SOUTHERN COPPER CORP/
Form 10-Q
August 02, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: June 30, 2017

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**

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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

As of July 31, 2017 there were outstanding 773,027,269 shares of Southern Copper Corporation common stock, par value $0.01 per share.

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Southern Copper Corporation (SCC)

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PART I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(in millions, except per share amounts)			
Net sales (including sales to related parties, see Note 7)	$ 1,529.8	$ 1,335.1	$ 3,113.8	$ 2,580.1
Operating costs and expenses:				
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	804.8	751.6	1,648.6	1,478.5
Selling, general and administrative	22.2	23.6	43.6	49.9
Depreciation, amortization and depletion	171.2	164.5	324.6	299.8
Exploration	5.7	10.3	10.8	20.7
Environmental remediation			(10.2)	
Total operating costs and expenses	1,003.9	950.0	2,017.4	1,848.9
Operating income	525.9	385.1	1,096.4	731.2
Interest expense	(89.2)	(89.2)	(194.9)	(179.4)
Capitalized interest	16.2	17.2	31.1	32.4
Other income (expense)	3.1	5.8	7.8	5.4
Interest income	1.3	2.0	2.2	4.2
Income before income taxes	457.3	320.9	942.6	593.8
Income taxes (including royalty taxes, see Note 4)	160.3	102.0	336.6	194.2
Net income before equity earnings of affiliate	297.0	218.9	606.0	399.6
Equity earnings of affiliate, net of income tax	3.5	3.6	9.7	8.7
Net income	300.5	222.5	615.7	408.3
Less: Net income attributable to the non-controlling interest	0.8	0.6	1.6	1.3
Net income attributable to SCC	$ 299.7	$ 221.9	$ 614.1	$ 407.0
Per common share amounts attributable to SCC:				
Net earnings - basic and diluted	$ 0.39	$ 0.29	$ 0.79	$ 0.53
Dividends paid	$ 0.12	$ 0.05	$ 0.20	$ 0.08

Weighted average common shares outstanding - basic and diluted	773.0	773.7	773.0	773.8

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(in millions)			
Net income and comprehensive income	$ 300.5	$ 222.5	$ 615.7	$ 408.3
Comprehensive income attributable to the non-controlling interest	0.8	0.6	1.6	1.3
Comprehensive income attributable to SCC	$ 299.7	$ 221.9	$ 614.1	$ 407.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2017	December 31, 2016
	(in millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 688.7	$ 546.0
Restricted cash		3.6
Short-term investments	40.2	51.3
Accounts receivable trade	620.1	591.9
Accounts receivable other (including related parties 2017 - $74.0 and 2016 - $23.4)	123.0	76.6
Inventories	975.4	1,010.4
Prepaid taxes	155.1	249.4
Other current assets	42.2	36.9
Total current assets	2,644.7	2,566.1
Property and mine development, net	8,837.5	8,766.5
Ore stockpiles on leach pads	890.3	806.9
Intangible assets, net	146.8	154.2
Deferred income tax	759.5	727.3
Equity method investment	91.5	87.5
Other assets	145.0	125.8
Total assets	$ 13,515.3	$ 13,234.3
LIABILITIES		
Current liabilities:		
Accounts payable (including related parties 2017 - $98.6 and 2016 - $62.2)	$ 548.3	$ 584.2
Accrued income taxes	53.7	185.1
Accrued workers participation	84.4	125.4
Accrued interest	82.4	85.6
Other accrued liabilities	32.0	18.7
Total current liabilities	800.8	999.0
Long-term debt	5,955.6	5,954.2
Deferred income taxes	165.0	162.6
Other liabilities and reserves	38.9	31.1
Asset retirement obligation	222.8	216.5
Total non-current liabilities	6,382.3	6,364.4
Commitments and contingencies (Note 9)		
STOCKHOLDERS EQUITY		
Common stock	8.8	8.8
Additional paid-in capital	3.363.2	3,358.2
Retained earnings	5,914.3	5,455.3
Accumulated other comprehensive income	(2.4)	(2.4)

Treasury stock, at cost, common shares		(2,991.6)		(2,987.6)
Total Southern Copper Corporation stockholders equity		6,292.3		5,832.3
Non-controlling interest		39.9		38.6
Total equity		6,332.2		5,870.9
Total liabilities and equity	$	13,515.3	$	13.234.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Southern Copper Corporation

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
	(in millions)			
OPERATING ACTIVITIES				
Net income	$ 300.5	$ 222.5	$ 615.7	$ 408.3
Adjustments to reconcile net income to net cash provided from operating activities:				
Depreciation, amortization and depletion	171.2	164.5	324.6	299.8
Equity earnings of affiliate, net of dividends received	(1.2)	(0.5)	(4.0)	(2.2)
Gain (loss) on foreign currency transaction effect	21.7	(7.1)	52.8	(8.1)
Benefit for deferred income taxes	(24.0)	(31.9)	(40.6)	(53.8)
Other, net	1.2	7.1	7.6	13.8
Change in operating assets and liabilities:				
Decrease (increase) in accounts receivable	49.5	43.3	(28.2)	(28.5)
Increase in inventories	(37.6)	(54.4)	(48.3)	(146.3)
Decrease in accounts payable and accrued liabilities	(195.1)	(119.5)	(123.4)	(99.5)
Decrease (increase) in other operating assets and liabilities	67.6	40.6	87.7	(54.7)
Net cash provided by operating activities	353.8	264.6	843.9	328.8
INVESTING ACTIVITIES				
Capital investments	(252.1)	(341.6)	(497.7)	(564.9)
Proceeds from sale of short-term investments, net	12.6	184.5	11.2	505.3
Loan repaid by related parties		36.4		36.4
Sale of property	0.7	0.4	1.1	1.2
Net cash used in investing activities	(238.8)	(120.3)	(485.4)	(22.0)
FINANCING ACTIVITIES				
Cash dividends paid to common stockholders	(92.8)	(38.7)	(154.6)	(61.9)
Repurchase of common shares				(53.7)
Other	0.3	0.3	0.3	0.3
Net cash used in financing activities	(92.5)	(38.4)	(154.3)	(115.3)
Effect of exchange rate changes on cash and cash equivalents	(32.5)	(29.4)	(61.5)	(13.5)
(Decrease) increase in cash and cash equivalents	(10.0)	76.5	142.7	178.0
Cash and cash equivalents, at beginning of period	698.7	376.0	546.0	274.5
Cash and cash equivalents, at end of period	$ 688.7	$ 452.5	$ 688.7	$ 452.5

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Southern Copper Corporation

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 DESCRIPTION OF THE BUSINESS:

The Company is a majority-owned, indirect subsidiary of Grupo Mexico S.A.B. de C.V. (Grupo Mexico). At June 30, 2017, Grupo Mexico through its wholly-owned subsidiary Americas Mining Corporation (AMC) owned 88.9% of the Company s capital stock. The condensed consolidated financial statements presented herein consist of the accounts of Southern Copper Corporation (SCC or the Company), a Delaware corporation, and its subsidiaries. The Company is an integrated producer of copper and other minerals, and operates mining, smelting and refining facilities in Peru and Mexico. The Company conducts its primary operations in Peru through a registered branch (the Peruvian Branch or Branch or SPCC Peru Branch). The Peruvian Branch is not a corporation separate from the Company. The Company s Mexican operations are conducted through subsidiaries. The Company also conducts exploration activities in Argentina, Chile, Ecuador, Mexico and Peru.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to state fairly the Company s financial position as of June 30, 2017 and the results of operations, comprehensive income and cash flows for the three and six months ended June 30, 2017 and 2016. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year. The December 31, 2016 balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles in the United States of America (GAAP). The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements at December 31, 2016 and notes included in the Company s 2016 annual report on Form 10-K.

NOTE 2 SHORT-TERM INVESTMENTS:

Short-term investments were as follows ($ in millions):

		At June 30, 2017		At December 31, 2016
Trading securities	$	39.1	$	49.2
Weighted average interest rate		1.6%		2.2%
Available-for-sale	$	1.1	$	2.1
Weighted average interest rate		0.70%		0.78%
Total	$	40.2	$	51.3

Trading securities consist of bonds issued by public companies and are publicly traded. Each financial instrument is independent of the others. The Company has the intention to sell these bonds in the short-term.

Available-for-sale investments consist of securities issued by public companies. Each security is independent of the others and at June 30, 2017 and December 31, 2016, included corporate bonds and asset and mortgage backed obligations. As of June 30, 2017 and December 31, 2016, gross unrealized gains and losses on available-for-sale securities were not material.

Related to these investments the Company earned interest, which was recorded as interest income in the condensed consolidated statement of earnings. Also the Company redeemed some of these securities and recognized gains (losses) due to changes in fair value, which were recorded as other income (expense) in the condensed consolidated statement of earnings.

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The following table summarizes the activity of these investments by category (in millions):

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Trading securities:				
Interest earned	$ 0.2	$ 0.3	$ 0.4	$ 0.7
Unrealized gain (loss) at the end of the period	$ (*)	$ 0.4	$ (0.1)	$ 0.4
Available-for-sale:				
Interest earned	(*)	(*)	(*)	(*)
Investment redeemed	$ 1.0	$ 0.2	$ 1.0	$ 0.5

(*) Less than $0.1 million.

NOTE 3 - INVENTORIES:

Inventories were as follows:

(in millions)	At June 30, 2017	At December 31, 2016
Inventory, current:		
Metals at average cost:		
Finished goods	$ 149.7	$ 130.5
Work-in-process	159.0	231.6
Ore stockpiles on leach pads	313.3	310.9
Supplies at average cost:	353.4	337.4
Total current inventory	$ 975.4	$ 1,010.4
Inventory, non-current:		
Ore stockpiles on leach pads	$ 890.3	$ 806.9

During the six months ended June 30, 2017 and 2016 total leaching costs capitalized as non-current inventory of ore stockpiles on leach pads amounted to $248.8 million and $238.5 million, respectively. Leaching inventories recognized in cost of sales amounted to $163.1 million and $157.5 million for the six months ended June 30, 2017 and 2016, respectively.

NOTE 4 INCOME TAXES:

The income tax provision and the effective income tax rate for the first six months of 2017 and 2016 consisted of ($ in millions):

		2017		2016
Statutory income tax provision	$	289.1	$	175.5
Peruvian royalty		0.4		
Mexican royalty		32.3		13.7
Peruvian special mining tax		14.8		5.0
Total income tax provision	$	336.6	$	194.2
Effective income tax rate		35.7%		32.7%

These provisions include income taxes for Peru, Mexico and the United States. In addition, a Mexican royalty tax, a portion of the Peruvian royalty tax and the Peruvian special mining tax are included in the income tax provision. The increase in the effective tax rate for the 2017 period from the same period of 2016 is primarily due to an increase in expected dividends from our Mexican subsidiaries.

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Peruvian income tax rate: In December 2016, the Peruvian Government enacted income tax law changes to both the income tax and dividend tax rate that became effective on January 1, 2017. The 2016 rates and the new rates are as follows:

Year	Income Tax Rate	Dividend Tax Rate
2016	28.0%	6.8%
2017 and later	29.5%	5%

Peruvian royalty and special mining tax: 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%. The minimum royalty charge assessed at 1% of net sales is recorded as cost of sales and those amounts assessed against operating income are included in the income tax provision. The Company has accrued $10.4 million and $8.1 million of royalty charge in the first six months of 2017 and 2016, respectively, of which $0.4 million was included in income taxes in 2017; no amounts were included in income tax in the first six months of 2016.

The special mining tax is based on operating income and its rate ranges from 2% to 8.4%. It begins at 2% for operating income margin up to 10% and increases by 0.4% of operating income for each additional 5% of operating income until 85% of operating income is reached. The Company has accrued $14.8 million and $5.0 million of special mining tax as part of the income tax provision for the first six months of 2017 and 2016, respectively.

