you that our actual reserves conform to geological, metallurgical or other expectations or that the estimated volume and grade of ore will be recovered. Market prices of our metals, increased production costs, reduced recovery rates, short-term operating factors, royalty charges and other factors may render proven and probable reserves uneconomic to exploit and may result in revisions of reserves data from time to time. Reserves data are not indicative of future results of operations. Our reserves are depleted as we mine. We depend on our ability to replenish our ore reserves for our long-term viability. We use several strategies to replenish and increase our ore reserves, including exploration and investment in properties located near our existing mine sites and investing in technology that could extend the life of a mine by allowing us to cost-effectively process ore types that were previously considered uneconomic. Acquisitions may also contribute to increase ore reserves and we review potential acquisition opportunities on a regular basis. However, we cannot assure you that we will be able to continue with our strategy to replenish reserves indefinitely.

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

The business of mining, smelting and refining copper, zinc and other metals is subject to a number of risks and hazards, including industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards, weather and other natural phenomena, such as seismic activity. Such occurrences could result in damage to, or destruction of, mining operations resulting in monetary losses and possible legal liability. In particular, surface and underground mining and related processing activities present inherent risks of injury to personnel and damage to equipment. We maintain insurance against many of these and other risks, which in certain circumstances may not provide adequate coverage. Insurance against certain risks, including certain liabilities for environmental damage or hazards as a result of exploration and production, is not generally available to us or other companies within the mining industry. Nevertheless recent environmental legal initiatives have considered future regulations regarding environmental damage insurance. In case such regulations come into force, we will have to analyze the need to obtain such insurance. We do not have, and do not intend to obtain, political risk insurance. These or other uninsured events may adversely affect our financial condition and the results of operations.

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

Our revenue is dependent on the level of industrial and consumer demand for the refined, semi-refined metal products and concentrates we sell. Changes in technology, industrial processes and consumer habits may affect the level of demand to the extent that changes increase or decrease

the need for our metal products. A change in demand, including any change resulting from economic slow-downs or recessions, could impact our results of operations and financial condition.

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

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

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Interruptions of energy supply or increases in energy costs and other production costs may adversely affect our results of operations.

We require substantial amounts of fuel oil, electricity and other resources for our operations. Fuel, gas and power costs constituted approximately 34.6%, 34.7% and 34.7% of our total production cost in 2014, 2013 and 2012, respectively. We rely upon third parties for our supply of the energy resources consumed in our operations. The prices for and availability of energy resources may be subject to change or curtailment, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels and market conditions. Disruptions in energy supply or increases in costs of energy resources or increases of other production costs could have a material adverse effect on our financial condition and results of operations.

Shortages of water supply, critical parts, equipment and skilled labor may adversely affect our operations and development projects.

Our mining operations require significant quantities of water for mining, ore processing and related support facilities. Although each operation currently has sufficient water rights to cover its operational demands, the loss of some or all water rights for any of our mines or operations, in whole or in part, or shortages of water to which we have rights could require us to curtail or shut down mining production and could prevent us from pursuing expansion opportunities. Additionally, we have not yet secured adequate water rights to support all of our announced expansion projects, and our inability to secure those rights could prevent us from pursuing some of those opportunities. In addition, future shortages of critical parts, equipment and skilled labor could adversely affect our operations and development projects.

Our Company is subject to health and safety laws which may restrict our operations, result in operational delays or increase our operating costs and adversely affect our financial results of operations.

We are required to comply with occupational health and safety laws and regulations in Peru and Mexico where our operations are subject to periodic inspections by the relevant governmental authorities. These laws and regulations govern, among others, health and safety work place conditions, including high risk labor and the handling, storage and disposal of chemical and other hazardous substances. We believe our operations are in compliance in all material respects with applicable health and safety laws and regulations in the countries in which we operate. Compliance with these laws and regulations and new or existing regulations that may be applicable to us in the future could increase our operating costs and adversely affect our financial results of operations and cash flows.

Our efforts are focused on the health and safety of our workforce in order to continuously improve performance and compliance through implementing occupational health programs, providing adequate training and safety incentive in our operations. Despite the Company´s efforts, we are not exempt from accidents. These are reported to Mexican and Peruvian authorities as required. Regarding non-fatal accidents, in 2014, the Company´s Dart rate (rate to measure workplace injuries severe enough to warrant Day Away from work, job Restrictions and/or job Transfers) was much lower than the MSHA Dart rate (the MSHA Dart rate is published by the U.S. s Mine Safety and Health Administration, and is used as an industry benchmark). Unfortunately, in 2014, we had five fatalities in Mexico, all Company employees; and three fatalities in Peru, one Company employee and two contractor employees. In 2013, we did not have fatalities in Peru or in Mexico. The amounts paid to the Mexican and Peruvian authorities for reportable accidents did not have an adverse effect on our results. Under Mexican and Peruvian law penalties and fines for safety violations are generally monetary, but in certain cases may lead to the temporary or permanent shutdown of the affected facility or the suspension or revocation of permits or licenses. Also, violation of security and safety laws and regulations in our Peruvian operations can be considered a crime, with a sentence of up to 10 years of prison.

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

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

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

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

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

We may be adversely affected by labor disputes.

In the last several years we have experienced a number of strikes or other labor disruptions that have had an adverse impact on our operations and operating results. As of December 31, 2014, unions represented approximately 71% of our workforce. Currently, we have labor agreements in effect for our Mexican and Peruvian operations.

Our Taxco and San Martin mines in Mexico have been on strike since July 2007. It is expected that operations at these mines will remain suspended until these labor issues are resolved.

We cannot assure you when these strikes will be settled, or that in the future we will not experience strikes or other labor related work stoppages that could have a material adverse effect on our financial condition and results of operations.

Our mining or metal production projects may be subject to additional costs due to community actions and other factors.

In recent years, worldwide mining activity has been pressured by neighboring communities for financial commitments to fund social benefit programs and infrastructure improvements. Our projects in Peru are not exempt from these pressures. Our Tia Maria mine and Toquepala expansion projects in Peru have experienced delays while trying to resolve differences with community groups.

It appears that it is becoming a part of the Peruvian mining environment that in order to obtain acceptance from local communities for projects in their localities, demands for substantial investments in community infrastructure and upgrades must be met in order to proceed with the mining projects.

We are confident that we will continue with the Tia Maria mine and the Toquepala expansion projects. However, we cannot assure you that we will not continue to incur additional costs for community infrastructure and upgrades in order to obtain the approval of current or future mining projects.

Environmental, regulatory response to climate change, and other regulations may increase our costs of doing business, restrict our operations or result in operational delays.

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

Environmental regulations in Peru and Mexico have become increasingly stringent over the last decade and we have been required to dedicate more time and money to compliance and remediation activities. Furthermore, Mexican authorities have

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become more rigorous and strict in enforcing Mexican environmental laws. We expect additional laws and regulations will be enacted over time with respect to environmental matters.

The principal legislation applicable to our Mexican operations is the Federal General Law of Ecological Balance and Environmental Protection (the General Law), which is enforced by the Federal Bureau of Environmental Protection. Article 180 of this law was amended in 2011. This amendment eases the ability for an individual or entity to contest administrative acts, including environmental authorizations, permits or concessions. As a result, more legal actions supported or sponsored by non-governmental groups interested in halting projects, and not necessarily in protecting the rights of affected communities, may be filed against us. Additionally, amendments to the Civil Federal Procedures Code and the enforcement of the Environmental Liability Federal Law may result in more litigation, including suspension of the activities alleged to cause harm and/or economic fines.

The Company is subject to Peruvian environmental laws imposing closure and remediation obligations on the mining industry. Under the closure regulations, mines must submit a closure plan that includes the reclamation methods, closure cost estimates, methods of control and verification, closure and post-closure plans and financial assurance. Both, estimated costs and remediation work may increase or decrease significantly in the future as a result of changes in closure laws and regulations, changes in engineering designs and technology, permit modifications or updates, changes in mine plans, inflation or other factors as actual reclamation spending occurs and could materially impact the amounts charged to operations for reclamation and remediation.

In addition, in 2012 we decided to recognize an estimated asset retirement obligation for our mining properties in Mexico as part of our environmental commitment, even though, there is currently no enacted law, statute, ordinance, or written or oral contract requiring us to carry out mine closure and environmental remediation activities. Moreover, our Mexican operations are also subject to the environmental agreement entered into by Mexico, the United States and Canada in connection with the North American Free Trade Agreement. This agreement, as well as new international treaties regarding human rights, contains environmental provisions and initiatives. We believe our operations are in material compliance with all environmental laws and regulations within the areas we operate.

Regulatory response to climate change, restrictions, caps, taxes, or other controls on emissions of greenhouse gasses, including on emissions from the combustion of carbon-based fuels, could significantly increase our operating costs. Restrictions on emissions could also affect our customers. A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. These regulatory initiatives will be either voluntary or mandatory and may impact our operations directly or through our suppliers or customers.

Our Peruvian operations are affected by environmental regulations which establish stringent air quality standards. The Peruvian environmental agency has designated three atmospheric basins that require further attention to comply with these air quality standards. The Ilo basin is one of these three areas. We expect to join the local government and other stakeholders in the Ilo basin to develop the action plan and evaluate alternatives and their feasibility in order to achieve these new air quality standards.

Additionally, in 2013, the Peruvian government enacted a new soil environmental quality standard applicable to any existing facility or project that generates or could generate risk of soil contamination in its area of operation or influence. The rule applies to new projects as well as existing operations and requires soil testing analysis. We are currently working with a consultant to carry out soil sampling, studies and other tests to comply with the requirements of the rules.

The potential physical impacts of climate change on our operations are highly uncertain, and would be particular to the geographic location of our facilities. These may include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperatures. These effects may adversely impact the cost, production and financial performance of our operations.

The development of more stringent environmental protection programs in Peru and Mexico and in relevant trade agreements could impose constraints and additional costs on our operations requiring us to make significant capital expenditures in the future. We cannot assure you that current or future legislative, regulatory or trade developments will not have an adverse effect on our business, properties, operating results, financial condition or prospects.

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Our mining and metal production projects may subject us to new risks.

Our Company is in the midst of a large expansion program, which may subject us to additional risks of industrial accidents. While we believe our contractors employ safety standards and other procedures to ensure these projects are completed with proper governance, it is possible that the increased activity occurring at our sites could cause accidents of an environmental nature or danger to human life.

In August 2014, our new SX-EW plant in Mexico had an industrial accident caused by a rock slide, coupled with a construction defect in the seal of a pipe at the new leaching system containment dam, which caused a spill of copper sulfate solution in to the Bacanuchi River, a tributary of the Sonora River. As a result of this accident the Company absorbed a charge of $91 million in its 2014 results. While this is an unusual event in the Company s history, we cannot offer assurance that an accident related to our project development program will not occur again in the future and cause environmental damage or damage that causes harm or loss of life.

Our business depends upon information technology systems which may be adversely affected by disruptions, damage, failure and risks associated with implementation and integration.

Our operations depend upon information technology systems which may be subject to disruption, damage or failure from different sources, including, without limitation, installation of malicious software, computer viruses, security breaches, cyber-attacks and defects in design. In recent years, cybersecurity incidents have increased in frequency and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. We believe that we have implemented appropriate preventative measures to mitigate potential risks by implementing a certified IT service management system with the necessary controls that are frequently reviewed and tested, including a risk matrix that considers all the possible threats with an impact and probability analysis, actions to avoid or mitigate them and the corresponding testing plan. However, given the unpredictability of the timing, nature and scope of information technology disruptions, we could potentially be subject to manipulation or improper use of our systems and networks, operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, financial losses from remedial actions, any of which could have a material adverse effect on our cash flows, competitive position, financial condition or results of operations.

Other risks

Applicable law restricts the payment of dividends from our Minera Mexico subsidiary to us.

Our subsidiary, Minera Mexico, is a Mexican company and, as such, may pay dividends only out of net income that has been approved by the shareholders. Shareholders must also approve the actual dividend payment, after mandatory legal reserves have been created and losses for prior fiscal years have been satisfied. These legal constraints may limit the ability of Minera Mexico to pay dividends to us, which in turn, may have an impact on our ability to pay stockholder dividends or to service debt.

Our management has identified a material weakness in our internal control over financial reporting, which could, if not remediated, result in material misstatements in our future financial statements and may adversely affect our business and stock price.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). As disclosed in Item 9A Controls and Procedures, our management identified a material weakness in our internal control over financial reporting related to ineffective design of processes and procedures to restrict access to key financial systems and records to appropriate users.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement in our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of the material weakness discussed above, our management concluded that our internal control over financial reporting was not effective as of December 31, 2014. We cannot assure you that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Although we are implementing remedial measures designed to address the identified material weakness, if our remedial measures are insufficient to address the material weakness, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, our consolidated financial statements may contain material misstatements. These misstatements could result in additional restatements of our consolidated financial statements, cause us to fail to meet our reporting obligations, which could result in a default under our debt instruments, reduce our ability to obtain financing, increase the cost of any financing that we obtain or cause investors to lose confidence in our reported financial information, which could lead to a decline in our stock price.

Although we are working to remedy the ineffectiveness of our internal control over financial reporting, there can be no assurance as to when the remediation plan will be fully implemented or the aggregate cost of implementation. Until our remediation plan is fully implemented and considered complete, our management will continue to devote significant time and attention to these efforts. If we do not complete our remediation in a timely fashion, or at all, or if our remediation plan is inadequate, there will continue to be an increased risk that we will be unable to timely file future periodic reports with the SEC and that our future consolidated financial statements could contain errors that will be undetected. For more information relating to our internal control over financial reporting (and disclosure controls and procedures) and the remediation plan undertaken by us, see Item 9A Controls and Procedures.

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The copper mining industry is highly competitive.

We face competition from other copper mining and producing companies around the world. We cannot assure you that competition will not adversely affect us in the future.

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

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

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

Our results and financial condition are affected by global and local market conditions.

We are subject to the risks arising from adverse changes in domestic and global economic and political conditions. Our industry is cyclical by nature and fluctuates with economic cycles.

Weakness in the global economy can be marked by, among other adverse factors, lower levels of consumer and corporate confidence, decreased business investment, lower consumer spending, increased unemployment, reduced income and asset values in many areas, currency volatility and limited availability of credit and access to capital.

Concerns over weaknesses in the global economy may prompt our customers to slow down or reduce the purchase of our products. We may experience longer sales cycles, difficulty in collecting sales proceeds, and lower prices for our products. A change in the demand of our products could impact our results of operations and financial condition. We cannot provide any assurance that any of these events will not have a material adverse effect on market conditions, prices of our securities, our ability to obtain financing, and our results of operations and financial condition.

We are controlled by Grupo Mexico, which exercises control over our affairs and policies and whose interests may be different from yours.

At December 31, 2014, Grupo Mexico owned indirectly 84.6% of our capital stock. Certain of our and Minera Mexico s officers and directors are also directors and/or officers of Grupo Mexico and/or of its affiliates. We cannot assure you that the interests of Grupo Mexico will not conflict with our minority stockholders.

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

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

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- determinations with respect to mergers and other business combinations, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any dividends or other distributions;
- sales and dispositions of our assets;
- the amount of debt financing that we incur; and
- the approval of capital projects.

We cannot assure you that increased financial obligations of Grupo Mexico or AMC resulting from financings or for other reasons will not result in our parent corporations obtaining loans, increased dividends or other funding from us.

In addition, we have in the past engaged in, and expect to continue to engage in, transactions with Grupo Mexico and its other affiliates which are related party transactions and may present conflicts of interest. For additional information regarding the share ownership of, and our relationships with, Grupo Mexico and its affiliates, see Note 17 Related Party Transactions.

Unanticipated litigation or negative developments in pending litigation or with respect to other contingencies may adversely affect our financial condition and results of operations.

We are currently, and may in the future become, subject to litigation, arbitration or other legal proceedings with other parties. If decided adversely to the Company, these legal proceedings, or others that could be brought against us in the future, may adversely affect our financial position or prospects. For further detailed discussion of pending litigation, please see Note 13 Commitment and Contingencies - Litigation matters .

International Risks

We are a company with substantial assets located outside of the United States. We conduct production operations in Peru and Mexico and exploration activities in these countries as well as in Chile, Argentina and Ecuador. Accordingly, in addition to the usual risks associated with conducting business in foreign countries, our business may be adversely affected by political, economic and social uncertainties in each of these countries. Such risks include possible expropriation or nationalization of property, confiscatory taxes or royalties, possible foreign exchange controls, changes in the national policy toward foreign investors, extreme environmental standards, etc.

Our insurance does not cover most losses caused by the above described risks. Consequently, our production, development and exploration activities in these countries could be substantially affected by factors beyond our control, some of which could materially and adversely affect our financial position or results of operations.

Risks Associated with Doing Business in Peru and Mexico

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

Under the laws of Peru and Mexico, mineral resources belong to the state and government and concessions are required in both countries to explore for or exploit mineral reserves. In Peru, our mineral rights derive from concessions from MINEM for our exploration, exploitation, extraction and/or production operations. In Mexico, our mineral rights derive from concessions granted, on a discretionary basis, by the Ministry of Economy, pursuant to Mexican mining law and regulations thereunder.

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

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

A significant part of our operations are conducted in Peru. Accordingly, our business, financial condition or results of operations could be affected by changes in economic or other policies of the Peruvian government or other political, regulatory or economic developments in the country. During the past several decades, Peru has had a succession of regimes with differing policies and programs. Past governments have frequently intervened in the nation s economy and social structure. Among other actions, past

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governments have imposed controls on prices, exchange rates and local and foreign investments, as well as limitations on imports, have restricted the ability of companies to dismiss employees and have prohibited the remittance of profits to foreign investors.

In more recent years Peru has had political and social stability. The Peruvian government s economic policies reduced inflation and the Peruvian economy has experienced significant growth. On October 2014 Peru held regional and mayor elections and, in 2016, will hold a new presidential election. Peruvian law prohibits the immediate reelection of the current president.

Because we have significant operations in Peru, we cannot provide any assurance that political developments and economic conditions in Peru and/or other factors will not have a material adverse effect on market conditions, prices of our securities, our ability to obtain financing and our results of operations and financial condition.

Mexican economic and political conditions, as well as drug-related violence, may have an adverse impact on our business.

The Mexican economy is highly sensitive to economic developments in the United States, mainly because of its high level of exports to this market. In the last quarter of 2014, the international economy was affected by a general appreciation of the U.S. dollar that was caused by the difference between the growth rhythm and the expectations on the monetary position of the United States regarding the main advanced economies and the majority of emerging economies. Accordingly, the Bank of Mexico expects higher growth in 2015 due to the dynamism of the U.S. economy. Gross domestic product grew by 2.1% and 1.3% in 2014 and 2013, respectively, and the Bank of Mexico expects a growth between 2.5% and 3.5% in 2015. Other risks in Mexico are increases in taxes on the mining sector and higher royalties as was enacted in 2013. As has occurred in other metal producing countries, the mining industry may be perceived as a source of additional fiscal revenue.

In addition, security institutions in Mexico are under significant stress, as a result of drug-related violence. This situation creates potential risks especially for transportation of minerals and finished products, which affect a small part of our production. However, drug-related violence has had a limited impact on our operations as it has tended to concentrate outside our areas of production. If this were to change, the potential risks to our operations might increase.

Because we have significant operations in Mexico, we cannot provide any assurance that political developments and economic conditions as well as drug-related violence, in Mexico will not have a material adverse effect on market conditions, prices of our securities, on our ability to obtain financing and on our results of operations and financial condition.

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

Although the U.S. dollar is our functional currency and our revenues are primarily denominated in U.S. dollars due to the countries we operate, portions of our operating costs are denominated in Peruvian nuevos soles. Accordingly, when inflation or deflation in Peru is not offset by a change in the exchange rate of the Nuevo sol, our financial position, results of operations, cash flows and the market price of our common stock could be affected.

Over the past several years, Peru has experienced one of its best economic periods. Inflation in 2014, 2013 and 2012 was 3.2%, 2.9% and 2.6%, respectively. The value of the nuevo sol has devalued against the U.S. dollar 6.9% in 2014, devaluated against the U.S. dollar 9.6% in 2013 and appreciated against the U.S. dollar, 5.4% in 2012. Although the Peruvian government s economic policy reduced inflation and the economy has experienced significant growth in recent years, we cannot assure you that inflation will not increase from its current level or that such growth will continue in the future at similar rates or at all. Additionally a global financial economic crisis, could negatively affect the Peruvian economy.

To manage the volatility related to the risk of currency rate fluctuations, we may enter into forward exchange contracts. We cannot assure you, however, that currency fluctuations will not have an impact on our financial condition and results of operations.

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

Although all of our Mexican operations sales of metals are priced and invoiced in U.S. dollars, a substantial portion of its costs are denominated in pesos. Accordingly, when inflation in Mexico increases without a corresponding depreciation of the peso, the

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net income generated by our Mexican operations is adversely affected. The annual inflation rate in Mexico was 4.1% in 2014, 4.0% in 2013 and 3.6% in 2012. The Bank of Mexico has publicly announced a target of 3% inflation for 2015.

At the same time, the peso has been subject in the past to significant volatility, which may not have been proportionate to the inflation rate and may not be proportionate to the inflation rate in the future. The value of the peso to the U.S. dollar decreased by 12.6% in 2014, decreased by 0.5% in 2013 and increased by 6.9% in 2012.

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert pesos into dollars or other currencies. While we do not expect the Mexican government to impose any restriction or exchange control policies in the future, it is an area we closely monitor. We cannot assure you the Mexican government will maintain its current policies with regard to the peso or that the peso s value will not fluctuate significantly in the future. The imposition of exchange control policies could impair Minera Mexico s ability to obtain imported goods and to meet its U.S. dollar-denominated obligations and could have an adverse effect on our business and financial condition.

Developments in other emerging market countries and in the United States may adversely affect the prices of our common stock and our debt securities.

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

In addition, in recent years economic conditions in Mexico have increasingly become correlated to U.S. economic conditions. Therefore, adverse economic conditions in the United States could also have a significant adverse effect on Mexican economic conditions, including the price of our common stock or debt securities.

We cannot assure you that the market value or trading prices of our common stock and debt securities, will not be adversely affected by events in the United States or elsewhere, including in emerging market countries.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

We were incorporated in Delaware in 1952. Our corporate offices in the United States are located at 1440 East Missouri Avenue Suite 160, Phoenix, Arizona 85014. Our Phoenix telephone number is (602) 264-1375. Our corporate offices in Mexico are located in Mexico City and our corporate offices in Peru are located in Lima. Our website is www.southerncoppercorp.com. We believe that our existing properties are in good condition and suitable for the conduct of our business.

REVIEW OF OPERATIONS

The following maps set forth the locations of our principal mines, smelting facilities and refineries. We operate open-pit copper mines in the southern part of Peru at Toquepala and Cuajone and in Mexico, at La Caridad and Buenavista. We also operate five underground mines that produce zinc, copper, silver and gold, as well as a coal mine and a coke oven.

EXTRACTION, SMELTING AND REFINING PROCESSES

Our operations include open-pit and underground mining, concentrating, copper smelting, copper refining, copper rod production, solvent extraction/electrowinning (SX-EW), zinc refining, sulfuric acid production, molybdenum concentrate production and silver and gold refining. The extraction and production process are summarized below.

OPEN-PIT MINING

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

UNDERGROUND MINING

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

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CONCENTRATING

The copper ore with a copper grade over 0.4% from the primary crusher or the copper, zinc and lead-bearing ore from the underground mines is transported to a concentrator plant where gyratory crushers break the ore into sizes no larger than three-quarter of an inch. The ore is then sent to a mill section where it is ground to the consistency of fine powder. The finely ground ore is mixed with water and chemical reagents and pumped as a slurry to the flotation separator where it is mixed with certain chemicals. In the flotation separator, reagent solutions and air pumped into the flotation cells cause the minerals to separate from the waste rock and bubble to the surface where they are collected and dried.

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

COPPER SMELTING

Copper concentrates are transported to a smelter, where they are smelted using a furnace, converter and anode furnace to produce either blister copper (which is in the form of cakes with air pockets) or copper anodes (which are cleaned of air pockets). At the smelter, the concentrates are mixed with flux (a chemical substance intentionally included for high temperature processing) and then sent to reverberatory furnaces producing copper matte and slag (a mixture of iron and other impurities). Copper matte contains approximately 65% copper. Copper matte is then sent to the converters, where the material is oxidized in two steps: (i) the iron sulfides in the matte are oxidized with silica, producing slag that is returned to the reverberatory furnaces, and (ii) the copper contained in the matte sulfides is then oxidized to produce copper that, after casting, is called blister copper, containing approximately 98% to 99% copper, or anodes, containing approximately 99.7% copper. Most of the blister and anode production is sent to the refinery and the remainder is sold to customers.

COPPER REFINING

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

COPPER ROD PLANT

To produce copper rod, copper cathodes are first smelted in a furnace and then dosified in a casting machine. The dosified copper is then extruded and passed through a cooling system that begins solidification of copper into a 60×50 millimeter copper bar. The resulting copper bar is gradually stretched in a rolling mill to achieve the desired diameter. The rolled bar is then cooled and sprayed with wax as a preservation agent and collected into a rod coil that is compacted and sent to market.

SOLVENT EXTRACTION/ELECTROWINNING (SX-EW)

A complementary processing method is the leaching and SX-EW process. During the SX-EW process, low-grade sulfides ore and copper oxides are leached with sulfuric acid to allow copper content recovery. The acid and copper solution is then agitated with a solvent that contains chemical additives that attract copper ions. As the solvent is lighter than water, it floats to the surface carrying with it the copper content. The solvent is then separated using an acid solution, freeing the copper. The acid solution containing the copper is then moved to electrolytic extraction tanks to produce copper cathodes.