Mexican mining royalty: Mexico has a mining royalty charge of 7.5% on earnings before taxes as defined by Mexican tax regulations and an additional royalty charge of 0.5% over gross income from sales of gold, silver and platinum. The Company has accrued $32.3 million and $13.7 million of royalty taxes as part of the income tax provision for the first six months of 2017 and 2016, respectively.

Accounting for uncertainty in income taxes: In the second quarter and first six months of 2017, there were no changes in the Company s uncertain tax positions.

NOTE 5 PROVISIONALLY PRICED SALES:

At June 30, 2017, the Company has recorded provisionally priced sales of copper at average forward prices per pound, and molybdenum at the June 30, 2017 market price per pound. These sales are subject to final pricing based on the average monthly London Metal Exchange (LME), or New York Commodities Exchange (COMEX), copper prices and Dealer Oxide molybdenum prices in the future month of settlement.

Following are the provisionally priced copper and molybdenum sales outstanding at June 30, 2017:

	Sales volume (million lbs.)	Priced at (per pound)	Month of settlement
Copper	57.3	$ 2.70	From July 2017 to September 2017
Molybdenum	11.5	$ 7.18	From July 2017 to September 2017

The provisional sales price adjustment included in accounts receivable and net sales at June 30, 2017 includes a positive adjustment of $5.6 million for copper and a negative adjustment of $11.9 million for molybdenum.

Management believes that the final pricing of these sales will not have a material effect on the Company s financial position or results of operations.

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NOTE 6 - ASSET RETIREMENT OBLIGATION:

The Company maintains an asset retirement obligation for its mining properties in Peru, as required by the Peruvian Mine Closure Law. In accordance with the requirements of this law the Company s closure plans were approved by the Peruvian Ministry of Energy and Mines (MINEM). As part of the closure plans, the Company is required to provide annual guarantees over the estimated life of the mines, based on a present value approach, and to furnish the funds for the asset retirement obligation. This law requires a review of closing plans every five years. Currently and for the near-term future, the Company has pledged the value of its Lima office complex as support for this obligation. The accepted value of the Lima office building, for this purpose, is $30.8 million. Through June 2017, the Company has provided guarantees of $26.9 million. The closure cost recognized for this liability includes the cost, as outlined in its closure plans, of dismantling the Toquepala and Cuajone concentrators, the Ilo smelter and refinery, and the shops and auxiliary facilities at the three units.

In 2010, the Company announced to the Mexican federal environmental authorities its closure plans for the copper smelter plant at San Luis Potosi. The Company initiated a program for plant demolition and soil remediation with a budget of $66.2 million, which has been spent through June 30, 2017. Plant demolition and construction of a confinement area at the south of the property were completed in 2012. In accordance with remediation goals previously approved by environmental authorities, soil remediation and on-site encapsulation on a second confinement area of impacted soils have been completed. Confirmation sampling was successfully completed. On September 2, 2016, the environmental authorities approved the conclusion of the remediation effort. The Company continues studying the possibilities for this property in order to decide whether to sell or develop the property. The overall cost recognized for mining closure in Mexico includes the estimated costs of dismantling concentrators, smelter and refinery plants, shops and other facilities. In 2016, the Company added $9.5 million related to the Quebalix IV closure plan, a project that is part of the Buenavista expansion.

The following table summarizes the asset retirement obligation activity for the six months ended June 30, 2017 and 2016 (in millions):

	2017	2016
Balance as of January 1	$ 216.5	$ 190.9
Changes in estimates		
Payments	(0.3)	(1.4)
Accretion expense	6.6	13.9
Balance as of June 30,	$ 222.8	$ 203.4

NOTE 7 RELATED PARTY TRANSACTIONS:

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders or their affiliates. These transactions include the lease of office space, air transportation and construction services and products and services related to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest and are subject to review and approval by senior management, as are all related party transactions. It is the Company s policy that the Audit Committee of the Board of Directors shall review all related party transactions. The Company is prohibited from entering or continuing a material related party transaction that has not been reviewed and approved or ratified by the Audit Committee.

Receivable and payable balances with related parties are shown below (in millions):

	At June 30, 2017	At December 31, 2016
Related parties receivable current:		
Asarco LLC	$ 47.6	$ 5.5
Boutique Bowling de Mexico S.A. de C.V.	0.1	0.1
Compania Perforadora Mexico S.A.P.I. de C.V. and affiliates	1.5	1.3
Grupo Mexico	4.8	4.5
Mexico Generadora de Energia S. de R.L. (MGE)	18.5	10.2
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	1.2	1.5
Operadora de Cinemas S.A. de C.V.	0.3	0.2
Operadora de Generadoras de Energia Mexico S.A. de C.V.		0.1
	$ 74.0	$ 23.4

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	At June 30, 2017	At December 31, 2016
Related parties payable:		
Asarco LLC	$ 40.6	$ 36.3
Boutique Bowling de Mexico S.A. de C.V.	0.3	0.2
Eolica El Retiro, S.A.P.I. de C.V.	0.7	0.1
Ferrocarril Mexicano S.A. de C.V.	3.1	3.0
Grupo Mexico	2.6	0.1
MGE	43.0	13.9
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	7.7	7.8
Mexico Transportes Aereos S.A. de C.V. (Mextransport)	0.1	0.1
Operadora de Cinemas S.A. de C.V.	0.5	0.4
Breaker S.A. de C.V. and affiliates (Breaker)		0.3
	$ 98.6	$ 62.2

Purchase and sale activity:

Grupo Mexico and affiliates:

Grupo Mexico, the parent and the majority indirect stockholder of the Company, and its affiliates provide various services to the Company. These services are primarily related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. The Company pays Grupo Mexico for these services and expects to continue requiring these services in the future.

The following table summarizes the purchase and sale activities with Grupo Mexico and its affiliates in the six months ended June 30, 2017 and 2016 (in millions):

	2017	2016
Purchase activity		
Asarco LLC	$ 19.6	$ 14.8
Eolica El Retiro, S.A.P.I. de C.V.	2.0	1.0
Ferrocarril Mexicano S.A de C.V.	23.5	21.0
Grupo Mexico	6.9	6.9
MGE	118.9	108.7
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates	72.3	42.8
Total purchases	$ 243.2	$ 195.2
Sales activity		
Asarco LLC	$ 82.1	$ 34.6
Compania Perforadora Mexico S.A.P.I. de C.V and affiliates	0.2	0.4
Grupo Mexico	0.2	0.3
MGE	49.4	50.1
Mexico Proyectos y Desarrollos, S.A. de C.V. and affiliates		0.3
Total sales	$ 131.9	$ 85.7

In addition, in the second quarter of 2017, the Company made donations of $1.4 million to Fundacion Grupo Mexico, an organization dedicated to promoting social and economic development of the communities close to the Company s Mexican operations.

The Company s Mexican operations paid fees for freight services provided by Ferrocarril Mexicano S.A de C.V., and for construction services provided by Mexico Proyectos y Desarrollo S.A. de C.V. and its affiliates. All of these companies are subsidiaries of Grupo Mexico.

The Company s Mexican operations purchased scrap and other residual copper mineral from Asarco LLC, and power from MGE. Both companies are subsidiaries of Grupo Mexico.

In 2005, the Company organized MGE, as a subsidiary of Minera Mexico, for the construction of two power plants to supply power to the Company s Mexican operations. In May 2010, the Company s Mexican operations granted a $350 million line of credit to MGE for the construction of the power plants. That line of credit was due on December 31, 2012 and carried an interest rate of 4.4%. In the first quarter of 2012, Controladora de Infraestructura Energetica Mexico, S. A. de C. V., an indirect

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subsidiary of Grupo Mexico, acquired 99.999% of MGE through a capital subscription of 1,928.6 million of Mexican pesos (approximately $150 million), reducing Minera Mexico s participation to less than 0.001%. As consequence of this change in control, MGE became an indirect subsidiary of Grupo Mexico. Additionally, at the same time, MGE paid $150 million to the Company s Mexican operations partially reducing the total debt. The remaining balance was restructured as subordinated debt of MGE. In the third quarter of 2016, MGE repaid the outstanding balance of the debt. Related to this loan, the Company recorded interest income of $3.1 million in the first six months of 2016.

In 2012, the Company signed a power purchase agreement with MGE, whereby MGE will supply some of the Company s Mexican operations with power through 2032. MGE completed construction of its first power plant in June 2013 and the second plant, in the second quarter of 2014. These plants are natural gas-fired combined cycle power generating units, with a net total capacity of 516.2 megawatts. The first plant began supplying power to the Company in December 2013, and the second plant began to supply power in June 2015. MGE is supplying a portion of its power output to third-party energy users.

On August 4, 2014, Mexico Generadora de Energia Eolica S. de R.L. de C.V, an indirect subsidiary of Grupo Mexico, located in Oaxaca, Mexico, acquired Eolica el Retiro. Eolica el Retiro is a windfarm that has 37 wind turbines. This company started operations in January 2014 and started to sell power to IMMSA and other subsidiaries of Grupo Mexico in the third quarter of 2014. Eolica el Retiro is supplying approximately 28% of its power output to IMMSA.

The Company sold copper cathodes, rod and anodes, as well as sulfuric acid, silver, gold and lime to Asarco LLC. In addition, the Company received fees for building rental and maintenance services provided to Mexico Proyectos y Desarrollos, S.A. de C.V. and its affiliates and to Compania Perforadora Mexico S.A.P.I. de C.V., and for natural gas and services provided to MGE; all subsidiaries of Grupo Mexico.

Companies with relationships to the controlling group:

The following table summarizes the purchase and sales activities with other Larrea family companies in the six months ended June 30, 2017 and 2016 (in millions):

	2017	2016
Purchase activity		
Boutique Bowling de Mexico S.A. de C.V.	$ 0.1	$ 0.2
Mextransport	0.4	1.0
Operadora de Cinemas S.A. de C.V.	0.1	0.3
Total purchases	$ 0.6	$ 1.5
Sales activity		
Boutique Bowling de Mexico S.A. de C.V.	$ 0.1	$ 0.1
Mextransport		0.2
Operadora de Cinemas S.A. de C.V.	0.1	
Total sales	$ 0.2	$ 0.3

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including transportation, real estate and entertainment. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the Larrea family relating to the lease of office space, air transportation and entertainment.

The Company s Mexican operations paid fees for entertainment services provided by Boutique Bowling de Mexico S.A de C.V. and Operadora de Cinemas S.A. de C.V. Both companies are controlled by the Larrea family.

MexTransport provides aviation services to the Company s Mexican operations. This is a company controlled by the Larrea family.

In addition, the Company received fees for building rental and maintenance provided to Boutique Bowling de Mexico S.A. de C.V., and Operadora de Cinemas S.A. de C.V.

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Companies with relationships to SCC executive officers:

The following table summarizes the purchase activities with companies with relationships to SCC executive officers in the six months ended June 30, 2017 and 2016 (in millions):

	2017	2016
Breaker	$ (*)	$ 0.4
Higher Technology S.A.C.		0.6
Pigoba S.A. de C.V.		0.1
Servicios y Fabricaciones Mecanicas S.A.C.	0.2	0.2
Total purchases	$ 0.2	$ 1.3

(*) amount is lower than $0.1 million

In 2016, the Company purchased industrial materials from Breaker S.A. de C.V., Breaker Peru S.A.C., and Pigoba S.A. de C.V. in which the SCC´s Chief Executive Officer´s sons, Carlos Gonzalez and Alejandro Gonzalez; and son-in-law, Jorge Gonzalez, have a proprietary interest. Also, the Company purchased industrial material to Higher Technology S.A.C. and paid fees for maintenance services provided by Servicios y Fabricaciones Mecanicas S.A.C. Companies in which Carlos Gonzalez son of SCC´s Chief Executive Officer had a proprietary interest through June 6, 2016.