MOLYBDENUM PRODUCTION

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

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ZINC REFINING

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

SULFURIC ACID PRODUCTION

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

SILVER AND GOLD REFINING

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

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KEY PRODUCTION CAPACITY DATA:

All production facilities are owned by us. The following table sets forth as of December 31, 2014, the locations of production facilities by reportable segment, the processes used, as well as the key production and capacity data for each location:

Facility Name	Location	Process	Nominal Capacity (1)	2014 Production	2014 Capacity Use
PERUVIAN OPEN-PIT UNIT					
Mining Operations					
Cuajone open-pit mine	Cuajone (Peru)	Copper ore milling and recovery, copper and molybdenum concentrate production	90.0 ktpd ore milled	84.9	94.3%
Toquepala open-pit mine	Toquepala (Peru)	Copper ore milling and recovery, copper and molybdenum concentrate production	60.0 ktpd ore milled	55.9	93.2%
Toquepala SX-EW plant	Toquepala (Peru)	Leaching, solvent extraction and cathode electrowinning	56.0 ktpy refined	25.7	45.9%
Processing Operations					
Ilo copper smelter	Ilo (Peru)	Copper smelting, blister, anodes production	1,200.0 ktpy concentrate feed	1,022.5	85.2%
Ilo copper refinery	Ilo (Peru)	Copper refining	280 ktpy refined cathodes	257.9	92.1%
Ilo acid plants	Ilo (Peru)	Sulfuric acid	1,050 ktpy - sulfuric acid	994.2	94.7%
Ilo precious metals refinery	Ilo (Peru)	Slime recovery & processing, gold & silver refining	320 tpy	353.0	110.3%
MEXICAN OPEN-PIT UNIT					
Mining Operations					
Buenavista open-pit mine	Sonora (Mexico)	Copper ore milling & recovery, copper concentrate production	76.7 ktpd milling	74.7	97.4%
Buenavista SX-EW I, II, III plants	Sonora (Mexico)	Leaching, solvent extraction & refined cathode electrowinning	114.5 ktpy (combined)	93.4	81.6%
La Caridad open-pit mine	Sonora (Mexico)	Copper ore milling & recovery, copper & molybdenum	94.5 ktpd milling	94.3	99.8%

		concentrate production			
La Caridad SX-EW plant	Sonora (Mexico)	Leaching, solvent extraction & cathode electrowinning	21.9 ktpy refined	25.2	115.1%
Processing Operations					
La Caridad copper smelter	Sonora (Mexico)	Concentrate smelting, anode production	1,000 ktpy concentrate feed	926.4	92.6%
La Caridad copper refinery	Sonora (Mexico)	Copper refining	300 ktpy copper cathode	204.3	68.1%
La Caridad copper rod plant	Sonora (Mexico)	Copper rod production	150 ktpy copper rod	129.1	86.1%
La Caridad precious metals refinery	Sonora (Mexico)	Slime recovery & processing, gold & silver refining	1.8 ktpy slime	1.0	55.6%
La Caridad sulfuric acid plant	Sonora (Mexico)	Sulfuric acid	1,565.5 ktpy sulfuric acid	960.8	61.4%
IMMSA UNIT					
Underground mines					
Charcas	San Luis Potosi (Mexico)	Copper, zinc, lead milling, recovery & concentrate production	1,460 ktpy ore milled	752.4	51.5%
San Martin (2)	Zacatecas (Mexico)	Lead, zinc, copper & silver mining, milling recovery & concentrate production	1,606 ktpy ore milled		0%
Santa Barbara	Chihuahua (Mexico)	Lead, copper and zinc mining & concentrates production	2,190 ktpy ore milled	1,592.0	72.7%
Santa Eulalia	Chihuahua	Lead & zinc mining and milling	547.5 ktpy - ore milled	127.1	23.2%

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	(Mexico)	recovery & concentrate production			
Taxco (2)	Guerrero (Mexico)	Lead, zinc silver & gold mining recovery & concentrate production	730 ktpy - ore milled		0%
Nueva Rosita coal & coke complex(3)	Coahuila (Mexico)	Clean coal production	900 ktpy clean coal 100 ktpy coke	149.8 96.1	16.6% 96.1%
Processing Operations					
San Luis Potosi zinc refinery	San Luis Potosi (Mexico)	Zinc concentrates refining	105.0 ktpy zinc cathode	92.1	87.7%
San Luis Potosi sulfuric acid plant	San Luis Potosi (Mexico)	Sulfuric acid	180.0 ktpy sulfuric acid	171.5	95.3%

ktpd = thousands of tons per day

ktpy = thousands of tons per year

Tpy = tons per year

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

(2) The Taxco and San Martin mines have been on strike since July 2007.

(3) At December 31, 2014, the coal reserves for the Nueva Rosita coal plant were 100.3 million tons with average sulfur content of 1.03% and a BTU content of 8,501 per pound.

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PROPERTY BOOK VALUE

At December 31, 2014, net book values of property are as follows (in millions):

Peruvian operations:		
Cuajone	$	550.2
Toquepala		636.8
Tia Maria project		353.6
Ilo and other support facilities		543.3
Construction in progress		650.9
Total	$	2,734.8
Mexican open-pit operations:		
Buenavista	$	1,083.6
La Caridad		888.4
Construction in progress		2,214.6
Mexicana del Arco		42.7
Total	$	4,229.3
Mexican IMMSA unit:		
San Luis Potosi	$	31.8
Zinc electrolytic refinery		88.6
Charcas		52.0
San Martin		24.1
Santa Barbara		73.8
Taxco		3.3
Santa Eulalia		36.5
Nueva Rosita		18.9
Construction in progress and other facilities		60.7
Total	$	389.7
Mexican administrative offices	$	82.6
Total Southern Copper Corporation	$	7,436.4

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SUMMARY OPERATING DATA

The following table sets out certain operating data underlying our financial and operating information for each of the periods indicated.

	Year Ended December 31,			Variance			
				2014-2013		2013-2012	
	2014	2013	2012	Volume	%	Volume	%
COPPER (thousand pounds):							
Mined							
Peru open-pit							
Toquepala	253,152	244,031	264,794	9,121	3.7%	(20,763)	(7.8)%
Cuajone	393,165	371,660	350,079	21,505	5.8%	21,581	6.2%
SX-EW Toquepala	56,604	62,611	70,976	(6,007)	(9.6)%	(8,365)	(11.8)%
Mexico open-pit							
La Caridad	222,803	213,545	215,715	9,258	4.3%	(2,170)	(1.0)%
Buenavista	292,890	255,325	295,345	37,565	14.7%	(40,020)	(13.6)%
SX-EW La Caridad	55,583	52,636	50,284	2,947	5.6%	2,352	4.7%
SX-EW Buenavista	205,957	146,348	145,734	59,609	40.7%	614	0.4%
IMMSA unit	11,488	14,136	12,915	(2,648)	(18.7)%	1,221	9.5%
Total Mined	**1,491,642**	**1,360,292**	**1,405,842**	**131,350**	**9.7%**	**(45,550)**	**(3.2)%**
Smelted							
Peru open-pit							
Blister Ilo		3,681	72,407	(3,681)	(100)%	(68,726)	(94.9)%
Anodes Ilo	670,069	711,292	584,694	(41,223)	(5.8)%	126,598	21.7%
Mexico open-pit							
Anodes La Caridad	568,793	486,726	575,277	82,067	16.9%	(88,551)	(15.4)%
Total Smelted	**1,238,862**	**1,201,699**	**1,232,378**	**37,163**	**3.1%**	**(30,679)**	**(2.5)%**
Refined							
Peru Open-pit							
Cathodes Ilo	568,619	597,353	475,452	(28,734)	(4.8)%	121,901	25.6%
SX-EW Toquepala	56,604	62,611	70,976	(6,007)	(9.6)%	(8,365)	(11.8)%
Mexico Open-pit							
Cathodes La Caridad	450,401	414,472	471,193	35,929	8.7%	(56,721)	(12.0)%
SX-EW La Caridad	55,583	52,636	50,284	2,947	5.6%	2,352	4.7%
SX-EW Buenavista	205,957	146,348	145,734	59,609	40.7%	614	0.4%
Total Refined	**1,337,164**	**1,273,420**	**1,213,639**	**63,744**	**5.0%**	**59,781**	**4.9%**
Rod Mexico Open-pit - La Caridad	**284,569**	**279,546**	**266,298**	**5,023**	**1.8%**	**13,248**	**5.0%**
SILVER (thousand ounces)							
Mined							
Peru Open-pit							

Toquepala	1,435	1,402	1,689	33	2.3%	(287)	(17.0)%
Cuajone	2,588	2,190	2,117	398	18.2%	73	3.4%
Mexico Open-pit							
La Caridad	2,000	1,841	1,891	159	8.7%	(50)	(2.6)%
Buenavista	2,024	1,910	1,972	114	6.0%	(62)	(3.1)%
IMMSA unit	4,945	6,170	5,974	(1,225)	(19.9)%	196	3.3%
Total Mined	**12,992**	**13,513**	**13,643**	**(521)**	**(3.9)%**	**(130)**	**(1.0)%**

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	Year Ended December 31,			Variance			
				2014-2013		2013-2012	
	2014	2013	2012	Volume	%	Volume	%
Refined							
Ilo	3,479	3,221	2,881	258	8.0%	340	11.8%
La Caridad	7,237	9,343	8,622	(2,106)	(22.5)%	721	8.4%
IMMSA	2,632	3,009	2,365	(377)	(12.5)%	644	27.2%
Total Refined	**13,348**	**15,573**	**13,868**	**(2,225)**	**(14.3)%**	**1,705**	**12.3%**
MOLYBDENUM (thousand pounds)							
Mined							
Toquepala	13,448	10,278	9,850	3,170	30.8%	428	4.3%
Cuajone	8,821	6,907	6,307	1,914	27.7%	600	9.5%
Buenavista	4,893	792		4,101	517.8%	792	
La Caridad	23,810	25,887	24,181	(2,077)	(8.0)%	1,706	7.1%
Total Mined	**50,972**	**43,864**	**40,338**	**7,108**	**16.2%**	**3,526**	**8.7%**
ZINC (thousand pounds)							
Mined IMMSA	146,859	219,077	198,160	(72,218)	(33.0)%	20,917	10.6%
Refined IMMSA	203,118	215,374	206,225	(12,256)	(5.7)%	9,149	4.4%

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SLOPE STABILITY:

Peruvian Operations

The Toquepala and Cuajone pits are approximately 825 meters and 930 meters deep, respectively. Under the present mine plan configuration the Toquepala pit will reach a depth of 1,635 meters and the Cuajone pit will reach a depth of 1,290 meters. The deepening pits present us with a number of geotechnical challenges. Perhaps the foremost concern is the possibility of slope failure, a possibility that all open-pit mines face. In order to maintain slope stability, in the past we have decreased pit slope angles, installed additional or duplicate haul road access, and increased stripping requirements. We have also responded to hydrological conditions and removed material displaced by slope failures. To meet the geotechnical challenges relating to slope stability of the open-pit mines, we have taken the following steps:

In the late 1990s, we hosted round table meetings in Vancouver, B.C. with a group of recognized slope stability and open-pit mining specialists. The agenda for these meetings was principally a review of pit design for mines with greater than 700 meter depth. The discussions included practices for monitoring, data collection and blasting processes.

Based on the concepts defined at the Vancouver meetings, we initiated slope stability studies to define the mining of reserves by optimum design. These studies were performed by outside consultants and included slope stability appraisals, evaluation of the numerical modeling, slope performance and inter-ramp angle design and evaluation of hydrological conditions.

The studies were completed in 2000 and we believe we implemented the study recommendations. One of the major changes implemented was slope angle reduction at both mines, Toquepala by an average of five degrees and Cuajone by an average of seven degrees. Although this increased the waste included in the mineable reserve calculation, it also improved the stability of the pits.

In the Toquepala mine in 2007 we installed 20 meter wide geotechnical berms every 10 benches. We believe this will further strengthen the stability of the Toquepala pit.

Since 1998, a wall depressurization program has been in place in both pits. This consists of a horizontal drilling program, which improves drainage thereby reducing saturation and increasing wall stability. Additionally, a new blasting control program was put in place, implementing vibration monitoring and blasting designs of low punctual energy and pre-split techniques. Also a new slope monitoring system was implemented using reflection prisms, deformation inclinometers and piezometers for water level control, as well as real-time robotic monitoring equipment. In October 2012, two interferometric radars were put in place to monitor slope stability at the Toquepala mine, and in September 2013, new full monitoring software (FMS360) was installed. These systems improve the reliability of instrumentation, the information quality for assessing the behavior of the slopes and anticipates the risks of instability.

In 2013, a program of oriented geotechnical drilling, totaling 20,000 meters, was executed at the Toquepala mine. This program, which began in May 2013, is part of the slope stability upgrade study and it is being executed by the team of mining consultants, including Itasca S.A., Stacey Mining Geotechnical Ltd. and Piteau Associates. During the execution of this program additional instrumentation has been implemented,

including eight vibrating wire piezometers. The study report includes slope stability appraisals, evaluation of the numerical modeling, slope performance and inter-ramp angle design and evaluation of hydrogeological conditions. Additionally, in 2013, at the Toquepala mine, 366.15 meters of geotechnical drilling was carried out to install 3 inclinometers in the instability zone of the west ramp. In 2014, as part of the slope stability upgrade study, the consultants completed the final report for phase 1A of this study, the preliminary structural domains and updated major structure models.

In 2013, a mining consulting group began a study of dump stability at the Toquepala mine. This study will include an assessment of the current stability of the dumps and will develop a geotechnical campaign to obtain information to assess the stability of the future and final stages of the dumps.