Equity Investment in Affiliate: The Company has a 44.2% participation in Compania Minera Coimolache S.A. (Coimolache), which it accounts for on the equity method. Coimolache owns Tantahuatay, a gold mine located in the northern part of Peru.

It is anticipated that in the future the Company will enter into similar transactions with these same parties.

NOTE 8 BENEFIT PLANS:

Post retirement defined benefit plans:

The Company has two noncontributory defined benefit pension plans covering former salaried employees in the United States and certain former expatriate employees in Peru. Effective October 31, 2000, the Board of Directors amended the qualified pension plan to suspend the accrual of benefits.

In addition, the Company s Mexican subsidiaries have a defined contribution pension plan for salaried employees and a non-contributory defined benefit pension plan for union employees.

The components of net periodic benefit costs for the six months ended June 30, 2017 and 2016 are as follows (in millions):

		2017		2016
Service cost	$	0.4	$	0.4
Interest cost		0.7		0.5
Expected return on plan assets		(1.4)		(1.3)
Amortization of prior service cost (credit)		0.1		0.1
Amortization of net loss		0.1		0.1
Net periodic benefit costs	$	(0.1)	$	(0.2)

(*) amount is lower than $0.1 million

Post-retirement Health care plans:

United States: The Company adopted a post-retirement health care plan for retired salaried employees eligible for Medicare in 1996. The Company manages the plan and is currently providing health benefits to retirees. The plan is accounted for in accordance with ASC 715 Compensation retirement benefits .

In Mexico, health services are provided by the Mexican Social Security Institute.

The components of net periodic benefit cost for the six months ended June 30, 2017 and 2016 are as follows (in millions):

	2017	2016
Interest cost	$ 0.5	$ 0.3
Amortization of net loss (gain)	(0.1)	(0.2)
Amortization of prior service cost (credit)	(*)	(*)
Net periodic benefit cost	$ 0.4	$ 0.1

(*) amount is lower than $0.1 million

NOTE 9 COMMITMENTS AND CONTINGENCIES:

Environmental matters:

The Company has instituted extensive environmental conservation programs at its mining facilities in Peru and Mexico. The Company s environmental programs include, among others, water recovery systems to conserve water and minimize the impact on nearby streams, reforestation programs to stabilize the surface of the tailings dams and the implementation of scrubbing technology in the mines to reduce dust emissions.

Environmental capital investments in the six months ended June 30, 2017 and 2016 were as follows (in millions):

	2017	2016
Peruvian operations	$ 44.5	$ 36.2
Mexican operations	35.8	69.5
	$ 80.3	$ 105.7

Peruvian operations: The Company s operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through the Ministry of Environment (MINAM) conducts annual audits of the Company s Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental obligation, compliance with legal requirements, atmospheric emissions, effluent monitoring and waste management are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations. Peruvian law requires that companies in the mining industry provide assurances for future mine closure and remediation. In accordance with the requirements of this law, the Company s closure plans were approved by MINEM. See Note 6 Asset retirement obligation, for further discussion of this matter. In accordance with the requirements of the law, in 2015 the Company submitted the closure plans for the Tia Maria project and for the Toquepala expansion. The process of review and approval of closure plans usually takes several months. In March 2016, MINEM approved the Mining Closure Plan for the Toquepala expansion project. The closure plan for the Tia Maria project is pending approval.

In 2008, the Peruvian government enacted environmental regulations establishing stringent air quality standards (AQS) for daily sulfur dioxide (SO2) in the air for the Peruvian territory. These regulations, as amended in 2013, recognized distinct zones/areas, as atmospheric basins. MINAM had established three atmospheric basins that required further attention to comply with the air quality standards. The Ilo basin was one of these three areas and the Company s smelter and refinery are part of the area.

In June 2017, MINAM enacted a supreme decree which defines new AQS for daily sulfur dioxide and gaseous mercury for the Peruvian territory, as well as monthly lead in particulate matter (PM10), in order to adopt standards similar to comparable countries and conform them to the technical capabilities available in Peru, while ensuring the protection of public health. This decree also considers criteria established by the World Health Organization and establishes a mean 24-hour AQS equal to 250 micrograms per cubic meter (µg/m3) of SO2 to replace the current 24-hour AQS of 20 µg/m3 of SO2, effective since 2014. The decree also establishes a mean 24-hour AQS equal to 2 µg/m3 of gaseous mercury and a mean monthly AQS equal to 1.5 µg/m3 of lead in PM10.

The Company believes that these new AQS are appropriate for Peru and will allow Peruvian industry to be competitive with other countries. The Company has evaluated the potential impact of these new standards and expects that its adoption will not have a material impact on the financial position of the Company, as currently the Company maintains a significantly lower daily average level of µg/m3 of SO2, than those required by the new AQS.

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In addition, in June 2017, MINAM enacted a supreme decree which establishes new quality standards for water in the Peruvian territory. The Company has reviewed this decree and considers that its adoption will not have a material impact on its financial position.

In 2013, the Peruvian government enacted soil environmental quality standards (SQS) applicable to any existing facility or project that generates or could generate the risk of soil contamination in its area of operation or influence. In March 2014, MINAM issued a supreme decree, which establishes additional provisions for the gradual implementation of SQS. Under this rule the Company had twelve months to identify contaminated sites in and around its facilities and present a report of identified contaminated sites. This report was submitted to MINEM in April 2015. After a review of the report, MINEM should evaluate and issue a report to the Company, which will allow it to continue to the next phase. As of June 30, 2017, the Company is awaiting an official response from MINEM. Once notified by MINEM, the Company must prepare a characterization study to determine the depth, extent and physio-chemical composition of the contaminated areas and define an appropriate remediation plan and the time-frame for completion. In addition, the Company must submit for approval a Soil Decontamination Plan (SDP) within 24 months after being notified by the authority. This SDP must include remediation actions, a schedule and compliance deadlines. Also under this rule, if deemed necessary and given reasonable justification, the Company may request a one year extension for the decontamination plan.

Soil confirmation tests must be carried out after completion of decontamination actions (within the approved schedule) and results must be presented to authorities within 30 days after receiving such results. Non-compliance with this obligation or with decontamination goals will carry penalties, although no specific sanctions have been established yet. During compliance with this schedule, companies cannot be penalized for non-compliance with the SQS.

While the Company believes that there is a reasonable possibility that a potential loss contingency may exist, it cannot currently estimate the amount of the contingency. The Company believes that a reasonable determination of the loss will be possible once the characterization study and the SDP are substantially completed. At that time the Company will be in a position to estimate the remediation cost. Further, the Company does not believe that it can estimate a reasonable range of possible costs until the noted studies have substantially progressed and therefore is not be able to disclose a range of costs that is meaningful.

Mexican operations: The Company s operations are subject to applicable Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water quality, air quality, noise levels and hazardous and solid waste.

The principal legislation applicable to the Company s 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 (PROFEPA). PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards. It may also initiate administrative proceedings against companies that violate environmental laws, which in the most extreme cases may result in the temporary or permanent shutdown of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines.

In 2011, the General Law was amended, giving an individual or entity the ability to contest administrative acts, including environmental authorizations, permits or concessions granted, without the need to demonstrate the actual existence of harm to the environment as long as it can be argued that the harm may be caused. In addition, in 2011, amendments to the Civil Federal Procedures Code (CFPC) were enacted. These amendments establish three categories of collective actions by means of which 30 or more people claiming injury derived from environmental, consumer protection, financial services and economic competition issues will be considered to be sufficient in order to have a legitimate interest to seek through a civil procedure restitution or economic compensation or suspension of the activities from which the alleged injury derived. The amendments to the CFPC may result in more litigation, with plaintiffs seeking remedies, including suspension of the activities alleged to cause harm.

In 2013, the Environmental Liability Federal Law was enacted. The law establishes general guidelines for actions to be considered to likely cause environmental harm. If a possible determination regarding harm occurs, environmental clean-up and remedial actions sufficient to restore environment to a pre-existing condition should be taken. Under this law, if restoration is not possible, compensation measures should be provided. Criminal penalties and monetary fines can be imposed under this law.

In 2014, an accidental spill of approximately 40,000 cubic meters of copper sulfate solution occurred at a Buenavista mine leaching pond. This solution reached the Bacanuchi River and the Sonora River. The Company took immediate actions to contain the spill, and to comply with all necessary legal requirements. The Company hired contractors including environmental specialists and assigned more than 1,200 of its own personnel to clean the river. In addition, the Company developed a service program to assist the residents of the Sonora River region.

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The National Water Commission, the Federal Commission for the Protection of Sanitary Risk and PROFEPA initiated administrative proceedings regarding the spill to determine possible environmental and health damages. On August 19, 2014, PROFEPA, as part of the administrative proceeding initiated after the spill, announced the filing of a criminal complaint against Buenavista del Cobre S.A. de C.V. (BVC), a subsidiary of the Company, in order to determine those responsible for the environmental damages. The Company is vigorously defending itself against this complaint. As of June 30, 2017, the case remains in the procedural stages and is pending resolution.

On September 15, 2014, the Company executed an administrative agreement with PROFEPA, providing for the submission of a remediation action plan to the Mexican Ministry of Environment and Natural Resources (Secretaria de Medio Ambiente y Recursos Naturales SEMARNAT). The general remediation program submitted to SEMARNAT was approved on January 6, 2015.

The Company also created a trust with a Mexican development bank, acting as a Trustee to support environmental remedial actions in connection with the spill, to comply with the remedial action plan and to compensate those persons adversely affected by the spill. The Company committed up to two billion Mexican pesos (approximately $150 million). A technical committee for the trust was created with representatives from the federal government, the Company and specialists assisted by a team of environmental experts to ensure the proper use of the funds. Along with the administrative agreement executed with PROFEPA, the trust served as an alternative mechanism for dispute resolution to mitigate public and private litigation risks.

On December 1, 2016, SEMARNAT issued its final resolution which held that all remediation actions contained in the Remediation Plan, as approved by the same authority, had been fully fulfilled and that all requirements had been complied with, except for biological monitoring activities at the Sonora River that will be continued until the first semester of 2019 pursuant to such Plan. On January 26, 2017, PROFEPA issued its final resolution under which it declared all mitigation actions completed and its investigation closed. In light of the above, the Company has obtained all necessary formal rulings from SEMARNAT and PROFEPA. On February 7, 2017, the Company closed the trust. In addition, as a result of this process, $10.2 million of excess provision was reversed in the first quarter of 2017. The total expense recorded for this accident in 2014 and 2015 was $136.4 million. Therefore, this matter is closed.

Through the first half of 2015, six collective action lawsuits were filed in federal courts in Mexico City and Sonora against two subsidiaries of the Company seeking economic compensation, clean up and remedial activities in order to restore the environment to its pre-existing conditions. Four of the collective action lawsuits have been dismissed by the court. The plaintiffs in the two remaining lawsuits are: Acciones Colectivas de Sinaloa, A.C. which established two collective actions (one of which was dismissed on September 26, 2016); and Ana Luisa Salazar Medina et al. which has been granted a collective action certification. The remaining plaintiffs have requested cautionary measures on the construction of facilities for the monitoring of public health services and the prohibition of the closure of the Río Sonora Trust.