At the Cuajone mine, in 2007 in order to minimize the damage to the slopes caused by production blast vibrations, blasting control using three pre-split drills was implemented. Also, the slope monitoring system with reflection prisms has been replaced by a system using slope monitoring radar. In February 2012, the first radar equipment was put in service, followed in August 2013 with the second radar installation and a geotechnical surveillance camera was added. This new system improves the reliability and continuity of monitoring, improves the quality of information used to evaluate the performance of the slopes and

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helps better anticipate the risk of instability. The sub-surface deformation and the water level are still monitored with inclinometers and piezometers. In September 2012, we completed a program of oriented geotechnical drilling, totaling 17,938 meters, and in May 2013 we completed a program of vertical geotechnical drilling, totaling 2,814 meters, with hydraulic tests performed on rock and subsequently instrumented with inclinometers/piezometers. The geotechnical and hydraulic information obtained from the two programs will be used in the development of a geotechnical study for the new 15 year mine development plan (2015-2029). Also during 2013, we drilled 772 meters of sub-horizontal holes in order to drain the east slope of the pit. The geotechnical study for the new 15 years mine development plan, is being prepared by SRK Consulting Chile and is expected to be completed in early 2015; this study will contain recommendations for improving the stability of the pit slopes.

In 2013, the Board of Directors approved a project to improve slope stability at the south area of the Cuajone mine, which will remove approximately 148 million tons of waste material in order to improve the mine design without reducing our actual production level. For further information see Item 7 Management Discussion and Analysis Capital Investment Program.

To increase the possibility of mining in the event of a slide, we have provided for two ramps of extraction for each open-pit mine. While these measures cannot guarantee that a slope failure will not occur, we believe that our mining practices are sound and that the steps taken and the ongoing reviews performed are a prudent methodology for open-pit mining.

Mexican operations

In 2004, our 15-year mine plan study for the La Caridad mine was awarded to an independent consulting firm to conduct a geotechnical evaluation. The purpose of the plan was to develop a program of optimum bench design and inter-ramp slope angles for the open-pit. The results of the evaluation presented by the consultants included a recommendation of a maximum average bench face angle of 72 degrees. Additionally, single benching was recommended for the upper sections of the west, south and east walls of the main pit. Likewise, double benching was recommended for the lower levels of the main pit and single benching for the upper slope segments that consist of either alluvial material, mine waste dumps or mineralized stockpile material. Alternatively, slopes in these types of materials, may be designed with an overall 37 degree slope. The geostructural and geotechnical parameters recommended were applied in the pit design for the new life of the mine plan for La Caridad mine prepared in 2010. This mine plan replaced the 15-year mine plan prepared in 2004. However, since final pit limits have not been yet established at La Caridad, all current pit walls are effectively working slopes. Geostructural and geotechnical data collected at the open-pit mine from cell-mapping and oriented-core drilling databases provided the basis for the geotechnical evaluation and recommendations. We continue to collect new information related to geotechnical data and other geology features in order to ensure the structural security and also to improve the geotechnical data base for future studies.

At the Buenavista mine, we are following the recommendations of a geotechnical evaluation of design slope for the 15-year pit plan. This evaluation was prepared by an independent mine consulting firm. This evaluation included the determination of optimum pit slope design angles and bench design parameters for the proposed mine plan. The objective of the study was: (1) to determine optimum inter-ramp slope angles and bench design parameters for the 15-year plan and (2) to identify and analyze any potential major instability that could adversely impact mine operation. In 2012, we installed a radar system to monitor the walls of the mine.

The following recommendations were made for the Buenavista mine: inter-ramp slope design angles for the 15-year pit plan, for all of the 21 design sectors, defined on a rock-fabric-based catch bench analysis, using double bench, can range from 48° and 55°, and the inter-ramp slope angles are based on geometries that resulted from the back-break analysis using 80% reliability of achieving the required 7.5 meter catch bench width for a single bench configuration and 10.6 meter catch bench width for a double bench configuration. Preliminary observations suggest the

15-year pit walls may be relative free-draining, the back-break analysis assumed depressurized conditions of mine benches, and the inter-ramp stability analysis were performed for both, saturated and depressurized conditions.

A pit dewatering/depressurization plan for the Buenavista mine was also recommended to address the issues of open-pit drainage, dewatering plan and future slope depressurization. Phase I of the geohydrological study was completed by an independent consultant. The analysis included a preliminary assessment and work plan implementations.

In 2011, five wells for extraction and monitoring were drilled close to the mine. Also, we began a drilling program to monitor possible water filtration beyond the limits of the open-pit mine. All the information obtained from these well drilling programs has been analyzed and included in the hydrologic model. The open-pit dewatering program from the bottom benches also

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continued during 2012 with a drilling program of 3,797 meters in several monitoring wells in order to allow us to continue with the current mining plan.

In 2013, Buenavista continued the drilling program monitoring the extraction wells in the area of Increment (Phase) 5 of the mine and beyond the current limits of the open pit mine.

During 2013, the program to dewater the Buenavista pit bottom was continued in accordance with the short and medium term mine plans. Pumping from sumps located in Increment 5, permitted mining of high grade copper blocks. Concurrent with this operational task, a geophysical study was conducted to determine the best locations for water extraction wells to control the inflow of water to the pit bottom and thus allow us to continue our mining operations. The water extracted is being used for various purposes, including road irrigation for dust mitigation. The geophysical investigation also permitted the location of underground workings and the filtration and seepage through fractures.

A total of 7,339 meters were drilled during 2013 for 30 extraction wells, three of these wells are located in the area of Increment (Phase) 5. The rest were drilled at various locations outside of the current open pit mine limit.

In 2014, we continued collecting new geotechnical information from two exploration drilling projects; this data is available to analyze the geotechnical data base for new studies in accordance with slope angle for the open pit excavations. In the free face benches at the open pit mine operations, the cell-mapping was prepared to increment the geotechnical data base. Following the recommendations of geotechnical evaluation we continue monitoring the walls using the radar system.

For 2015 we will increment the geophysical information to analyze and determine the principal filtration structures, for better locations of water extraction wells. With a diamond drilling program of 19,000 meters we will supplement our geotechnical information.

Various studies are now being conducted by outside specialized consultants in order to establish long-range mine water management objectives and to implement recommendations for the efficient use of this resource.

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METAL PRODUCTION BY SEGMENTS

Set forth below are descriptions of the operations and other information relating to the operations included in each of our three segments.

PERUVIAN OPERATIONS

Our Peruvian segment operations include the Cuajone and Toquepala mine complexes and the smelting and refining plants, industrial railroad which links Ilo, Toquepala and Cuajone and the port facilities.

Following is a map indicating the approximate location of, and access to, our Cuajone and Toquepala mine complexes, as well as our Ilo processing facilities:

We have ongoing maintenance and improvement programs to ensure the satisfactory performance of our equipment. We believe all our Peruvian plant s equipment is in good physical condition and suitable for our operations.

Cuajone

Our Cuajone operations consist of an open-pit copper mine and a concentrator located in southern Peru, 30 kilometers from the city of Moquegua and 840 kilometers from Lima. Access to the Cuajone property is by plane from Lima to Tacna (1:40 hours) and then by highway to Moquegua and Cuajone (3:30 hours). The concentrator has a milling capacity of 90,000 tons per day. Overburden removal commenced in 1970 and ore production commenced in 1976. Our Cuajone operations utilize a conventional open-pit mining method to collect copper ore for further processing at the concentrator.

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The table below sets forth 2014, 2013 and 2012 production information for our Cuajone operations:

		2014	2013	2012
Mine annual operating days		365	365	366
Mine				
Total ore mined	(kt)	30,555	29,269	28,708
Copper grade	(%)	0.680	0.669	0.653
Leach material mined	(kt)	1,898	3,071	554
Leach material grade	(%)	0.671	0.467	0.538
Stripping ratio	(x)	4.98	4.92	4.37
Total material mined	(kt)	182,812	173,277	154,091
Concentrator				
Total material milled	(kt)	30,555	29,353	28,732
Copper recovery	(%)	85.88	85.91	84.57
Copper concentrate	(kt)	702.1	659.8	620.7
Copper in concentrate	(kt)	178.3	168.6	158.8
Copper concentrates average grade	(%)	25.40	25.55	25.58
Molybdenum				
Molybdenum grade	(%)	0.019	0.015	0.014
Molybdenum recovery	(%)	67.59	71.53	71.15
Molybdenum concentrate	(kt)	7.4	5.8	5.4
Molybdenum concentrate average grade	(%)	54.00	53.66	53.42
Molybdenum in concentrate	(kt)	4.0	3.1	2.9

Key: kt = thousand tons

x = Stripping ratio obtained dividing waste plus leachable material by ore mined.

Copper and molybdenum grades are referred to as total copper grade and total molybdenum grade, respectively.

Geology

The Cuajone porphyry copper deposit is located on the western slopes of Cordillera Occidental, in the southern-most Andes Mountains of Peru. The deposit is part of a mineral district that contains two additional known deposits, Toquepala and Quellaveco. The copper mineralization at Cuajone is typical of porphyry copper deposits. The Cuajone deposit is located approximately 28 kilometers from the Toquepala deposit and is part of the Toquepala Group dated 60 to 100 million years (Upper Cretaceous to Lower Tertiary). The Cuajone lithology includes volcanic rocks from Cretaceous to Quaternary. There are 32 rock types including, pre-mineral rocks, basaltic andesite, porphyritic rhyolite, Toquepala dolerite and intrusive rocks, including diorite, porphyritic latite, breccias and dikes. In addition, the following post-mineral rocks are present; the Huaylillas formation which appears in the south-southeast side of the deposit and has been formed by conglomerates, tuffs, traquites and agglomerates. These formations date 17 to 23 million years and are found in the Toquepala Group as discordance. The Chuntacala formation which dates 9 to 14 million years and is formed by conglomerates, flows, tuffs and agglomerates placed gradually in some cases and in discordance in others. Also Quaternary deposits are found in the rivers, creeks and hills. The mineralogy is simple with regular grade distribution and vertically funnel-shaped. Ore minerals include chalcopyrite ($CuFeS_2$), chalcosine (Cu_2S) and molybdenite (MoS_2) with occasional galena, tetraedrite and enargite as non-economic material.

Mine exploration

Exploration activities during the drill campaign in 2014 were as follows:

Studies	Meters	Holes	Notes
Infill drilling	5,425	20	To obtain additional information to improve confidence in our block model.
Condemnatory holes	800	2	Areas for dumps.
Total	6,225	22	

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Concentrator

Our Cuajone operations use state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. Material with a copper grade over 0.35% is loaded onto rail cars and sent to the milling circuit, where giant rotating crushers reduce the size of the rocks to approximately one-half of an inch. The ore is then sent to the ball mills, which grind it to the consistency of fine powder. The finely ground powder is agitated in a water and reagents solution and is then transported to flotation cells. Air is pumped into the cells to produce foam for floating the copper and molybdenum minerals, but separating waste material called tailings. This copper-molybdenum bulk concentrate is then treated by inverse flotation where molybdenum is floated and copper is depressed. The copper concentrate is shipped by rail to the smelter at Ilo and the molybdenum concentrate is packaged for shipment to customers. Sulfides under 0.35% copper are considered waste.

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

Toquepala

Our Toquepala operations consist of an open-pit copper mine and a concentrator. We also refine copper at the SX-EW facility through a leaching process. Toquepala is located in southern Peru, 30 kilometers from Cuajone and 870 kilometers from Lima. Access is by plane from Lima to the city of Tacna (1:40 hours) and then by the Pan-American highway to Camiara (1:20 hours) and by road to Toquepala (1 hour). The concentrator has a milling capacity of 60,000 tons per day. The SX-EW facility has a production capacity of 56,000 tons per year of LME grade A copper cathodes. Overburden removal commenced in 1957 and ore production commenced in 1960. Our Toquepala operations utilize a conventional open-pit mining method to collect copper ore for further processing in our concentrator.

The table below sets forth 2014, 2013 and 2012 production information for our Toquepala operations:

		2014	2013	2012
Mine annual operating days		365	365	366
Mine				
Total ore mined	(kt)	19,922	19,954	20,072
Copper grade	(%)	0.626	0.611	0.658
Leach material mined	(kt)	37,939	38,847	37,065
Leach material grade	(%)	0.155	0.222	0.247
Stripping ratio	(x)	9.60	7.51	7.67
Total material mined	(kt)	211,202	169,808	173,927
Concentrator				
Total material milled	(kt)	19,942	19,925	20,090
Copper recovery	(%)	91.98	90.92	90.86
Copper concentrate	(kt)	416.7	409.6	451.5
Copper in concentrate	(kt)	114.8	110.7	120.1
Copper concentrate average grade	(%)	27.55	27.02	26.60
Molybdenum				
Molybdenum grade	(%)	0.042	0.033	0.033

Molybdenum recovery	(%)	73.54	71.43	66.64
Molybdenum concentrate	(kt)	10.9	8.4	8.2
Molybdenum concentrate average grade	(%)	56.02	55.46	54.37
Molybdenum in concentrate	(kt)	6.1	4.7	4.5
SX-EW plant				
Estimated leach recovery	(%)	25.94	25.69	25.56
SX-EW cathode production	(kt)	25.7	28.4	32.2

Key: kt = thousand tons
x = Stripping ratio obtained dividing waste plus leachable material by ore mined.

Copper and molybdenum grades are referred to as total copper grade and total molybdenum grade, respectively.