Similarly, during 2015, eight civil action lawsuits were filed against BVC in the state courts of Sonora seeking damages for alleged injuries and for moral damages as a consequence of the spill. The plaintiffs in the state court lawsuits are: Jose Vicente Arriola Nunez et al; Santana Ruiz Molina et al; Andres Nogales Romero et al; Teodoro Javier Robles et al; Gildardo Vasquez Carvajal et al; Rafael Noriega Souffle et al; Grupo Banamichi Unido de Sonora El Dorado, S.C. de R.L. de C.V; and Marcelino Mercado Cruz. In 2016, three additional civil action lawsuits, claiming the same damages, were filed by Juan Melquicedec Lebaron; Blanca Lidia Valenzuela Rivera et al and Ramona Franco Quijada et al. In 2017, BVC was served with twenty eight additional civil action lawsuits, claiming the same damages. Those lawsuits were filed by Francisco Javier Molina Peralta et al; Anacleto Cohen Machini et al; Francisco Rafael Alvarez Ruiz et al; Jose Alberto Martinez Bracamonte et al; Gloria del Carmen Ramirez Duarte et al; Flor Margarita Sabori et al; Blanca Esthela Ruiz Toledo et al; Julio Alfonso Corral Domínguez et al; Maria Eduwiges Bracamonte Villa et al; Francisca

Marquez Dominguez et al; Jose Juan Romo Bravo et al; Jose Alfredo Garcia Leyva et al; Gloria Irma Dominguez Perez et al; Maria del Refugio Romero et al; Miguel Rivas Medina et al; Yolanda Valenzuela Garrobo et al; Maria Elena Garcia Leyva et al; Manuel Alfonso Ortiz Valenzuela et al; Francisco Alberto Arvayo Romero et al; Maria del Carmen Villanueva Lopez et al; Manuel Martin Garcia Salazar; Miguel Garcia Arguelles et al; Dora Elena Rodriguez Ochoa et al; Honora Eduwiges Ortiz Rodriguez et al; Francisco Jose Martinez Lopez et al; Maria Eduwiges Lopez Bustamante; Rodolfo Barron Villa et al and Jose Carlos Martinez Fernandez et al.

During 2015, four constitutional lawsuits (juicios de amparo) were filed before Federal Courts against various authorities and against a subsidiary of the Company, arguing; (i) the alleged lack of a waste management program approved by SEMARNAT; (ii) the alleged lack of a remediation plan approved by SEMARNAT with regard to the August 2014 spill; (iii) the alleged lack of community approval regarding the environmental impact authorizations granted by SEMARNAT to one subsidiary of the Company; and (iv) the alleged inactivity of the authorities with regard of the spill in August 2014. The plaintiffs of those lawsuits are: Francisca Garcia Enriquez, et al which established two lawsuits, Francisco Ramon Miranda, et al and Jesus David

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Lopez Peralta et al. During the third quarter of 2016, three additional constitutional lawsuits, claiming same damages were filed by Maria Elena Heredia Bustamante et al; Martin Eligio Ortiz Gamez et al; and Maria de los Angeles Enriquez Bacame et al.

It is not currently possible to determine the extent of the damages sought in these state and federal lawsuits but the Company considers that these lawsuits are without merit. Accordingly, the Company is vigorously defending against them. Nevertheless, the Company considers that none of the legal proceedings resulting from the spill, individually or in the aggregate, would have a material effect on its financial position or results of operations.

The Company believes that all of its facilities in Peru and Mexico are in material compliance with applicable environmental, mining and other laws and regulations.

The Company also believes that continued compliance with environmental laws of Mexico and Peru will not have a material adverse effect on the Company s business, properties, result of operations, financial condition or prospects and will not result in material capital investments.

Litigation matters:

The Virgen Maria Mining Concessions of the Tia Maria Mining Project

The Tia Maria project includes various mining concessions, totaling 32,989.64 hectares. One of the concessions is the Virgen Maria mining concession totaling 943.72 hectares or 2.9% of the total mining concessions.

Related to the Virgen Maria mining concessions, in August 2009, a lawsuit was filed against SCC s Branch by the former stockholders of Exploraciones de Concesiones Metalicas S.A.C. (Excomet). The plaintiffs allege that the acquisition of Excomet s shares by the Branch is null and void because the $2 million purchase price paid by the Branch for the shares of Excomet was not fairly negotiated by the plaintiffs and the Branch. In 2005, the Branch acquired the shares of Excomet after lengthy negotiations with the plaintiffs, and after the plaintiffs, which were all the stockholders of Excomet, approved the transaction in a general stockholders meeting. Excomet was at the time owner of the Virgen Maria mining concession. In October 2011, the civil court dismissed the case on the grounds that the claim had been barred by the statute of limitations. On appeal by the plaintiffs, the superior court reversed the lower court s decision and remanded it to the lower court for further proceedings. In August 2015, the lower court dismissed the case on the grounds that the plaintiffs had not proven the alleged unfairness of the negotiations. The plaintiffs appealed this resolution before the Superior Court. In September 2016, the Superior Court confirmed the lower court s resolution and the plaintiffs filed an extraordinary appeal in order to have the case reviewed by the Supreme Court. As of June 30, 2017, the case remains pending resolution without further developments.

The Company asserts that this lawsuit is without merit and is vigorously defending against it. Additionally, the amount of this contingency cannot be reasonably estimated by management at this time.

The Tia Maria Mining Project

There are five lawsuits filed against the Peruvian Branch of the Company related to the Tia Maria project. The lawsuits seek (i) to declare null and void the resolution which approved the Environmental Impact Assessment of the project; (ii) the cancellation of the project and the withdrawal of mining activities in the area and (iii) to declare null and void the mining concession application of the Tia Maria project. The lawsuits were filed by Messrs. Jorge Isaac del Carpio Lazo (filed May 22, 2015), Ernesto Mendoza Padilla (filed May 26, 2015), Juan Alberto Guillen Lopez (filed June 18, 2015), Hernan Raul Hatamare Hual (filed August 6, 2015) and Nicolas Belfiore Nicolini (filed November 13, 2015).

The del Carpio Lazio case was rejected by the court of first instance on November 14, 2016. The Plaintiff filed an appeal before the Superior Court on January 3, 2017. As of June 30, 2017, the case remains pending resolution without further developments.

The Mendoza Padilla case was rejected by the lower court on July 8, 2015. This ruling was confirmed by the Superior Court on June 14, 2016. On July 12, 2016, the case was appealed before the Constitutional Court. As of June 30, 2017, the case remains pending resolution without further developments.

In the Belfiore Nicolini case, the court ruled partially in favor of the plaintiff. However, the Company filed an appeal to challenge said decision. As of June 30, 2017, the case remains pending resolution without further developments.

The Guillen Lopez case is currently before the lower court. As of June 30, 2017, the case remains pending resolution without further developments.

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On October 3, 2016 the lower court ruled that the Hatamare Hual case had expired and declared the case concluded. The plaintiff has not filed an appeal before the Superior Court. On November 16, 2016, the Company´s Peruvian Branch requested that the case be closed.

The potential contingency amount for these cases cannot be reasonably estimated by management at this time.

Special Regional Pasto Grande Project (Pasto Grande Project)

In 2012, the Pasto Grande Project, an entity of the Regional Government of Moquegua, filed a lawsuit against SCC s Peruvian Branch alleging property rights over a certain area used by the Peruvian Branch and seeking the demolition of the tailings dam where SCC s Peruvian Branch has deposited its tailings from the Toquepala and Cuajone operations since 1995. The Peruvian Branch has had title to use the area in question since 1960 and has constructed and operated the tailing dams with proper governmental authorization, since 1995. SCC s Peruvian Branch asserts that the lawsuit is without merit and is vigorously defending against it. Upon a motion filed by the Peruvian Branch, the lower court has included MINEM as a defendant in this lawsuit. MINEM has answered the complaint and denied the validity of the claim. As of June 30, 2017, the case remains pending resolution without further developments. The amount of this contingency cannot be reasonably estimated by management at this time.

Carla Lacey and Barbara Siegfried, on behalf of themselves and all other similarly situated stockholders of Southern Copper Corporation, and derivatively on behalf of Southern Copper Corporation

A purported class action derivative lawsuit filed in the Delaware Court of Chancery was served on the Company and its Directors in February 2016 relating to the 2012 capitalization of 99.999% of MGE by Controladora de Infraestructura Energetica Mexico, S.A. de C.V., an indirect subsidiary of Grupo Mexico (the CIEM Capitalization), the Company s entry into a power purchase agreement with MGE in 2012 (the MGE Power Purchase Agreement), and the 2012 restructuring of a loan from the Company s Mexican Operations to MGE for the construction of two power plants to supply power to the Company s Mexican operations (the MGE Loan Restructuring). The action purports to be brought on behalf of the Company and its common stockholders. The complaint alleges, among other things, that the CIEM Capitalization, the MGE Power Purchase Agreement and the MGE Loan Restructuring were the result of breaches of fiduciary duties and the Company s charter. The Company has filed a response denying these allegations and is currently in the discovery process.

Labor matters:

Peruvian operations: 71% of the Company s 4,569 Peruvian employees were unionized at June 30, 2017. Currently, there are five separate unions, one large union and four smaller unions. In the first quarter of 2016, the Company signed three-year agreements with all five unions. These agreements include, among other things, annual salary increases of 5% for each of the three years.

In April 2017, the unified labor union of SPCC workers and one of Toquepala s unions began a strike, demanding a review of certain health and profit sharing benefits. The strike ended after 12 days. The Company estimates a loss of approximately 1,400 tons of copper production.

Mexican operations: In recent years, the Mexican operations have experienced a positive improvement of their labor environment, as its workers opted to change their affiliation from the Sindicato Nacional de Trabajadores Mineros, Metalurgicos y Similares de la Republica Mexicana (the National Mining Union) to other less politicized unions.

However, the workers of the San Martin and Taxco mines, are still under the National Mining Union and have been on strike since July 2007. On December 10, 2009, a federal court confirmed the legality of the San Martin strike. In order to recover the control of the San Martin mine and resume operations, the Company filed a court petition on January 27, 2011 requesting that the court, among other things, define the termination payment for each unionized worker. The court denied the petition alleging that, according to federal labor law, the union was the only legitimate party to file such petition. On appeal by the Company, on May 13, 2011, the Mexican federal tribunal accepted the petition. In July 2011, the National Mining Union appealed the favorable court decision before the Supreme Court. On November 7, 2012, the Supreme Court affirmed the decision of the federal tribunal. The Company filed a new proceeding before the labor court on the basis of the Supreme Court decision, which recognized the right of the labor court to define responsibility for the strike and the termination payment for each unionized worker. A favorable decision of the labor court in this new proceeding would have the effect of terminating the protracted strike at San Martin. As of June 30, 2017, the case remains pending resolution without further developments.

In the case of the Taxco mine, following the workers refusal to allow exploration of new reserves, the Company commenced litigation seeking to terminate the labor relationship with workers at the mine (including termination of the related collective

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bargaining agreement). On September 1, 2010, the federal labor court issued a ruling approving the termination of the collective bargaining agreement and all the individual labor contracts of the workers affiliated with the Mexican mining union at the Taxco mine. The mining union appealed the labor court ruling before a federal court. In September 2011, the federal court accepted the union s appeal and remanded the case to the federal labor court for reconsideration. After several legal proceedings on January 25, 2013, the Company filed a new proceeding before the labor court. On June 16, 2014, the labor court denied the petition of the Company. The resolution issued by the labor court was challenged by the Company before a federal court. In August 2015, the Supreme Court decided to assert jurisdiction over the case and to rule on it directly. As of June 30, 2017, the case remains pending resolution without further developments.

It is expected that operations at these mines will remain suspended until these labor issues are resolved.

In view of these lengthy strikes, the Company has reviewed the carrying value of the San Martin and Taxco mines to ascertain whether impairment exists. The Company concluded that there is a non-material impairment of the assets located at these mines.

Other legal matters:

The Company is involved in various other legal proceedings incidental to its operations, but the Company does not believe that decisions adverse to it in any such proceedings, individually or in the aggregate, would have a material effect on its financial position or results of operations.

Other commitments:

Peruvian Operations

Tia Maria:

On August 1, 2014, the Company received the final approval of Tia Maria´s Environmental Impact Assessment (EIA). However, the issuance of the project´s construction permit has been delayed due to pressures from anti-mining groups. The Company continues working with community groups in order to resolve open issues concerning the project.

Tia Maria´s project budget is approximately $1.4 billion, of which $363.7 million has been invested through June 30, 2017. When completed, it is expected to produce 120,000 tons of copper cathodes per year. This project will use state-of-the-art SX-EW technology with the highest international environmental standards. SX-EW facilities are the most environmentally friendly in the industry as they do not require a smelting process and consequently, no emissions are released into the atmosphere. The project will only use seawater, transporting this more than 25 kilometers to 1,000 meters above sea level, and includes a desalinization plant which will be constructed at a cost of $95 million. Consequently, the Tambo river water resources and the water resources from the wells in the area will be used solely for farming and human consumption.

The Company expects the project to generate 3,500 jobs during the construction phase. When in operation, Tia Maria will directly employ 600 workers and indirectly provide jobs to another 2,000. Through its expected twenty-year life, the project related services will create significant business opportunities in the Arequipa region.

In view of the delay in this project, the Company has reviewed the carrying value of this asset to ascertain whether impairment exists. Should the Tia Maria project not move forward, the Company is confident that most of the project equipment will continue to be used productively, through reassignment to other mine locations operated by the Company. The Company believes that an impairment loss, if any, will not be material.

Toquepala Concentrator Expansion:

In April 2015, the construction permit for the Toquepala expansion project was approved by the MINEM. The project budget is $1.2 billion, of which $650.2 million has been expended through June 30, 2017. When completed, this expansion project is expected to increase annual production capacity by 100,000 tons of copper and 3,100 tons of molybdenum.

Corporate Social Responsibility:

The Company has a corporate social responsibility policy to maintain and promote continuity of its mining operations and obtain the best results. The main objective of this policy is to integrate its operations with the local communities in the areas of influence of its operations by creating a permanent positive relationship with the communities to develop the optimum social conditions and to promote sustainable development in the area. Accordingly, the Company has made the following commitments:

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Tacna Region: In connection with the Toquepala concentrator expansion, the Company has committed to fund various social and infrastructure improvement projects in Toquepala s neighboring communities. The total amount committed for these purposes is S/ 445.0 million (approximately $132 million).

Moquegua Region: In the Moquegua region, the Company is part of a development roundtable in which the local municipal authorities, the community representatives and the Company discuss the social needs and the way the Company could contribute to sustainable development in the region. As part of this, the roundtable is discussing the creation of a Moquegua Region Development Fund for which the Company has offered a contribution of S/ 700 million (approximately $209 million). While final funding is not yet settled, the Company has committed to contribute S/ 108.5 million (approximately $32 million) in advance, which is being utilized in an educational project and S/ 48.4 million (approximately $14 million) for a residual water treatment plant in Ilo, a sea-wall embankment and a fresh water facility at El Algarrobal.

In addition, the Company has committed S/ 143.0 million (approximately $43 million) for the construction of five infrastructure projects in the Moquegua region under the social investment for taxes (obras por impuestos) program which allows the Company to use these amounts as an advance payment of taxes.

These commitments are subject to the continuity of the respective mine operations and, as such, are not considered to be present obligations of the Company. Therefore, the Company has not recorded a liability in its consolidated financial statements.

Peruvian operations

Power purchase agreements:

- *Engie:* In 1997, SCC signed a power purchase agreement with an independent power company, Engie Energia Peru S.A. (formerly Enersur S.A.) under which SCC agreed to purchase all of its power needs for its current Peruvian operations from Enersur for twenty years, through April 2017. Therefore, this commitment expired in the second quarter of 2017.

- *Electroperu S.A.:* In June 2014, the Company signed a power purchase agreement for 120 megawatt (MW) with the state power company Electroperu S.A., under which Electroperu S.A. will supply energy for the Peruvian operations for twenty years starting on April 17, 2017 and ending on April 30, 2037.

- *Kallpa Generacion S.A. (Kallpa):* In July 2014, the Company signed a power purchase agreement for 120MW with Kallpa, an independent Israeli owned power company, under which Kallpa will supply energy for the Peruvian operations for ten years starting on April 17, 2017 and ending on April 30, 2027. In May 2016, the Company signed an additional power purchase agreement for a maximum of 80MW with Kallpa, under which Kallpa will supply energy for the Peruvian operations related to the Toquepala Expansion and other minor projects for ten years starting on May 1, 2017 and ending after ten years of commercial operation of the Toquepala Expansion or on April 30, 2029; whichever happens first.

Mexican operations

Power purchase agreements:

- *MGE:* In 2012, the Company signed a power purchase agreement with MGE, an indirect subsidiary of Grupo Mexico, to supply power to some of the Company s Mexican operations through 2032. For further information, please see Note 7 Related party transactions .

- Eolica el Retiro S.A.P.I. de C.V.: In 2013, the Company signed a power purchase agreement with Eolica el Retiro, S.A.P.I de C.V. a windfarm energy producer that is an indirect subsidiary of Grupo Mexico, to supply power to some of the Company´s Mexican operations. For further information, please see Note 7 Related party transactions .

Corporate operations

Commitment for Capital projects:

As of June 30, 2017, the Company has committed approximately $1,983.4 million for the development of its capital investment projects at its operations.

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Tax contingency matters:

Tax contingencies are provided for under ASC 740-10-50-15 Uncertain tax position (see Note 4 Income taxes).

NOTE 10 SEGMENT AND RELATED INFORMATION:

Company management views Southern Copper as having three reportable segments and manages it on the basis of these segments. The reportable segments identified by the Company are: the Peruvian operations, the Mexican open-pit operations and the Mexican underground mining operations segment identified as the IMMSA unit.

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

Financial information is regularly prepared for each of the three segments and the results of the Company s operations are regularly reported to Senior Management on the segment basis. Senior Management of the Company focus 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.

Financial information relating to Southern Copper s segments is as follows:

	Three Months Ended June 30, 2017 (in millions)				
	Mexican Open-Pit	**Mexican IMMSA Unit**	**Peruvian Operations**	**Corporate, other and eliminations**	**Consolidated**
Net sales outside of segments	$ 899.8	$ 107.3	$ 522.7		$ 1,529.8
Intersegment sales		17.6		$ (17.6)	
Cost of sales (exclusive of depreciation, amortization and depletion)	391.5	91.4	343.5	(21.6)	804.8
Selling, general and administrative	11.1	2.0	8.5	0.6	22.2
Depreciation, amortization and depletion	100.0	12.5	57.1	1.6	171.2
Exploration	0.7	0.9	2.2	1.9	5.7
Environmental remediation					
Operating income	**$ 396.5**	**$ 18.1**	**$ 111.4**	**$ (0.1)**	**525.9**
Less:					
Interest, net					(71.7)

Other income (expense)					3.1
Income taxes					(160.3)
Equity earnings of affiliate					3.5
Non-controlling interest					(0.8)
Net income attributable to SCC					**$ 299.7**
Capital investment	$ 88.8	$ 6.0	$ 155.7	$ 1.6	$ 252.1
Property and mine development, net	$ 5,149.8	$ 376.0	$ 3,082.7	$ 229.0	$ 8,837.5
Total assets	$ 8,660.5	$ 868.3	$ 4,645.6	$ (659.1)	$ 13,515.3

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	Three Months Ended June 30, 2016				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 815.9	$ 82.7	$ 436.5		$ 1,335.1
Intersegment sales		19.4		$ (19.4)	
Cost of sales (exclusive of depreciation, amortization and depletion)	431.8	73.3	311.6	(65.1)	751.6
Selling, general and administrative	12.7	1.8	8.6	0.5	23.6
Depreciation, amortization and depletion	107.6	14.4	53.9	(11.4)	164.5
Exploration	1.4	1.3	4.2	3.4	10.3
Operating income	**$ 262.4**	**$ 11.3**	**$ 58.2**	**$ 53.2**	**385.1**
Less:					
Interest, net					(70.0)
Other income (expense)					5.8
Income taxes					(102.0)
Equity earnings of affiliate					3.6
Non-controlling interest					(0.6)
Net income attributable to SCC					**$ 221.9**
Capital investment	$ 157.8	$ 10.7	$ 173.1	$	$ 341.6
Property and mine development, net	$ 5,068.5	$ 455.9	$ 2,720.9	$ 253.1	$ 8,498.4
Total assets	$ 8,640.2	$ 790.4	$ 4,080.7	$ (723.9)	$ 12,787.4

	Six Months Ended June 30, 2017 (in millions)				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 1,852.0	$ 217.6	$ 1,044.2		$ 3.113.8
Intersegment sales		38.1		$ (38.1)	
Cost of sales (exclusive of depreciation, amortization and depletion)	856.4	174.4	659.2	(41.4)	1,648.6
Selling, general and administrative	21.1	4.2	17.5	0.8	43.6
Depreciation, amortization and depletion	198.6	25.9	92.4	7.7	324.6
Exploration	1.2	1.6	4.3	3.7	10.8
Environmental remediation	(10.2)				(10.2)
Operating income	**$ 784.9**	**$ 49.6**	**$ 270.8**	**$ (9.0)**	**1,096.4**
Less:					
Interest, net					(161.6)
Other income (expense)					7.8
Income taxes					(336.6)
Equity earnings of affiliate					9.7
Non-controlling interest					(1.6)
Net income attributable to SCC					**$ 614.1**
Capital investment	$ 146.1	$ 13.0	$ 336.8	$ 1.8	$ 497.7
Property and mine development, net	$ 5,149.8	$ 376.0	$ 3,082.7	$ 229.0	$ 8,837.5
Total assets	$ 8,660.5	$ 868.3	$ 4,645.6	$ (659.1)	$ 13,515.3

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	Six Months Ended June 30, 2016				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate, other and eliminations	Consolidated
Net sales outside of segments	$ 1,557.5	$ 152.7	$ 869.9		$ 2,580.1
Intersegment sales		34.5		$ (34.5)	
Cost of sales (exclusive of depreciation, amortization and depletion)	826.3	142.0	616.2	(106.0)	1,478.5
Selling, general and administrative	26.2	3.3	19.7	0.7	49.9
Depreciation, amortization and depletion	172.5	23.8	108.3	(4.8)	299.8
Exploration	3.0	3.1	7.5	7.1	20.7
Operating income	**$ 529.5**	**$ 15.0**	**$ 118.2**	**$ 68.5**	**731.2**
Less:					
Interest, net					(142.8)
Other income (expense)					5.4
Income taxes					(194.2)
Equity earnings of affiliate					8.7
Non-controlling interest					(1.3)
Net income attributable to SCC					**$ 407.0**
Capital investment	$ 266.9	$ 17.5	$ 280.4	$ 0.1	$ 564.9
Property and mine development, net	$ 5,068.5	$ 455.9	$ 2,720.9	$ 253.1	$ 8,498.4
Total assets	$ 8,640.2	$ 790.4	$ 4,080.7	$ (723.9)	$ 12,787.4

NOTE 11 STOCKHOLDERS EQUITY:

Treasury Stock:

Activity in treasury stock in the six-month period ended June 30, 2017 and 2016 is as follows (in millions):

	2017	2016
Southern Copper common shares		
Balance as of January 1,	$ 2,769.0	$ 2,697.6
Purchase of shares		53.7
Used for corporate purposes	(0.3)	(0.3)
Balance as of June 30,	2,768.7	2,751.0
Parent Company (Grupo Mexico) common shares		
Balance as of January 1,	218.6	211.3
Other activity, including dividend, interest and foreign currency transaction effect	4.3	4.7
Balance as of June 30,	222.9	216.0
Treasury stock balance as of June 30,	$ 2,991.6	$ 2,967.0

The following table summarizes share distributions in the first six months of 2017 and 2016:

	2017	**2016**
Southern Copper common shares		
Directors Stock Award Plan	10,800	12,000
Parent Company (Grupo Mexico) common shares		
Employee stock purchase plan (shares in millions)	0.3	0.6

Southern Copper Common Shares:

At June 30, 2017 and 2016, there were in treasury 111,568,817 and 110,877,016 SCC s common shares, respectively.