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Geology

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

The Toquepala deposit is in the southern region of Peru, located on the western slope of the Andes mountain range, approximately 120 kilometers from the border with Chile. This region extends into Chile and is home to many of the world s most significant known copper deposits. The deposit is in a territory with intrusive and eruptive activities of rhyolitic and andesitic rocks which are 70 million years old (Cretaceous-Tertiary) and which created a series of volcanic lava. The lava is composed of rhyolites, andesites and volcanic agglomerates with a western dip and at an altitude of 1,500 meters. These series are known as the Toquepala Group. Subsequently, different intrusive activities occurred which broke and smelted the rocks of the Toquepala Group. These intrusive activities resulted in diorites, granodiorites and dikes of porphyric dacite. Toquepala has a simple mineralogy with regular copper grade distribution. Economic ore is found as disseminated sulfurs throughout the deposit as veinlets, replenishing empty places or as small aggregates. Ore minerals include chalcopyrite (CuFeS2), chalcosine (Cu2S) and molybdenite (MoS2). A secondary enrichment zone is also found with thicknesses between 0 and 150 meters.

Mine Exploration

Exploration activities during the drill campaign in 2014 were as follows:

Studies	Meters	Holes	Notes
Leach and ore confirmation for phase 4 and 5	3,677	10	To confirm the lateral continuity of the ore body and leaching material
Exploration Micalaco fault and hydrogeological drill	464	2	To define rock mass quality and hydrogeological behavior.
Total	**4,141**	**12**	

Concentrator

Our Toquepala concentrator operations use state-of-the-art computer monitoring systems in order to coordinate inflows and optimize operations. Material with a copper grade over 0.40% is loaded onto rail cars and sent to the crushing circuit, where rotating crushers reduce the size of the rocks by approximately 85%, to less than one-half of an inch. The ore is then sent to the rod and ball mills, which grind it in a mix with water to the consistency of fine powder. The finely ground powder mixed with water is then transported to flotation cells. Air is pumped into the cells producing a froth, which carries the copper mineral to the surface but not the waste rock, or tailings. The bulk concentrate with sufficient molybdenum content is processed to recover molybdenum by inverse flotation. This final copper concentrate with a content of approximately 26.5% of copper is filtered in order to reduce moisture to 8.5% or less. Concentrates are then shipped by rail to the Ilo smelter.

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

SX-EW Plant

The SX-EW facility at Toquepala produces grade A LME electrowon copper cathodes of 99.999% purity from solutions obtained by leaching low-grade ore stored at the Toquepala and Cuajone mines. The leach plant commenced operations in 1995 with a design capacity of 35,629 tons per year of copper cathodes. In 1999, the capacity was expanded to 56,000 tons per year.

Copper oxides from Cuajone with a copper grade higher than 0.208%, with an acid solubility index higher than 43% and a cyanide solubility index higher than 17% are leached. In Toquepala, the leach material cutoff grade is 0.153% and therefore material with a total copper grade between 0.153% and 0.300% are leached. Copper in solution produced at Cuajone is sent to Toquepala through an eight-inch pipe laid alongside the Cuajone-Toquepala railroad track.

Plant and equipment are supported by a maintenance plan and a quality management system to assure good physical condition and high availability. The SX-EW plant management quality system (including leaching operations) has been audited periodically since 2002 by an external audit company, and found to be in compliance with the requirements of the ISO 9001-

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2008 standard. In 2012, we obtained the certification OHSAS 18001 of our occupational health and safety system and the ISO14001-2004 for our environmental standards at the SX-EW plant.

Processing Facilities - Ilo

Our Ilo smelter and refinery complex is located in the southern part of Peru, 17 kilometers north of the city of Ilo, 121 kilometers from Toquepala, 147 kilometers from Cuajone and 1,240 kilometers from the city of Lima. Access is by plane from Lima to Tacna (1:40 hours) and then by highway to the city of Ilo (2:00 hours). Additionally, we maintain a port facility in Ilo, from which we ship our product and receive supplies. Product shipped and supplies received are moved between Toquepala, Cuajone and Ilo on our industrial railroad.

Smelter

Our Ilo smelter produces copper anodes for the refinery we operate as part of the same facility. Copper produced by the smelter exceeds the refinery s capacity and the excess is sold to other refineries around the world. In 2007, we completed a major modernization of the smelter. The nominal installed capacity of the smelter is 1,200,000 tons of concentrate per year.

Copper concentrates from Toquepala and Cuajone are transported by railroad to the smelter, where they are smelted using an ISASMELT furnace, converters and anode furnaces to produce copper anodes with 99.7% copper. At the smelter, the concentrates are mixed with flux and other material and sent to the ISASMELT furnace producing a mixture of copper matte and slag, which is tapped through a taphole to either of two rotary holding furnaces, where these smelted phases will be separated. Copper matte contains approximately 63% copper. Copper matte is then sent to the four Pierce Smith converters, where the material is oxidized in two steps: (1) the iron sulfides in the matte are oxidized with oxygen enriched air and silica is added producing slag that is sent to the slag cleaning furnaces, and (2) the copper contained in the matte sulfides is then oxidized to produce blister copper, containing approximately 99.3% copper. The blister copper is refined in two anode furnaces by oxidation to remove sulfur with compressed air injected into the bath. Finally, the oxygen content of the molten copper is adjusted by reduction with injection of liquefied petroleum gas with steam into the bath. Anodes, containing approximately 99.7% copper, are cast in two casting wheels. The smelter also can produce blister copper bars, especially when an anode furnace is in general repair.

The table below sets forth 2014, 2013 and 2012 production and sales information for our Ilo smelter plant:

Smelter		**2014**	**2013**	**2012**
Concentrate smelted	(kt)	1,022.5	1,072.8	996.6
Average copper recovery	(%)	97.5	97.9	97.7
Blister production	kt		1.7	33.1
Average blister grade	(%)		99.35	99.34
Anode production	(kt)	304.7	323.5	265.9
Average anode grade	(%)	99.75	99.75	99.73
Sulfuric acid produced	(kt)	994.2	1,025.8	968.7
Sales data:				
Blister sales	(kt)		1.67	32.84

Anode sales	(kt)		1.00	2.51
Average blister sales price	($/lb)		3.98	3.48
Average anode sales price	($/lb)		3.26	3.93
Average sulfuric acid price	($/ton)	64.67	94.89	133.98

Key: kt = thousand tons

The off gases from the smelter are treated to recover over 92% of the incoming sulfur received in the concentrates producing 98.5% sulfuric acid. The gas stream from the smelter with 11.34% SO_2 is split between two plants: The No. 1 acid plant (single absorption/single contact) and the No. 2 plant (double absorption/double contact). Approximately, 16% of the acid produced is used at our facilities with the balance sold to third parties. We anticipate that our internal usage will be over 80% when the Tia Maria project begins operation.

The smelter also has two oxygen plants. Plant No. 1, with 272 tons per day of production capacity, and Plant No.2, with 1,045 tons per day of capacity.

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In 2010, the Ilo smelter marine trestle started operation. This facility allows us to offload directly to offshore ships the sulfuric acid produced, avoiding hauling cargo through the city of Ilo. The 500 meter long marine trestle is the last part of the Ilo smelter modernization project. Currently all overseas shipments of sulfuric acid are being made using the marine trestle.

Refinery

The Ilo refinery consists of an electrolytic plant, a precious metal plant and a number of ancillary installations. The refinery is producing grade A copper cathode of 99.998% purity. The nominal capacity is 280,000 tons per year. Anodic slimes are recovered from the refining process and then sent to the precious metals facility to produce refined silver, refined gold and commercial grade selenium.

Anodes are suspended in tanks containing a solution of sulfuric acid and copper sulfate. A low voltage but high amperage electrical current is passed through the anodes**,** chemical solution and cathodes in order to dissolve copper which is deposited on initially very thin starting sheets increasing its thickness to produce high grade copper cathodes. During this process, silver, gold and other metals, including palladium, platinum and selenium, along with other impurities, settle on the bottom of the tank in the form of anodic slime. This anodic slime is processed in a precious metal plant where silver, gold and selenium are recovered.

The table below sets forth 2014, 2013 and 2012 production and sales information for our Ilo refinery and precious metals plants:

		2014	2013	2012
Refinery				
Cathodes produced	(kt)	257.9	271.0	215.7
Average copper grade	(%)	99.998	99.971	99.998
Refined silver produced	(000 Kg)	108.2	100.2	89.6
Refined gold produced	(kg)	225.8	238.3	184.2
Commercial grade selenium produced	(tons)	50.0	51.5	41.5
Sales data:				
Average cathodes sales price	($/lb)	3.17	3.37	3.67
Average silver sales price	($/oz)	19.11	24.26	30.76
Average gold sales price	($/oz)	1,259.01	1,392.49	1,663.91

Key: kt = thousand tons

In addition to the processing facilities, the refinery has a production control section, a laboratory which provides sample analysis throughout the Company, a maintenance department, a desalinization plan and other support facilities.

Other facilities in Ilo are a coquina plant with a production capacity of 200,000 tons per year of seashells and a lime plant with a capacity of 80,000 tons per year. We also operate an industrial railroad to haul production and supplies between Toquepala, Cuajone and Ilo.

The industrial railroad s main equipment includes locomotives of different types and rolling stock with different types of cars and capacities. The track runs in a single 214 kilometer standard gauge line and supports a 30-ton axle load. The total length of the track system is around 257 kilometers including main yards and sidings. The infrastructure includes 27 kilometers of track under tunnels and one concrete bridge. The industrial railroad includes a car repair shop which is responsible for maintenance and repair of the car fleet. Annual tonnage transported is approximately 5.1 million tons.

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MEXICAN OPERATIONS

Following is a map indicating the approximate locations of our Mexican mines and processing facilities:

MEXICAN OPEN-PIT SEGMENT

Our Mexican open-pit segment operations combine two units of Minera Mexico, La Caridad and Buenavista, which include La Caridad and Buenavista mine complexes and smelting and refining plants and support facilities, which service both complexes.

Following is a map indicating the approximate location of, and access to, our Mexican open-pit mine complexes, as well as our processing facilities:

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We have ongoing maintenance and improvement programs to ensure the satisfactory performance of our equipment. We believe all our Mexican open-pit segment equipment is in good physical condition and suitable for our operations.

Buenavista

The Buenavista mining unit operates an open-pit copper mine, a concentrator and three SX-EW plants. It is located 100 air-kilometers northwest of La Caridad and 40 kilometers south of the Arizona, U.S. - Mexican border. It lies on the outskirts of the city of Cananea. Buenavista is connected by paved highways to the border city of Agua Prieta to the northeast, to the town of Nacozari in the southeast and to the town of Imuris to the west. Buenavista is also connected by railway to Agua Prieta and Nogales. A municipal airport is located approximately 20 kilometers to the northeast of Buenavista.

In 2010, a strike of approximately three years was settled and full production was restored in 2011. In 2013, mine operations were affected by flooding problems caused by unusual rains in the area, as a consequence we lost approximately 22,900 tons of copper production. The mine restored full operations by the end of the third quarter of 2013.

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In August 2014, a spill of copper sulfate solution occurred at a leaching pond for Buenavista s new SX-EW III plant. The solution reached the Bacanuchi River, a tributary of the Sonora River. We took immediate action to contain the spill and expedite the cleanup, also to comply with all the legal requirements. A trust fund of two billion pesos (approximately $150 million) was established to support remedial action and provide compensation to those adversely affected by this accident. In 2014, Buenavista deposited one billion pesos (approximately $74.9 million) in the trust, which are available to compensate claims as they arise. A technical committee, comprised of government representatives, Company personnel and specialists assisted by a team of environmental experts, was created to manage the fund. We believe that most of the damage caused by the spill has been corrected.

We have started a major capital investment program at Buenavista, which includes our third SX-EW plant with a planned annual capacity of 120,000 tons of copper, which started operations in June 2014, producing 32,927 tons of copper cathodes in 2014; a concentrator expansion with an increase in production capacity of 188,000 tons per year; and two molybdenum plants with a combined annual capacity of 4,600 tons. This investment program is underway and we expect to complete it in two phases. The first phase was completed in 2014 and we expect to complete the second phase in 2015 with an expected further increase in annual copper production of 188,000 tons. With these investments, we expect the total production capacity at Buenavista will reach 488,000 tons of copper by the end of 2015.

The concentrator has a nominal milling capacity of 76,700 tons per day. The SX-EW facility has a cathode production capacity of 174,470 tons per year. The Buenavista ore body is considered one of the world s largest porphyry copper deposits. Buenavista is the oldest continuously operated copper mine in North America, with operations dating back to 1899. High grade ore deposits in the district were mined exclusively using underground methods. The Anaconda Company acquired the property in 1917. In the early 1940s, Anaconda started developing the first open-pit in Buenavista. In 1990, through a public auction procedure, Minera Mexico acquired 100% of the Buenavista mining assets for $475 million. Buenavista is currently applying conventional open-pit mining methods to extract copper ore for further processing in the concentrator. Two leach ore crushers and the corresponding belt conveying systems are used to convey the leachable material to the heaps. Likewise, run-off mine leachable ore is hauled by trucks to the leach dumps.