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SCC share repurchase program:

In 2008, the Company s 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, the Company has purchased 119.5 million shares of common stock at a cost of $2.9 billion. These shares are available for general corporate purposes. The Company may purchase additional shares of its common stock 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.

There has not been activity in the SCC share repurchase program since the third quarter of 2016. The NYSE closing price of SCC common shares at June 30, 2017 was $34.63 and the maximum number of shares that the Company could purchase at that price is 2.4 million shares.

As a result of the repurchase of shares of SCC s common stock, Grupo Mexico s direct and indirect ownership was 88.9% as of June 30, 2017.

Directors Stock Award Plan:

The Company established a stock award compensation plan for certain directors who are not compensated as employees of the Company. Under this plan, participants will receive 1,200 shares of common stock upon election and 1,200 additional shares following each annual meeting of stockholders thereafter. 600,000 shares of Southern Copper common stock have been reserved for this plan. The Company s Board of Directors and the stockholders approved a one-year extension of the Plan until January 29, 2018. The fair value of the award is measured each year at the date of the grant.

The activity of the plan in the six-month period ended June 30, 2017 and 2016 was as follows:

	2017	**2016**
Total SCC shares reserved for the plan	600,000	600,000
Total shares granted at January 1,	(334,800)	(322,800)
Granted in the period	(10.800)	(12,000)
Total shares granted at June 30,	(345,600)	(334,800)
Remaining shares reserved	254.400	265,200

Parent Company common shares:

At June 30, 2017 and 2016 there were in treasury 111,939,269 and 116,923,605 of Grupo Mexico s common shares, respectively.

Employee Stock Purchase Plan:

2010 Plan: During 2010, the Company offered to eligible employees a stock purchase plan through a trust that acquires series B shares of Grupo Mexico stock for sale to its employees, employees of subsidiaries, and certain affiliated companies. The purchase price was established at 26.51 Mexican pesos (approximately $1.28) for the initial subscription. Every two years employees were able to acquire title to 50% of the shares paid in the previous two years. The employees paid for shares purchased through monthly payroll deductions over the eight year period of the plan. At the end of the eight year period, the Company granted the participant a bonus of one share for every ten shares purchased by the employee.

The participants were entitled to receive dividends in cash for dividends paid by Grupo Mexico for all shares that were fully purchased and paid by the employee as of the date that the dividend is paid. If the participant had only partially paid for shares, the entitled dividends were used to reduce the remaining liability owed for purchased shares.

In the case of voluntary or involuntary resignation/termination of the employee, the Company paid to the employee the fair market sales price at the date of resignation/termination of the fully paid shares, net of costs and taxes. When the fair market sales value of the shares was higher than the purchase price, the Company applied a deduction over the amount to be paid to the employee based on a decreasing schedule specified in the plan.

In case of retirement or death of the employee, the Company rendered the buyer or his legal beneficiary, the fair market sales value as of the date of retirement or death of the shares effectively paid, net of costs and taxes.

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The stock based compensation expense for the first six months 2017 and 2016 and the unrecognized compensation expense under this plan were as follows (in millions):

	2017	2016
Stock based compensation expense	$ 0.3	$ 0.3
Unrecognized compensation expense	$ 0.5	$ 1.0

The unrecognized compensation expense under this plan is expected to be recognized over the remaining one year and six month period.

The following table presents the activity of this plan for the six months ended June 30, 2017 and 2016:

	Shares	Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2017	1,401,096	$ 2.05
Granted		
Exercised	(7,433)	2.05
Forfeited		
Outstanding shares at June 30, 2017	1,393,663	$ 2.05
Outstanding shares at January 1, 2016	2,227,582	$ 2.05
Granted		
Exercised	(605,371)	$ 2.05
Forfeited		
Outstanding shares at June 30, 2016	1,622,211	$ 2.05

2015 Plan: In January 2015, the Company offered to eligible employees a new stock purchase plan (the New Employee Stock Purchase Plan) through a trust that acquires series B of shares of Grupo Mexico stock for sale to its employees, and employees of subsidiaries, and certain affiliated companies.

The purchase price was established at 38.44 Mexican pesos (approximately $1.86) for the initial subscription, which expires on January 2023. Every two years employees will be able to acquire title to 50% of the shares paid in the previous two years. The employees will pay for shares purchased through monthly payroll deductions over the eight year period of the plan. At the end of the eight year period, the Company will grant the participant a bonus of 1 share for every 10 shares purchased by the employee. Any future subscription will be at the average market price at the date of acquisition or the grant date.

If Grupo Mexico pays dividends on shares during the eight year period, the participants will be entitled to receive the dividend in cash for all shares that have been fully purchased and paid as of the date that the dividend is paid. If the participant has only partially paid for shares, the entitled dividends will be used to reduce the remaining liability owed for purchased shares.

In the case of voluntary or involuntary resignation/termination of the employee, the Company will pay to the employee the fair market sales price at the date of resignation of the fully paid shares, net of costs and taxes. When the fair market sales value of the shares is higher than the purchase price, the Company will apply a deduction over the amount to be paid to the employee based on a decreasing schedule specified in the plan.

In case of retirement or death of the employee, the Company will render the buyer or his legal beneficiary, the fair market sales value as of the date of retirement or death of the shares effectively paid, net of costs and taxes.

The stock based compensation expense for the first six months of 2017 and 2016 and the unrecognized compensation expense under this plan were as follows (in millions):

		2017		**2016**
Stock based compensation expense	$	0.3	$	0.3
Unrecognized compensation expense	$	3.5	$	4.2

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The following table presents the activity of this plan for the six months ended June 30, 2017 and 2016:

	Shares		Unit Weighted Average Grant Date Fair Value
Outstanding shares at January 1, 2017	2,540,223	$	2.63
Granted			
Exercised	(248,992)		2.63
Forfeited			
Outstanding shares at June 30, 2017	2,291,231	$	2.63
Outstanding shares at January 1, 2016	2,656,386	$	2.63
Granted			
Exercised	(13,997)	$	2.63
Forfeited			
Outstanding shares at June 30, 2016	2,642,389	$	2.63

Non-controlling interest:

The following table presents the non-controlling interest activity for the six months ended June 30, 2017 and 2016:

		2017		2016
Balance as of January 1,	$	38.6	$	36.3
Net earnings		1.6		1.3
Dividend paid		(0.3)		
Balance as of June 30,	$	39.9	$	37.6

NOTE 12 FINANCIAL INSTRUMENTS:

Subtopic 820-10 of ASC Fair value measurement and disclosures Overall establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Subtopic 820-10 are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs. (i.e., quoted prices for similar assets or liabilities).

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The carrying amounts of certain financial instruments, including cash and cash equivalents, accounts receivable (other than accounts receivable associated with provisionally priced sales) and accounts payable approximate fair value due to their short maturities. Consequently, such financial instruments are not included in the following table that provides information about the carrying amounts and estimated fair values of other financial instruments that are not measured at fair value in the condensed consolidated balance sheet as of June 30, 2017 and December 31, 2016 (in millions):

	At June 30, 2017		At December 31, 2016	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
Liabilities:				
Long-term debt	$ 5,955.6	$ 6,633.3	$ 5,954.2	$ 6,212.0

Long-term debt is carried at amortized cost and its estimated fair value is based on quoted market prices classified as Level 1 in the fair value hierarchy except for the case of the Yankee bonds which qualify as Level 2 in the fair value hierarchy as they are based on quoted priced in market that are not active.

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Fair values of assets and liabilities measured at fair value on a recurring basis were calculated as follows as of June 30, 2017 and December 31, 2016 (in millions):

Fair Value at Measurement Date Using:

Description	Fair Value as of June 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Short term investment:				
- Trading securities	$ 39.1	$ 39.1	$	$
- Available-for-sale debt securities:				
Corporate bonds	0.1		0.1	
Asset backed securities	0.6		0.6	
Mortgage backed securities	0.4		0.4	
Accounts receivable:				
- Embedded derivatives - Not classified as hedges:				
Provisionally priced sales:				
Copper	154.5	154.5		
Molybdenum	82.3	82.3		
Total	$ 277.0	$ 275.9	$ 1.1	$

Fair Value at Measurement Date Using:

Description	Fair Value as of December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Short term investment:				
- Trading securities	$ 49.2	$ 49.2		$
- Available-for-sale debt securities:				
Corporate bonds				
Asset backed securities				
Mortgage backed securities	2.1		$ 2.1	
Accounts receivable:				
- Embedded derivatives - Not classified as hedges:				
Provisionally priced sales:				
Copper	203.8	203.8		
Molybdenum	54.0	54.0		
Total	$ 309.1	$ 307.0	$ 2.1	$

The Company s short-term trading securities investments are classified as Level 1 because they are valued using quoted prices of the same securities as they consist of bonds issued by public companies and publicly traded. The Company s short-term available-for-sale investments are classified as Level 2 because they are valued using quoted prices for similar investments.

The Company s accounts receivables associated with provisionally priced copper sales are valued using quoted market prices based on the forward price on the LME or on the COMEX. Such value is classified within Level 1 of the fair value hierarchy. Molybdenum prices are established by reference to the publication Platt s Metals Week and are considered Level 1 in the fair value hierarchy.

NOTE 13 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PROPOSED ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU 2014-09 Revenue from Contracts with Customers (Topic 606). The objective of the new revenue standard is to provide a single comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries and across capital markets.

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The core principle of the standard is that the Company should recognize revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company should apply the following five steps to achieve the core principle:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations (promises) in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation.

The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer. Additionally, the Company should disclose sufficient qualitative and quantitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

On July 9, 2015, the FASB approved a one year deferral of the effective date of the new revenue standard for all entities. This revenue standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is not permitted. The Company is evaluating the impact of the adoption of this new standard on the consolidated financial information.

IMPACT OF NEW ACCOUNTING STANDARDS

During the second quarter of 2017, the FASB issued among others, the following new accounting updates to the Codification:

ASU 2017-08: In March 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-08 Receivables-Nonrefundable fees and Other Costs Subtopic 310-20. The amendments in this Update affect all entities that hold investments in callable debt securities that have an amortized cost basis in excess of the amount that is repayable by the issuer at the earliest call date. This Update amends the amortization period for certain purchased callable debt securities held at a premium. The Board is shortening the amortization period for the premium to the earliest call date.

The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted. The Company does not believe that the adoption of this Update will have a material effect on the Company s financial statements.

ASU 2017-09: In May 2017, the FASB issued ASU 2017-09 Compensation Stock Compensation (Topic 718) . The amendments in this Update affect any entity that changes the terms or conditions of a share-based payment award.

The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The amendments in the Update provide guidance about when changes to stock awards require the entity to apply modification accounting. The Company does not believe that this Update will have a material effect on the Company s financial statements.

ASU 2017-10: In May 2017, the FASB issued ASU 2017-10 Service Concession Arrangements (Topic 853) . The amendments in this Update apply to operating entities for service concession arrangements.

For most entities the amendments in this Update are effective for fiscal years beginning after December 15, 2018. The Company does not believe that this Update is applicable to its business.

NOTE 14 SUBSEQUENT EVENTS:

Dividends:

On July 20, 2017, the Board of Directors authorized a dividend of $0.14 per share payable on August 23, 2017 to shareholders of record at the close of business on August 9, 2017.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information that management believes is relevant to an assessment and understanding of the condensed consolidated financial condition and results of operations of Southern Copper Corporation and its subsidiaries (collectively, SCC , the Company , our , and we). This item should be read in conjunction with our interim unaudited Condensed Consolidated Financial Statements and the notes thereto included in this quarterly report. Additionally, the following discussion and analysis should be read in conjunction with the Management Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements included in Part II of our annual report on Form 10-K for the year ended December 31, 2016.

EXECUTIVE OVERVIEW

Business: Our business is primarily the production and sale of copper. In the process of producing copper, a number of valuable metallurgical by-products are recovered, which we also produce and sell. Market forces outside of our control largely determine the sale prices for our products. Our management, therefore, focuses on value creation through copper production, cost control, production enhancement and maintaining a prudent capital structure to remain profitable. We endeavor to achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our aim is to remain profitable during periods of low copper prices and to maximize financial performance in periods of high copper prices.