The following table shows 2014, 2013 and 2012 production information for Buenavista:

		2014	2013	2012
Mine annual operating days		365	365	366
Mine:				
Total ore mined	(kt)	27,291	25,260	25,763
Copper grade	(%)	0.581	0.559	0.632
Leach material mined (*)	(kt)	142,288	131,559	66,241
Leach material grade	(%)	0.263	0.238	0.275
Stripping ratio	(x)	8.93	7.18	4.86
Total material mined	(kt)	271,026	206,710	150,871
Concentrator:				
Total material milled	(kt)	27,278	25,277	25,748
Copper recovery	(%)	83.81	81.93	82.30
Copper concentrate	(kt)	565.7	476.5	511.6
Copper in concentrate	(kt)	132.9	115.8	134.0
Copper concentrate average grade	(%)	23.49	24.31	26.18
SX-EW plant				
Estimated leach recovery	(%)	58.47	50.11	53.29
SX-EW cathode production	(kt)	93.4	66.4	66.1

Key: kt = thousand tons

x = Stripping ratio obtained dividing waste plus leachable material by ore mined.

The copper grade is total grade.

(*) The 2013 increase in leach material mined was due to the additional material mined for the new SX-EW III plant that started operations in the second quarter of 2014.

Geology

The Buenavista mining district lies on the southern cordilleran orogen, which extends from southern Mexico to northwestern United States. It also falls within the Basin and Range metallogenic province. Geological and structural features in the district are representative of large, disseminated type, porphyry copper deposits. A calcareous sedimentary sequence of lower Paleozoic

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age, lithologically correlated with a similar section in southeastern Arizona, uncomformably overlies Precambrian granite basement. The entire section was covered by volcanic rocks of Mesozoic age and later intruded by deep seated granodiorite batholith of Tertiary age, with further quartz monzonite porphyry differentiates of Laramide age.

Mineralization in the district is extensive covering a surface area of approximately 30 square kilometers. An early pegmatitic stage associated with bornite-chalcopyrite-molybdenite assemblage was followed by a widespread flooding of hydrothermal solutions with quartz-pyrite-chalcopyrite. A pervasive quartz-sericite alteration is evident throughout the district s igneous rock fabric.

An extensive and economically important zone of supergene enrichment, with disseminated and stockworks of chalcocite (Cu_2S), developed below the iron oxide capping. This zone coincides with the topography and has an average thickness of 300 meters. A mixed zone of secondary and primary sulfides underlay the chalcocite blanket. The hypogene mineralization, principally chalcopyrite ($CuFeS_2$), extensively underlies the ore body. Molybdenite occurs throughout the deposit and the content tends to increase with depth.

The Buenavista copper porphyry is considered world-class and unique. The deepest exploration results in the core of the deposit have confirmed significant increase in copper grades. Similar porphyry copper deposits usually contain lower grades at depth. The district is also unique for the occurrence of high-grade breccia pipes, occurring in clusters following the trend of the district.

Current dimensions of the mineralized ore body are 5x3 kilometers, and projects to more than 1 kilometer at depth. Considering the geological and economic potential of the Buenavista porphyry copper deposit, it is expected that the operation can support a sizeable increase in copper production capacity.

Mine Exploration

In-fill core drilling was conducted at the Buenavista zinc-copper-silver deposit, including directional drilling for geotechnical purposes. A deep drilling campaign was initiated in 2011 to explore the extent of the deposit at depth, drilling a total of 3,860 meters in 2012. For short-term mine planning, 6,652 meters were drilled to confirm copper grade and metallurgical recoveries. Also, in 2011, a condemnation drilling program was initiated to define areas for future infrastructure, as well as areas where leach and waste dumps will be deposited. A total of 28,369 meters of core drilling were completed in 2011. A geohydrology program was initiated in 2011 to explore the possibility of groundwater sources within the mine limits, and a total of 29,750 meters of diamond drilling were drilled in 2012. In addition, 3,797 meters were drilled for water monitoring wells. We did not have a drilling campaign in 2013. In 2014, we performed a drilling program of 20,000 meters in order to verify the reserves. For 2015, we plan to drill 15,000 meters to define reserves and to confirm copper and molybdenum grades.

Concentrator

Buenavista uses state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. Material with a copper grade over 0.38% is loaded onto trucks and sent to the milling circuit, where giant rotating crushers reduce the size of the ore to approximately one-half of an inch. The ore is then sent to the ball and bar mills, which grind

it to the consistency of fine powder. The finely ground powder is agitated in a water and reagents solution and is then transported to flotation cells. Air is pumped into the cells producing a froth, which carries the copper mineral to the surface but not the waste rock, or tailings. Recovered copper, with the consistency of froth, is filtered and dried to produce copper concentrates with an average copper content of approximately 27%. Concentrates are then shipped by rail to the smelter at La Caridad.

As part of the expansion program for this unit, in 2013 we completed the construction of the first molybdenum plant with an annual production capacity of 2,000 tons of molybdenum contained in concentrate. The plant was designed to process 1,500 tons of copper-molybdenum concentrates per day with a recovery of 85% and 50% of molybdenum content. The molybdenum plant consists of thickeners, homogenizer tanks, flotation cells, column cells and a holo-flite dryer.

SX-EW Plant

The Buenavista unit operates a leaching facility and three SX-EW plants. All copper ore with a grade lower than the mill cut-off grade of 0.38%, but higher than 0.25%, is delivered to the leach dumps. A cycle of leaching and resting occurs for approximately five years in the run-of-mine dumps and three years for the crushed leach material.

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The Buenavista unit currently maintains 18.1 million cubic meters of pregnant leach solution in inventory with a concentration of approximately 1.82 grams of copper per liter.

There are three irrigation systems for the dumps and eleven dams for the pregnant leach solution (PLS). Plant I has four solvent extraction tanks with a nominal capacity of 18,000 liters per minute of PLS and 54 electrowinning cells and has a daily production capacity of 30 tons of copper cathodes with 99.999% purity. Plant II has five trains of solvent extraction with a nominal capacity of 62,000 liters per minute of PLS and 220 cells distributed in two bays and has a daily production capacity of 120 tons of copper cathodes with 99.9% purity. Plant III has 3 trains of solvent extraction with a nominal capacity of 167,100 liters per minute of PLS and 270 cells distributed in two bays and has a daily production capacity of 328 tons of copper cathodes with 99.9% purity. The plant will produce copper cathodes of LME grade A. Please see Capital Investment Program under Item 7 for further information.

La Caridad

The La Caridad complex includes an open-pit mine, concentrator, smelter, copper refinery, precious metals refinery, rod plant, SX-EW plant, lime plant and two sulfuric acid plants.

La Caridad mine and mill are located about 23 kilometers southeast of the town of Nacozari in northeastern Sonora. Nacozari is about 264 kilometers northeast of the Sonora state capital of Hermosillo and 121 kilometers south of the U.S.-Mexico border. Nacozari is connected by paved highway with Hermosillo and Agua Prieta and by rail with the international port of Guaymas, and the Mexican and United States rail systems. An airstrip with a reported runway length of 2,500 meters is located 36 kilometers north of Nacozari, less than one kilometer away from the La Caridad copper smelter and refinery. The smelter and the sulfuric acid plants, as well as the refineries and rod plant, are located approximately 24 kilometers from the mine. Access is by paved highway and by railroad.

The concentrator began operations in 1979, the molybdenum plant was added in 1982, the smelter in 1986, the first sulfuric acid plant in 1988, the SX-EW plant in 1995, the second sulfuric acid plant in 1997, the copper refinery in 1997, the rod plant in 1998, the precious metals refinery in 1999 and the dust and effluents plant in 2012.

The table below sets forth 2014, 2013 and 2012 production information for La Caridad:

		2014	2013	2012
Mine annual operating days		365	365	366
Mine				
Total ore mined	(kt)	34,251	33,570	33,556
Copper grade	(%)	0.343	0.344	0.344
Leach material mined	(kt)	31,164	30,426	34,848
Leach material grade	(%)	0.239	0.225	0.224
Stripping ratio	(x)	1.67	1.64	1.58
Total material mined	(kt)	91,454	88,595	86,632
Concentrator				

Total material milled	(kt)	34,427	33,629	33,434
Copper recovery	(%)	85.53	83.76	85.06
Copper concentrate	(kt)	458.8	459.6	461.5
Copper in concentrate	(kt)	101.1	96.9	97.8
Copper concentrate average grade	(%)	22.03	21.08	21.20
Molybdenum				
Molybdenum grade	(%)	0.039	0.044	0.043
Molybdenum recovery	(%)	81.52	79.81	76.44
Molybdenum concentrate	(kt)	20.2	21.8	20.3
Molybdenum concentrate average grade	(%)	53.55	53.96	54.09
Molybdenum in concentrate	(kt)	10.8	11.7	11.0
SX-EW plant				
Estimated leach recovery	(%)	38.56	38.79	39.20
SX-EW cathode production	(kt)	25.2	23.9	22.8

Key: kt = thousand tons

x = Stripping ratio obtained dividing waste plus leachable material by ore mined

The copper and molybdenum grade are total grade.

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Geology

The La Caridad deposit is a typical porphyry copper and molybdenum deposit as seen also in the southwestern basin of United States. The La Caridad mine uses a conventional open-pit mining method. The ore body is at the top of a mountain, which gives La Caridad the advantage of a relative low waste-stripping ratio, natural pit drainage and relative short haul for both ore and waste. The mining method involves drilling, blasting, loading and haulage of ore mill and waste to the primary crushers and the leach materials and waste to dumps, respectively.

La Caridad deposit is located in northeastern Sonora, Mexico. The deposit is situated near the crest of the Sierra Juriquipa, about 23 kilometers southeast of the town of Nacozari, Sonora, Mexico. The Sierra Juriquipa rises to elevations of around 2,000 meters in the vicinity of La Caridad and is one of the many north-trending mountain ranges in Sonora that form a southern extension of the basin and range province.

The La Caridad porphyry copper-molybdenum deposit occurs exclusively in felsic to intermediate intrusive igneous rocks and associated breccias. Host rocks include diorite and granodiorite. These rocks are intruded by a quartz monzonite porphyry stock and by numerous breccia masses, which contain fragments of all the older rock types.

Supergene enrichment, consists of completes to partial chalcosite (Cu_2S) replacement of chalcopyrite ($CuFeS_2$). The zone of supergene enrichment occurs as a flat and tabular blanket with an average diameter of 1,700 meters and thickness generally between 0 and 90 meters.

Economic ore is found as disseminated sulfurs within the central part of the deposit. Sulfide-filled breccia cavities are most abundant in the intrusive breccia. This breccia-cavity mineralization occurs as sulfide aggregates which have crystallized in the spaces separating breccia clasts. Near the margins of the deposit, mineralization occurs almost exclusively in veinlets. Ore minerals include chalcopyrite ($CuFeS_2$), chalcosite (Cu_2S) and molybdenite (MoS_2).

Mine Exploration

The La Caridad ore body has been mined for over 30 years. The extent of the model area is approximately 6,000 meters by 4,000 meters with elevation ranging from 750 to 1,800 meters. Sixteen drilling campaigns have been conducted on the property since 1968. These campaigns drilled a total of 3,317 drill holes: 1,154 were diamond drill holes and 2,163 were reverse circulation. We have also drilled some hammer and percussion drill holes. A total of 634,080 meters have been drilled through December 2011.

In 2008, La Caridad finished a large exploration program of 50,000 meters. The target was to reach to the 900 level in order to reduce the drilling space and to define the copper and molybdenum mineralization continuity and also carry out metallurgical testing for the flotation and leaching processes. There was no exploration program between 2009 and 2011. In 2012, we drilled 10,000 meters and further defined the extent of the copper and molybdenum mineralization. There was no exploration program in 2013 and 2014. For 2015, we plan to conduct a 10,000 meter drilling program to define a high grade ore body located in the south western edge of the pit.

Concentrator

La Caridad uses state-of-the-art computer monitoring systems at the concentrator, the crushing plant and the flotation circuit in order to coordinate inflows and optimize operations. The concentrator has a current capacity of 91,000 tons of ore per day.

Ore extracted from the mine with a copper grade over 0.30% is sent to the concentrator and is processed into copper concentrates and molybdenum concentrates. The copper concentrates are sent to the smelter and the molybdenum concentrate is sold to a Mexican customer. The molybdenum recovery plant has a capacity of 2,000 tons per day of copper-molybdenum concentrates. The lime plant has a capacity of 340 tons of finished product per day.

SX-EW Plant

Approximately 693.7 million tons of leaching ore with an average grade of approximately 0.246% copper have been extracted from the La Caridad open-pit mine and deposited in leaching dumps from May 1995 to December 31, 2013. All copper ore with

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a grade lower than the mill cut-off grade 0.30%, but higher than 0.15% copper, is delivered to the leaching dumps. In 1995, we completed the construction of a SX-EW facility at La Caridad that has allowed processing of this ore and certain leach ore reserves that were not mined and has resulted in a reduction in our copper production costs. The SX-EW facility has an annual design capacity of 21,900 tons of copper cathodes.

The plant has three trains of solvent extraction with a nominal capacity of 2,400 cubic meters per hour and 94 electrowinning cells distributed in one single electrolytic bay. The plant has a daily production capacity of 65 tons of copper cathodes with 99.999% purity.

Processing Facilities La Caridad

Our La Caridad complex includes a smelter, an electrolytic copper refinery, a precious metal refinery and a copper rod plant. The distance between this complex and the La Caridad mine is approximately 24 kilometers.

Smelter

Copper concentrates from Buenavista, Santa Barbara, Charcas and La Caridad are transported by rail and truck to the La Caridad smelter where they are processed and cast into copper anodes of 99.2% purity. Sulfur dioxide off-gases collected from the flash furnace, the El Teniente converter and conventional converters are processed into sulfuric acid at two sulfuric acid plants. Approximately 2% to 3% of this acid is used by our SX-EW plants and the balance is sold to third parties.

Almost all of the anodes produced in the smelter are sent to the La Caridad copper refinery. The actual installed capacity of the smelter is 1,000,000 tons per year, a capacity that is sufficient to treat all the concentrates of La Caridad and Buenavista, and starting in 2010, the concentrates from the IMMSA mines, as we closed the San Luis Potosi smelter.

The anode production capacity is 300,000 tons per year.

Refinery

La Caridad includes an electrolytic copper refinery that uses permanent cathode technology. The installed capacity of the refinery is 300,000 tons per year. The refinery consists of an anode plant with a preparation area, an electrolytic plant with an electrolytic cell house with 1,115 cells and 32 liberator cells, two cathode stripping machines, an anode washing machine, a slime treatment plant and a number of ancillary installations. The refinery is producing grade A copper cathode of 99.99% purity. Anodic slimes are recovered from the refining process and sent to the slimes treatment plant where additional copper is extracted. The slimes are then filtered, packed and shipped to the La Caridad precious metals refinery to produce silver and gold.

The operations of the precious metal refinery begin with the reception of slime from silver concentrates, which are dried in a steam dryer. After this, the dried slime is smelted and a gold and silver alloy is obtained, which is known as Dore. The precious metal refinery plant has a hydrometallurgical stage and a pyrometallurgical stage, besides a steam dryer, Dore casting system, Kaldo furnace, 20 electrolytic cells in the silver refinery, one induction furnace for fine silver, one silver ingot casting system and two reactors for obtaining fine gold. The process ends with the refining of the gold and silver alloy. We also recover commercial selenium from the gas produced by the Kaldo furnace process.

Copper Rod Plant

A rod plant at the La Caridad complex was completed in 1998 and reached its full annual operating capacity of 150,000 tons in 1999. The plant is producing eight millimeter copper rods with a purity of 99.99%.

Other facilities include a lime plant with a capacity of 132,000 tons per year, two sulfuric acid plants with capacity of 2,625 and 2,135 tons per day, three oxygen plants each with a production capacity of 275 tons per day; and two power turbo generators.

In 2012, we started operating a dust and effluent plant with a treatment capacity of 3,100 tons per year which will produce 720 tons of copper by-products and 11,000 tons of lead per year. This plant is designed to reduce dust emissions from La Caridad metallurgical complex.

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The table below sets forth 2014, 2013 and 2012 production information for the La Caridad processing facilities:

		2014	2013	2012
Smelter				
Total copper concentrate smelted	(kt)	926.4	722.6	904.3
Anode copper production	(kt)	259.6	222.1	263.0
Average copper content in anode	(%)	99.38	99.42	99.22
Average smelter recovery	(%)	97.4	98.8	97.4
Sulfuric acid production	(kt)	960.8	719.5	887.8
Refinery				
Refined cathode production	(kt)	204.3	188.0	213.7
Refined silver production	(000 kg)	225.1	290.6	268.2
Refined gold production	(Kg)	1,541.8	1,269.0	1,426.7
Rod Plant				
Copper rod production	(kt)	129.1	126.8	120.8
Sales data:				
Average realized price copper rod	($ per lb)	3.18	3.45	3.72
Average premium copper rod	($ per lb)	0.10	0.11	0.12
Average realized price gold	($ per ounce)	1,240.67	1,430.85	1,666.66
Average realized price silver	($ per ounce)	18.77	23.93	31.17
Average realized price sulfuric acid	($ per ton)	66.40	79.55	105.40

Key: kt = thousand tons

Kg = kilograms

MEXICAN IMMSA UNIT

Our IMMSA unit (underground mining poly-metallic division) operates five underground mining complexes situated in central and northern Mexico and produces zinc, lead, copper, silver and gold, and has a coal mine. These complexes include industrial processing facilities for zinc, lead, copper and silver. All of IMMSA s mining facilities employ exploitation systems and conventional equipment. We believe that all the plants and equipment are in satisfactory operating condition. IMMSA s principal mining facilities include Charcas, Santa Barbara, San Martin, Santa Eulalia and Taxco.

The table below sets forth 2014, 2013 and 2012 production information for our Mexican IMMSA unit:

		2014	2013	2012
Average annual operating days(*)		247	307	299
Total material mined and milled	(kt)	2,471	3,066	2,907
Zinc average ore grade	(%)	3.00	3.58	3.49
Zinc concentrate produced	(kt)	124.0	185.3	167.0
Zinc concentrate average grade	(%)	53.74	53.64	53.84
Zinc average recovery	(%)	89.73	90.62	88.48

Lead average ore grade	(%)	1.06	0.96	0.86
Lead concentrate produced	(kt)	36.1	40.1	35.3
Lead concentrate average grade	(%)	61.72	59.69	56.52
Lead average recovery	(%)	85.16	81.63	79.80
Copper average ore grade	(%)	0.39	0.39	0.40
Copper concentrate produced	(kt)	20.1	23.9	19.7
Copper concentrate average grade	(%)	25.95	26.78	29.70
Copper average recovery	(%)	54.31	53.59	50.62
Silver average ore grade	(ounces)	2.71	2.79	2.81
Silver in concentrates	(000 Ounces)	4,944.9	6,170.2	5,974.3
Silver concentrate average grade	(ounces)	162.7	175.7	190.3
Silver average recovery	(%)	81.14	79.24	80.25

kt = thousand tons

(*) Weighted average annual operating days based on total material mined and milled in the three active mines: Charcas, Santa Barbara, and Santa Eulalia.

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Charcas

The Charcas mining complex is located 111 kilometers north of the city of San Luis Potosi in the State of San Luis Potosi, Mexico. Charcas is connected to the state capital by a paved highway of 130 kilometers. It was discovered in 1573 and operations in the 20th century began in 1911. The complex includes three underground mines (San Bartolo, Rey-Reina and La Aurora) and one flotation plant that produces zinc, lead and copper concentrates, with significant amounts of silver. The Charcas mine is characterized by low operating costs and good quality ores and is situated near the zinc refinery. Regarding its geology, economic ore is found as replacement sulfurs in carbonates host rock. The ore mineralogy is comprised predominantly of calcopyrite ($CuFeS_2$), sphalerite (ZnS), galena (PbS) and silver minerals as diaphorite ($Pb_2Ag_3Sb_3S_8$). The Charcas mine is now Mexico s largest producer of zinc.

Mine exploration in 2014 included 38,643 meters of surface diamond drilling and 16,893 meters from underground stations, which increased our reserves by 1,474,964 tons. For 2015, 30,000 meters of surface drilling are planned to identify additional reserves.

Santa Barbara

The Santa Barbara mining complex is located approximately 26 kilometers southwest of the city of Hidalgo del Parral in southern Chihuahua, Mexico. The area can be reached via paved road from Hidalgo del Parral, a city on a federal highway. It was discovered in 1536 and mining activities in the 20th century began in 1913. Santa Barbara includes three main underground mines (San Diego, Segovedad and Tecolotes) and a flotation plant and produces lead, copper and zinc concentrates, with significant amounts of silver.

Regarding its geology, economic ore minerals include sphalerite (ZnS), marmatite (ZnFeS), galena (PbS), chalcopyrite ($CuFeS_2$) and tetrahedrite ($CuFe_{12}Sb_4S_{13}$). Due to the variable characteristics of the ore bodies, four types of mining methods are used: shrinkage stoping, long-hole drilled open stoping, cut-and-fill stoping and horizontal bench stoping. The ore, once crushed, is processed in the flotation plant to produce concentrates.

Mine exploration in 2014 included 46,000 meters of surface diamond drilling and 15,231 meters from underground stations, which increased reserves by 4,084,041 tons. For 2015, 46,000 meters of diamond drilling are planned to identify additional reserves.

Santa Eulalia

The mining district of Santa Eulalia is located in the central part of the state of Chihuahua, Mexico, approximately 26 kilometers east of the city of Chihuahua, and is connected to the city of Chihuahua by a paved road (highway no. 45). It was discovered in 1590 but exploitation began in 1870. The main mines in Santa Eulalia are The Buena Tierra mine and the San Antonio mine.

Regarding its geology, the mineralization corresponds in its majority to ore skarns: silicoaluminates of calcium, iron and manganese with variable quantities of lead, zinc, copper and iron sulfides. Economic ore include sphalerite (ZnS), galena (PbS) and small quantities of pyrargyrite (Ag_3SbS_3).

Mine exploration in 2014 included 17,300 meters of surface drilling. For 2015, a 20,000 meters of diamond drilling program is planned to identify additional reserves.

In May 2010, the Santa Eulalia mine suspended operations due to a flooding in the area brought on by the failure of a dike caused by excess water pressure. The rehabilitation work was completed in April 2013, allowing us to restore production until it was interrupted by another flood in the third quarter 2014.

San Martin

San Martin has been on strike since July 2007. Please see Note 13 Commitments and Contingencies Labor matters to our consolidated financial statements.

The San Martin mining complex is located in the municipality of Sombrerete in the western part of the state of Zacatecas, Mexico. Access to the property is via a federal highway between the cities of Durango and Zacatecas. It was discovered in 1555

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and mining operations in the 20th century began in 1949. The complex includes an underground mine and a flotation plant and produces lead, copper and zinc concentrates, with significant amounts of silver. Regarding its geology, economic ore is found as replacement ore bodies which includes chalcopyrite ($CuFeS_2$), sphalerite (ZnS), galena (PbS), bornite (Cu_5FeS_4) and others. There was no mine exploration drilling in the three years ended December 31, 2014 because of the strike.

Taxco

Taxco has been on strike since July 2007. Please see Note 13 Commitments and Contingencies Labor matters to our consolidated financial statements.

The Taxco mining complex is located on the outskirts of the city of Taxco in the northern part of the state of Guerrero, Mexico. It was discovered in 1519 and mining activities in the 20th century began in 1918. The complex includes several underground mines (San Antonio, Guerrero and Remedios) and a flotation plant and produces lead and zinc concentrates, with some amounts of gold and silver. Regarding its geology, economic ore is found in the deposits in veins and includes argentiferous galena (PbS), sphalerite (ZnS), pyrargyrite (Ag_3SbS_3), and other sulfosalts. The most mineralized zones are in the vicinity of the veins with the limestone.

Processing Facilities - San Luis Potosi

Our San Luis Potosi electrolytic zinc refinery is located in the city of San Luis Potosi, in the state of San Luis Potosi, Mexico. The city of San Luis Potosi is connected to our refinery by a major highway.

Zinc Refinery

The San Luis Potosi electrolytic zinc refinery was built in 1982 and was designed to produce 105,000 tons of refined zinc per year by treating up to 200,000 tons of zinc concentrate from our own mines, principally Charcas, which is located 113 kilometers from the refinery. The refinery produces special high grade zinc (99.995% zinc), high grade zinc (over 99.9% zinc) and zinc-based alloys with aluminum, lead, copper or magnesium in varying quantities and sizes depending on market demand. Refined silver and gold production is obtained from tolling services provided by a third party mining company.

The electrolytic zinc refinery has an acid plant, a steam recovery boiler and a roaster. There is also a calcine processing area with five leaching stages: neutral, hot acid, intermediate acid, acid, purified fourth and jarosite, as well as two stages for solution purifying.

The table below sets forth 2014, 2013 and 2012 production information for our San Luis Potosi zinc refinery:

		2014	2013	2012
Total zinc concentrate treated	(kt)	187.3	193.7	173.2
Refined zinc produced	(kt)	92.1	97.7	93.5
Sulfuric acid produced	(kt)	171.5	175.2	159.1
Refined silver produced	(kt)	11.0	11.6	15.6
Refined gold produced	(k)	16.0	9.0	14.7
Refined cadmium produced	(kt)	0.6	0.6	0.6
Average refinery recovery	(%)	94.1	94.5	95.4
Average realized price refined zinc	($ per lb)	103.7	92.4	95.0
Average realized price zinc concentrate	($ per lb)	92.6	82.5	
Average realized price silver	($ per oz)	19.28	22.95	31.29

kt = thousand tons

Nueva Rosita Coal and Coke Complex

The Nueva Rosita coal and coke complex began operations in 1924 and is located in the state of Coahuila, Mexico, on the outskirts of the city of Nueva Rosita near the Texas border. It includes (a) an underground coal mine, which has been closed since 2006; (b) an open-pit mine with a yearly capacity of approximately 350,000 tons of coal; (c) a coal washing plant with a capacity of 900,000 tons per year that produces high quality clean coal; and d) a re-engineered and modernized 21 ovens coke facility

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capable of producing 100,000 tons of coke per year (metallurgical, nut and fine) of which, 95,000 tons are metallurgical coke. There is also a by-product plant to clean the coke gas oven in which tar, ammonium sulfate and light crude oil are recovered. There are also two boilers, which produce 80,000 pounds of steam that is used in the by-products plant. We believe the plant s equipment is in good physical condition and suitable for our operations.