We are one of the world s largest copper mining companies in terms of production and sales with our principal operations in Peru and Mexico. We also have active ongoing exploration programs in Chile, Argentina and Ecuador. In addition to copper, we produce significant amounts of other metals, either as a by-product of the copper process or in a number of dedicated mining facilities in Mexico.

Outlook: Various key factors will affect our outcome. These include, but are not limited to, some of the following:

- Changes in copper, molybdenum, silver and zinc prices: In the first six months of 2017, the average LME and COMEX copper prices were $2.61 per pound and $2.62 per pound, about 22.5% and 23.6% higher than in the first six months of 2016, respectively. During the first six months of 2017 per pound LME spot copper prices ranged from $2.48 to $2.79. Average molybdenum, silver and zinc prices in the first six months of 2017 increased 29.4%, 9.3% and 50.6%, respectively, when compared to the average prices in the first six months of 2016.

- Sales structure: In the first half of 2017, approximately 82% of our revenue came from the sale of copper, 5% from molybdenum, 5% from silver, 5% from zinc and 3% from various other products, including gold, sulfuric acid and other materials.

- Copper: According to the World Bank, the world economy is accelerating as a result of the recovery of manufacturing and international trade, with good international financial conditions. For 2017, we expect refined copper demand to grow about 2.0%.

On the supply side,we expect weak supply growth as a result of the consistent decline in investments that several companies have had in recent years due to a five year period of declining prices. Additionally, labor unrest, excess government taxation and technical difficulties are affecting production. As a result of the mentioned factors, we expect copper growth in the range of 1% per year in 2017 and 2018, creating the conditions for a market deficit after 2018, giving good support to higher prices.

- Silver: Represented 4.9% of our sales in the second quarter of 2017. We believe that silver prices will have support due to its industrial uses as well as its linkage to gold as a value shelter in times of economic uncertainty.

- Molybdenum: Represented 4.4% of our sales in the second quarter of 2017. During the second quarter of 2017, the molybdenum price improved its level by 3.4% when compared to the first quarter of 2017.

Molybdenum is mainly used for the production of special alloys of stainless steel that require significant hardness, corrosion and heat resistance. A new use for this metal is in lubricants and sulfur filtering of heavy oils and shale gas production.

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- Zinc: Represented 5.0% of our sales in the second quarter of 2017. We also believe that zinc has very good long term fundamentals due to its significant industrial consumption and expected mine production shutdowns. In the first six months of 2017 zinc inventories have consistently decreased, improving this market s fundamentals.

- Production: For 2017, we are adjusting our production forecast level from 900,000 to 890,000 tons of copper. For 2018, we will initiate production at the new Toquepala concentrator and expect to be able to produce 986,000 tons of copper, continuing our aggressive organic growth program.

We also expect to produce 16.3 million ounces of silver, in line with 2016 production of 16.2 million ounces. For zinc production, in 2017, we expect to produce 77,600 tons from our mines, up from 2016 s production, of 73,984 tons, mainly due to higher production from our Charcas, Santa Barbara and Santa Eulalia mines, which will increase their milling rates and forecast higher grades as well in 2017. Additionally, we expect to produce 20,800 tons of molybdenum, lower by 4.3% from last year s production of 21,736 tons.

- Cost: Our operating costs and expenses for the first half of 2017 and 2016 were as follows:

					Variance	
		2017		**2016**	**Value**	**%**
Operating costs and expenses ($ in millions)	$	2,017.4	$	1,848.9	$ 168.5	9.1%

The increase was mainly due to higher cost of sales in all our operating segments and higher depreciation, amortization and depletion at our Mexican operations, partially offset by lower exploration expenses and a $10.2 million credit related to the reversal in 2017 of a previously accrued environmental remediation cost at our Mexican operations which was no longer deemed necessary.

- Capital Investments: In the first six months of 2017 we spent $497.7 million on capital investments, 11.9% lower than in the first six months of 2016, and represented 81% of net income. The year 2017 is the starting point of a new strategic plan: we will increase copper production capacity to exceed the one million ton milestone by mid-2018, and by 2023 we expect to reach 1.5 million tons of copper.

KEY MATTERS:

We discuss below several matters that we believe are important to understand our results of operations and financial condition. These matters include, (i) our earnings, (ii) our production, (iii) our operating cash costs as a measure of our performance, (iv) metal prices, (v) business segments, (vi) the effect of inflation and other local currency issues, and (vii) our capital investment and exploration program.

Earnings: The table below highlights key financial and operational data of our Company for the three and six months ended June 30, 2017 and 2016 (in millions, except copper price, percentages and per share amounts):

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Variance	% Change	2017	2016	Variance	% Change
Copper price LME	2.57	2.15	0.42	19.5%	2.61	2.13	0.48	22.5%
Pounds of copper sold	492.9	485.5	7.4	1.5%	980.6	954.8	25.8	2.7%
Net sales	$ 1,529.8	$ 1,335.1	$ 194.7	14.6%	$ 3,113.8	$ 2,580.1	$ 533.7	20.7%
Operating income	$ 525.9	$ 385.1	$ 140.8	36.6%	$ 1,096.4	$ 731.2	$ 365.2	49.9%
Net income attributable to SCC	$ 299.7	$ 221.9	$ 77.8	35.1%	$ 614.1	$ 407.0	$ 207.1	50.9%
Earnings per share	$ 0.39	$ 0.29	$ 0.10	34.5%	$ 0.79	$ 0.53	$ 0.26	49.1%
Dividends per share	$ 0.12	$ 0.05	$ 0.07	140.0%	$ 0.20	$ 0.08	$ 0.12	150.0%

Net sales in the first six months of 2017 were higher than in the six months of 2016 by $533.7 million. This increase was mainly the result of higher metal prices and higher sales volume of copper (+2.7%), silver (+4.9%) and zinc (+3.1%); partially offset by a negative provisional sales price adjustment of $22.3 million for molybdenum.

Net income in the first six months of 2017 was higher than in the six months of 2016 by $207.1 million. This increase was principally due to higher sales.

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Production: The table below highlights our mine production data for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30,				Six months ended June 30,			
			Variance				Variance	
	2017	2016	Volume	%	2017	2016	Volume	%
Copper (in million pounds)	475.4	497.9	(22.5)	(4.5)%	946.6	986.5	(39.9)	(4.0)%
Molybdenum (in million pounds)	11.9	11.7	0.2	1.9%	23.5	24.0	(0.5)	(1.8)%
Silver (in million ounces)	4.0	4.1	(0.1)	(2.6)%	8.0	8.1	(0.1)	(1.4)%
Zinc (in million pounds)	39.3	44.1	(4.8)	(10.9)%	80.3	83.8	(3.5)	(4.2)%

The table below highlights our copper production data for the three and six months ended June 30, 2017 and 2016 (in million pounds):

	Three Months Ended June 30,				Six Months Ended June 30,			
			Variance				Variance	
	2017	2016	Volume	%	2017	2016	Volume	%
Toquepala	78.3	76.6	1.7	2.4%	156.7	155.9	0.8	0.5%
Cuajone	80.4	94.6	(14.2)	(15.0)%	165.8	187.4	(21.6)	(11.5)%
La Caridad	77.8	74.5	3.3	4.3%	147.4	147.5	(0.1)	%
Buenavista	235.7	248.4	(12.7)	(5.1)%	470.2	488.4	(18.2)	(3.7)%
IMMSA	3.2	3.8	(0.6)	(16.6)%	6.5	7.3	(0.8)	(11.2)%
Total	475.4	497.9	(22.5)	(4.5)%	946.6	986.5	(39.9)	(4.0)%

Second quarter: Mined copper production in the second quarter of 2017 decreased by 4.5% to 475.4 million pounds compared to 497.9 million pounds in the second quarter of 2016. This decrease was principally due to:

- Lower production at the Cuajone mine due to a decrease in ore grades and higher ore hardness index, which caused lower recoveries.

- Lower SX-EW production at the Buenavista mine due to lower PLS processed and lower copper content.

- Partially offset by higher production at the Toquepala and La Caridad mines, mainly due to higher ore grades and higher copper concentrates produced at the Buenavista mine.

Molybdenum production increased 1.9% in the second quarter of 2017 to 11.9 million pounds, compared to 11.7 million pounds in the second quarter of 2016 mainly due to the production from the startup of the new Buenavista plant; partially offset by a lower production at the Toquepala and La Caridad mines due to lower ore grades.

Silver mine production decreased by 2.6% in the second quarter of 2017 mainly as a result of lower production at our IMMSA mines partially offset by higher production at our open-pit mines in Mexico and Peru.

Zinc production decreased 10.9% in the second quarter of 2017, due to lower mineral processed at our three operative mines and lower grades.

Six months: Copper mine production in the first six months of 2017 decreased 4.0% to 946.6 million pounds from 986.6 million pounds in the same period of 2016. This decrease was due to:

- Lower production at the Cuajone mine due to lower ore grades and recoveries.
- Lower SX-EW production mainly at the Buenavista mine due to lower PLS processed with a lower copper content
- Partially offset by the higher production of copper concentrates at the Buenavista mine principally due to higher ore grades at the second concentrator.

Molybdenum production decreased 1.8% in the first six months of 2017 compared to the same period of 2016, principally due to lower production at our Peruvian operations as a result of lower grades and recoveries. This decrease was partially offset by the additional production from the Buenavista molybdenum plant at the second concentrator which started production in July 2016.

Silver mine production decreased 1.4% in the first six months of 2017 as result of lower production at our Santa Barbara and Charcas IMMSA mines due to lower grades in both mines; this was partially offset by higher production at our Peruvian operations and at Buenavista mine.

Zinc production decreased 4.2% in the first six months of 2017 due to lower production at our Santa Eulalia and Santa Barbara mines due to lower mineral milled and lower grades.

Operating Cash Costs: An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. This non-GAAP information should not be considered in isolation or as substitute for measures of performance determined in accordance with GAAP. A reconciliation of our operating cash cost per pound of copper produced to the cost of sales (exclusive of depreciation, amortization and depletion) as presented in the condensed consolidated statement of earnings is presented under the subheading, Non-GAAP Information Reconciliation on page 45. We disclose operating cash cost per pound of copper produced, both before and net of by-product revenues.

We define ***operating cash cost per pound of copper produced before by-product revenues*** as cost of sales (exclusive of depreciation, amortization and depletion), plus selling, general and administrative charges, treatment and refining charges net of sales premiums; less the cost of purchased concentrates, workers participation and other miscellaneous charges, including royalty charges, and the change in inventory levels; divided by total pounds of copper produced by our own mines.

We define ***operating cash cost per pound of copper produced net of by-product revenues*** as operating cash cost per pound of copper produced, as defined in the previous paragraph, less by-product revenues and net revenue (loss) on sale of metal purchased from third parties.

In our calculation of operating cash cost per pound of copper produced, before by-product revenues, we credit against our costs the revenues from the sale of all our by-products, including, molybdenum, zinc, silver, gold, etc. and the net revenue (loss) on sale of metals purchased from third parties. We disclose this measure including the by-product revenues in this way because we consider our principal business to be the production and sale of copper. As part of our copper production process, much of our by-products are recovered. These by-products, as well as the processing of copper purchased from third parties, are a supplemental part of our production process and their sales value contribute to cover part of our incurred fixed costs incurred. We believe that our Company is viewed by the investment community as a copper company, and is valued, in large part, by the investment community s view of the copper market and our ability to produce copper at a reasonable cost.