Coke production is sold to Penoles and other Mexican consumers in northern Mexico. We sold 90,796 tons, 76,831 tons and 69,638 tons of metallurgical coke in 2014, 2013 and 2012, respectively. We expect to sell 84,622 tons of metallurgical coke in 2015.

Carbon mine exploration

In Coahuila, an intensive exploration program of diamond drilling has identified two additional areas, Esperanza with a potential for more than 30 million tons of in place mineralized coal and Guayacan with a potential for 15 million tons of in place mineralized coal, that could be used for a future coal-fired power plant. In 2013 we drilled 2,451 meters and increased our coal reserve estimate by 39,552 tons at the La Conquista pit. During 2014, we executed 3,100 meters of diamond drilling and 300,000 tons of additional reserves were determined. For 2015, we expect to execute a drilling program of 3,000 meters.

The table below sets forth 2014, 2013 and 2012 production information for our Nueva Rosita coal and coke complex:

		2014	2013	2012
Coal mined open-pit	(kt)	276.1	291.5	325.3
Average BTU content	BTU/Lb	9,485	9,485	9,000
Average percent sulfur	%	1.49	1.87	1.50
Clean coal produced	(kt)	149.8	141.3	148.2
Coke tonnage produced	(kt)	96.1	93.2	91.2
Average realized price - Coal	($ per ton)	46.2	46.8	38.1
Average realized price - Arsenic clean coal	($ per ton)		78.33	
Average realized price - Coke	($ per ton)	260.52	299.58	318.7

kt = thousand tons

ORE RESERVES

Ore reserves are those estimated quantities of proven and probable material that may be economically mined and processed for extraction of their mineral content, at the time of the reserve determination. Proven (measured) reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; (b) grade and/or quality are computed from the results of detailed samplings; and (c) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable (indicated) reserves are reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are

farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation. Mineralized material, on the other hand, is a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support the reported tonnage and average grade of metal(s). Such a deposit does not qualify as a reserve until legal and economic feasibility are concluded based upon a comprehensive evaluation of unit costs, grade, recoveries and other material factors.

Our proven and probable ore reserve estimates are based on engineering evaluations of assay values derived from the sampling of drill holes and other openings. We believe that the samplings taken are spaced at intervals sufficiently close enough and the geological characteristics of the deposits are sufficiently well defined to render the estimates reliable. The ore reserves estimates include assessments of the resource, mining and metallurgy, as well as economic, marketing, legal, environmental, governmental, social and other necessary considerations.

Our Peruvian operations, including the Toquepala and Cuajone reserves, are classified into proven (measured), probable (indicated) and possible (inferred) categories based on a Relative Confidence Bound Index (RCB Index) that measures our level of geologic knowledge and confidence in each block. The RCB index is a measure of relative confidence in the block grade

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estimate. This approach combines the local variability of the composites used to krig a block with the kriging variance and incorporates the use of confidence intervals in measuring uncertainty of the block estimates relative to each other. The final resource classification is then based on the distribution of these RCB values for blocks above 0.05% copper. It is the distribution that is used to find the breaks between proven/probable and probable/possible.

Our Mexican operations, including the Buenavista and La Caridad reserves, are calculated using a mathematical block model and applying the MineSight software system. The estimated grades per block are classified as proven and probable. These grades are calculated applying a three-dimensional interpolation procedure and the inverse distance squared. Likewise, the quadrant method or spherical search is implemented in order to limit the number of composites that will affect the block s interpolated value. The composites data is derived from the geological exploration of the ore body. In order to classify the individual blocks in the model, a thorough geostatistical variogram analysis is conducted, taking into consideration the principal characteristics of the deposit. Based on this block model classification, and with the implementation of the Lerch-Grossman algorithm, and the MineSight Pit Optimizer procedure, mineable reserves are determined. The calculated proven and probable reserves include those blocks that are economically feasible to mine by open-pit method within a particular mine design.

For the IMMSA unit, the basis for reserve estimations are sampling of mining operations and drilling exploration, geographical and topographic surveys, tracking down all the foregoing in the corresponding maps, measurement, calculation and interpretation based on the maps and reports from the mines, the mills and/or smelters. Mineral reserves are mineral stock which is estimated for extraction, to exploit if necessary, to sell or utilize economically, all or in part, taking into consideration the quotations, subsidies, costs, availability of treatment plants and other conditions which we estimate will prevail in the period for which reserves are being calculated. The reserves are divided into proven (85% reliable or more according to statistical studies) and probable (70-80% reliable or more according to statistical studies) categories according to their level of reliability and availability. In order to comply with SEC regulations, proven reserves is a classification that can only be used for such mineral found on top of the last level of the mine (either mineral up to 15 meters below the last level or below the first 15 meters only with sufficient drilling (25 or 30 meters between each drill)).

Annually our engineering department reviews in detail the reserve computations. In addition, our engineering department reviews the computation when changes in assumptions occur. Changes can occur for price or cost assumptions, results in field drilling or new geotechnical parameters. We also engage third party consultants to review mine planning procedures.

Pursuant to SEC guidance, the reserves information in this report are calculated using average metals prices over the most recent three years unless otherwise stated. We refer to these three-year average metals prices as current prices. Our current prices for copper are calculated using prices quoted by COMEX, and our current prices for molybdenum are calculated according to Platt s Metals Week. Unless otherwise stated, reserves estimates in this report use $3.36 per pound for copper and $11.39 per pound for molybdenum, both current prices as of December 31, 2014. The current prices for copper and molybdenum were $3.65 and $12.74 as of December 31, 2013 and $3.68 and $14.52 as of December 31, 2012, respectively.

For internal ore reserve estimation, our management uses long-term metal price assumptions for copper and molybdenum. At December 31, 2014, we are using $2.90 per pound of copper and $9.50 per pound of molybdenum which we believe to be conservative prices for long-term trends. At December 31, 2013 we considered $2.00 per pound of copper and $12.00 per pound of molybdenum. For other forecast and planning purposes, particularly related to merger and acquisition activities, our management considers various other price scenarios. The use of these other price assumptions does not affect the preparation of our financial statements.

For the years 2014, 2013 and 2012, we have used reserve estimates based on current average prices as of the most recent three year then ended to determine amortization of mine development and intangible assets.

We periodically reevaluate estimates of our ore reserves, which represent our estimate as to the amount of unmined copper remaining in our existing mine locations that can be produced and sold at a profit. These estimates are based on engineering evaluations derived from samples of drill holes and other openings, combined with assumptions about copper market prices and production costs at each of our mines.

The persons responsible for ore reserve calculations are as follows:

Peruvian open-pit:

Cuajone mine Edgar A. Pena Valenzuela, Superintendent Mine Engineering

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Toquepala mine Wilbert Perez, Superintendent Mine Engineering

Tia Maria project:

Javier Salazar Munoz Mine Manager

Jaime Arana Murriel Leaching Manager Investment projects

Elias Villarreal Salazar - Mine Engineer Investment projects

Yuver Velasquez Pari - Mine Engineer Investment projects

Mexican open-pit:

La Caridad Mine - Marco A. Figueroa, Engineering and Mine Planning Superintendent

Buenavista mine Jesus Molinares, Engineering and Mine Planning Superintendent

IMMSA unit:

Santa Barbara - Jorge M. Espinosa, Planning and Control Superintendent

Charcas Juan J. Aguilar, Planning and Control Superintendent

Santa Eulalia Juan M. Martinez, Planning and Control Superintendent

Taxco - Marco A. Gonzalez, Chief of Geology

San Martin - Maria I. Carrillo, Chief Engineer

El Arco project:

Fred Fest - Engineering advisor - Mintec Inc.

Angangueo project:

James E. Lonergan Engineering advisor - Mintec Inc.

For more information regarding our reserve estimates, please see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Ore Reserves.

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Ore Reserves Estimated at Current Prices:

The table below details our estimated proven and probable copper and molybdenum reserves at December 31, 2014 based on the last three year average market prices following SEC guidance:

	PERUVIAN OPEN-PIT UNIT		MEXICAN OPEN-PIT UNIT		TOTAL	MEXICAN	DEVELOPMENT PROJECTS		
	Cuajone Mine (1)	Toquepala Mine (1)	Buenavista Mine (1)	La Caridad Mine (1)	OPEN-PIT MINES	IMMSA UNIT (2)	Tia Maria	El Arco	Angangueo
Mineral Reserves									
Metal prices:									
Copper ($/lb.)	3.359	3.359	3.359	3.359	3.359	3.359	3.359	3.359	3.359
Molybdenum ($/lb.)	11.394	11.394	11.394	11.394	11.394			11.394	
Cut-off grade	0.184%	0.208%	0.155%	0.121%	0.163%			0.145%	
Proven									
Sulfide ore reserves (kt)	1,296,766	2,203,725	3,398,654	2,400,983	9,300,128	17,665		1,272,614	1,511
Average grade:									
Copper	0.549%	0.546%	0.451%	0.232%	0.431%	0.430%		0.439%	1.710%
Molybdenum	0.019%	0.031%	0.009%	0.030%	0.021%			0.007%	
Lead						1.220%			0.430%
Zinc						2.710%			2.630%
Leachable material (kt)	699	695,281	2,075,636	481,304	3,252,920		222,149	165,191	
Leachable material grade	0.595%	0.192%	0.164%	0.188%	0.174%		0.321%	0.369%	
Probable									
Sulfide ore reserves (kt)	765,449	298,231	1,505,469	1,169,544	3,738,693	28,211		776,828	5,009
Average grade:									
Copper	0.394%	0.350%	0.396%	0.210%	0.334%	0.510%		0.372%	1.330%
Molybdenum	0.017%	0.010%	0.010%	0.031%	0.018%			0.007%	
Lead						0.860%			0.440%
Zinc						2.850%			2.630%
Leachable material (kt)	4,182	1,004,426	764,907	136,763	1,910,278		542,863	67,352	
Leachable material grade	0.583%	0.148%	0.142%	0.173%	0.148%		0.357%	0.198%	
Total									
Sulfide ore reserves (kt)	2,062,215	2,501,956	4,904,123	3,570,527	13,038,821	45,876		2,049,442	6,520
Average grade:									
Copper	0.492%	0.523%	0.434%	0.225%	0.403%	0.479%		0.414%	1.418%
Molybdenum	0.018%	0.029%	0.009%	0.030%	0.020%			0.007%	
Lead						0.999%			0.438%
Zinc						2.796%			2.630%
Leachable material (kt)	4,881	1,699,707	2,840,543	618,067	5,163,198		765,013	232,543	
Leachable material grade	0.585%	0.166%	0.158%	0.185%	0.164%		0.347%	0.319%	
Waste (kt)	6,219,953	9,322,444	6,444,445	2,158,461	24,145,303		694,017	1,741,787	
Total material (kt)	8,287,049	13,524,107	14,189,111	6,347,055	42,347,322	45,876	1,459,030	4,023,772	6,520
Stripping ratio ((W+L)/O)	3.02	4.41	1.89	0.78	2.25			0.96	
	3.01	2.22	0.83	0.52	1.33		0.91	0.76	

Stripping ratio (W/(L+O))									
Leachable material									
Reserves in stock (kt)	21,049	1,329,577	1,098,898	724,906	3,174,430				
Average copper grade	0.502%	0.152%	0.146%	0.246%	0.174%				
In pit reserves:									
Proven (kt)	699	695,281	2,075,636	481,304	3,252,920		222,149	165,191	
Average copper grade	0.595%	0.192%	0.164%	0.188%	0.174%		0.321%	0.369%	
Probable (kt)	4,182	1,004,426	764,907	136,763	1,910,278		542,863	67,352	
Average copper grade	0.583%	0.148%	0.142%	0.173%	0.148%		0.357%	0.198%	
Total leachable reserves (kt)	25,930	3,029,284	3,939,441	1,342,973	8,337,628		765,013	232,543	
Average copper grade	0.518%	0.160%	0.155%	0.218%	0.168%		0.347%	0.319%	
Copper contained in ore reserves in pit(kt) (3)	10,175	15,907	25,772	9,177	61,031	220	2,655	9,227	92

kt = Thousand tons

W= Waste, L= Leachable material; O= Ore.

(1) The Cuajone, Toquepala, Buenavista and La Caridad concentrator recoveries calculated for these reserves were 85.5%,86.4%, 83.0% and 81.8%, respectively, obtained by using recovery formulas according to the different milling capacity and geo-metallurgical zones.

(2) The IMMSA unit includes the Charcas, Santa Barbara, San Martin, Santa Eulalia and Taxco mines. Zinc and lead contained in ore reserves are as follows:

(in thousand tons)	**Proven**	**Probable**	**Total**
Zinc	478.7	804.0	1,282.7
Lead	215.5	242.6	458.1

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

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Metal Price Sensitivity:

In preparing the sensitivity analysis, we recalculated our reserves based on the assumption that current average metal prices were 20% higher and 20% lower, respectively, than the actual current average prices for year-end 2014. Reserve results of this sensitivity analysis are not proportional to the increase or decrease in metal price assumptions.

		INCREASE 20%			DECREASE 20%	
	Open-Pit Mines	IMMSA	Development Projects	Open-Pit Mines	IMMSA	Development Projects
Mineral Reserves						
Metal prices:						
Copper ($/lb.)	4.030					