We believe that both of these measures are useful tools for our management and our stakeholders. Our cash costs before by-product revenues allow us to monitor our cost structure and address with operating management areas of concern. The measure operating cash cost per pound of copper produced net of by-product revenues is a common measure used in the copper industry and is a useful management tool that allows us to track our performance and better allocate our resources. This measure is also used in our investment project evaluation process to determine a project s potential contribution to our operations, its competitiveness and its relative strength in different price scenarios. The expected contribution of by-products is generally a significant factor used by the copper industry in determining whether to move forward with the development of a new mining project. As the price of our by-product commodities can have significant fluctuations from period to period, the value of its contribution to our costs can be volatile.

Our operating cash cost per pound of copper produced, before and net of by-product revenues, is presented in the table below for the three and six months ended June 30, 2017 and 2016.

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Operating cash cost per pound of copper produced (1)

(In millions, except cost per pound and percentages)

	Three Months Ended June 30,				Six Months Ended June 30,			
			Variance				Variance	
	2017	**2016**	**Value**	**%**	**2017**	**2016**	**Value**	**%**
Total operating cash cost before by-product revenues	$ 708.1	$ 695.9	$ 12.2	1.8%	$ 1,387.8	$ 1,368.3	$ 19.5	1.4%
Total by-product revenues	$ (254.2)	$ (249.3)	$ (4.9)	2.0%	$ (530.1)	$ (452.6)	$ (77.5)	17.1%
Total operating cash cost net of by-product revenues	$ 453.9	$ 446.6	$ 7.3	1.6%	$ 857.7	$ 915.7	$ (58.0)	(6.3)%
Total pounds of copper produced (2)	462.3	485.8	(23.5)	(4.8)%	919.3	964.0	(44.7)	(4.6)%
Operating cash cost per pound before by-product revenues	**$ 1.53**	**$ 1.43**	**$ 0.10**	**7.0%**	**$ 1.51**	**$ 1.42**	**$ 0.09**	**6.3%**
By-products per pound revenues	**$ (0.55)**	**$ (0.51)**	**$ (0.04)**	**7.8%**	**$ (0.58)**	**$ (0.47)**	**$ (0.11)**	**23.4%**
Operating cash cost per pound net of by-product revenues	**$ 0.98**	**$ 0.92**	**$ 0.06**	**6.5%**	**$ 0.93**	**$ 0.95**	**$ (0.02)**	**(2.1)%**

(1) These are non-GAAP measures. Please see page 45 for reconciliation to GAAP measure.

(2) Net of metallurgical losses.

As seen on the table above, our cash cost per pound before by-product revenues in the second quarter and the first six months of 2017 were ten cents and nine cents higher than in the same periods of 2016, respectively. These increases in operating cash cost were the result of the unit cost effect of 5% lower production and higher production costs, due to higher foreign currency transaction effect at our Mexican open-pit operations, higher cost per pound for fuel and energy costs, higher treatment and refining charges, partially reduced by lower costs per pound from selling, general and administrative expenses.

In addition, our per pound cash cost for the three months ended June 30, 2017, when calculated net of by-product revenues was six cents higher than in the same period of 2016 despite the increase of our main by-products prices. Our per pound cash cost for the six months ended June 30, 2017, when calculated net of by-product revenues was two cents lower than in the same period of 2016 due to higher price for our major by-products.

Metal Prices: The profitability of our operations is dependent on, and our financial performance is significantly affected by, the international market prices for the products we produce, especially for copper, molybdenum, zinc and silver.

We are subject to market risks arising from the volatility of copper and other metal prices. For the remaining six months of 2017, assuming that expected metal production and sales are achieved, that tax rates are unchanged and giving no effect to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated net income attributable to SCC resulting from metal price changes:

	Copper	Zinc	Molybdenum	Silver
Change in metal prices (per pound except silver per ounce)	$ 0.10	$ 0.10	$ 1.00	$ 1.00
Change in net earnings (in millions)	$ 57.5	$ 6.9	$ 13.1	$ 4.7

Business Segments: We view our Company as having three reportable segments and manage it on the basis of these segments. These segments are (1) our Peruvian operations, (2) our Mexican open-pit operations and (3) our Mexican underground operations, known as our IMMSA unit. Our Peruvian operations include the Toquepala and Cuajone mine complexes and the smelting and refining plants, industrial railroad and port facilities that service both mines. The Peruvian operations produce copper, with significant by-product production of molybdenum, silver and other material. Our Mexican open-pit operations include La Caridad and Buenavista mine complexes, the smelting and refining plants and support facilities, which service both mines. The Mexican open pit operations produce copper, with significant by-product production of molybdenum, silver and other material. Our IMMSA unit includes five underground mines that produce zinc, lead, copper, silver and gold, a coal mine which produces coal and coke, and several industrial processing facilities for zinc, copper and silver.

Segment information is included in our review of Results of Operations in this item and also in Note 10 Segment and Related Information of our condensed consolidated financial statements.

Inflation and Exchange Rate Effect of the Peruvian Sol and the Mexican Peso: Our functional currency is the U.S. dollar and our revenues are primarily denominated in U.S. dollars. Significant portions of our operating costs are denominated in

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Peruvian sol and Mexican pesos. Accordingly, when inflation and currency devaluation/appreciation of the Peruvian currency and Mexican currency occur, our operating results can be affected. In recent years, we do believe such changes have not had a material effect on our results and financial position. Please see Item 3. Quantitative and Qualitative Disclosures about Market Risk for more detailed information.

Capital Investment Programs: We made capital investments of $497.7 million in the six months ended June 30, 2017, compared with $564.9 million in the same period of 2016. In general, the capital investments and investment projects described below are intended to increase production, decrease costs or address social and environmental commitments.

Set forth below are descriptions of some of our current expected capital investment programs. We expect to meet the cash requirements for these projects from cash on hand, internally generated funds and from additional external financing, if necessary. All capital spending plans will continue to be reviewed and adjusted to respond to changes in the economy or market conditions.

Projects in Mexico:

Buenavista Projects - Sonora: These projects are increasing copper production from 180,000 tons to 500,000 tons. The Buenavista program was completed on time and $101 million below our budget of $3,265 million. This program also includes the *crushing, conveying and spreading system for leachable ore project (Quebalix IV)*, which is fully operational and was completed on time at a cost of $327 million, which is $117 million below our budget of $444 million. This project will reduce processing time as well as mining and hauling costs, increasing production by improving SX-EW copper recovery. Also, the *new Buenavista molybdenum plant* started operations during April 2017 and it is now operating at full capacity to produce an additional 2,000 tons per year.

Projects in Peru:

We are currently working on five copper projects in Peru, including the Tia Maria project, with a total capital investment for these projects of $2,900 million, out of which $1,275 million have been invested.

Toquepala Concentrator Expansion Project - Tacna: This $1.2 billion project includes a new state-of-the-art concentrator which will increase Toquepala s annual copper production by 100,000 tons to 217,000 tons in 2018 and 260,000 tons in 2019, and will also increase annual molybdenum production by 3,100 tons. Through June 30, 2017, we have invested $650.2 million in this expansion. The project has reached 70% progress and is expected to be completed in the second quarter of 2018.

The project to improve the crushing process at Toquepala with the installation of a *High Pressure Grinding Roll (HPGR)* system, has as its main objective, to ensure that our existing concentrator will operate at its maximum annual production capacity of 117,000 tons of copper while reducing operating costs through ore crushing efficiencies, even with an increase of the ore material hardness index. Additionally, recoveries will be improved and production enhanced with a better ore crushing. The budget for this project is $50 million and as of June 30, 2017, we have invested $30 million in this project. We expect that it will be completed by the first quarter of 2018.

Cuajone Projects Moquegua: The *Heavy Mineral Management Optimizing Project* consists of installing a primary crusher at the Cuajone mine pit with a conveyor system for moving the ore to the concentrator. The project aims to optimize the hauling process by replacing rail haulage, thereby reducing operating and maintenance costs as well as the environmental impact of the Cuajone mine. The crusher will have a processing capacity of 43.8 million tons per year. The main components, including the crusher and the seven kilometer overland conveyor belt, have been already assembled. As of June 30, 2017, we have invested $184.4 million in this project out of the approved capital budget of $215.5 million. The project has reached 99% progress and is expected to be completed by the third quarter of 2017.

The *Cuajone tailing thickeners* project at the concentrator will replace two of the three existing thickeners with a new hi-rate thickener. The purpose is to streamline the concentrator flotation process and improve water recovery efficiency, increasing the tailings solids content from 54% to 61%, thereby reducing fresh water consumption and replacing it with recovered water. Equipment assembly is almost finished and we are starting the commissioning process. As of June of 2017, we have invested $21 million in this project out of the approved capital budget of $30 million. The project has reached 99% progress and we expect it to be completed by the end of the third quarter of 2017.

Tailings disposal at Quebrada Honda - Moquegua: This project increases the height of the existing Quebrada Honda dam to impound future tailings from the Toquepala and Cuajone mills and will extend the expected life of this tailings facility by 25 years. The first stage and construction of the drainage system for the lateral dam is finished. We finished the engineering and procurement is in progress. In order to improve and increase the dam s embankment, we have assigned a construction

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contractor to install a new cyclone battery station that will allow us to place more slurry at the dams. The project has a total budgeted cost of $116.0 million. We have invested $78.5 million through June 30, 2017 and expect the project to be completed by the second quarter of 2018.

Potential projects

We have a number of other projects that we may develop in the future. We evaluate new projects on the basis of our long-term corporate objectives, expected return on investment, environmental concerns, required investment and estimated production, among other considerations. All capital spending plans will continue to be reviewed and adjusted to respond to changes in the economy or market conditions.

Buenavista- Zinc concentrator: This project is located within the Buenavista facility in Sonora, Mexico and contemplates the development of a new concentrator to produce approximately 80,000 tons of zinc and 20,000 tons of copper per year that will allow us to double our current zinc production. We have concluded the basic engineering and we are working on the detailed engineering of the project. We estimate an investment of $413 million. We expect this project to start operations by the first half of 2020.

Pilares-La Caridad: This brownfield project located in Sonora, Mexico will produce 34,500 tons of copper per year with an estimated capital budget of $159 million. Pilares is an open-pit mine, located 10 kilometers away from our La Caridad complex. This relatively short distance will allow us to get synergies from the La Caridad infrastructure. The ore will be transported by truck to the primary crushers of the La Caridad, copper concentrator significantly improving the over-all mineral ore grade (0.34% at La Caridad vs 0.78% expected from Pilares). We expect this project to start operations in 2019.

El Arco: This is a world class copper deposit located in the central part of the Baja California peninsula, with ore reserves over 2.7 billion tons with an ore grade of 0.399% and 0.11 grams of gold per ton. This project, includes an open-pit mine combining concentrator and SX-EW operations with an estimated production of 190,000 tons of copper and 105,000 ounces of gold annually. Between July 2015 and February 2016, we conducted a drilling program of 20,170 meters in order to further define the deposit at lower depths of between 300 and 600 meters. Further exploration work is still required to better define the geometry of the deposit towards its west end and at the depths worked. In 2017, we expect to conduct further exploration activities. In addition, we will begin an engineering study to determine the best way to optimize the project and to update the feasibility study.

El Pilar: This is a fully permitted, low capital intensity copper development project strategically located in Sonora, Mexico, approximately 45 kilometers from our Buenavista mine. Its copper oxide mineralization contains estimated proven and probable reserves of 325 million tons of ore with an average copper grade of 0.287%. El Pilar will operate as a conventional open-pit mine and copper cathodes will be produced using the highly cost efficient and environmentally friendly SX-EW technology. Average annual production is currently estimated at 35,000 tons of copper cathodes over an initial 13-year mine life, with start of commercial operations forecasted for 2019. On a preliminary basis, we estimate a development investment of approximately $310 million. In 2016, we conducted a diamond drilling program of 3,700 meters and a geophysical survey of 40 kilometers in order to confirm the reserves additionally, the results allow us to identify potential areas of interest of oxides and sulfides. During the first half of 2017, we have initiated the update of the estimate for proven reserves and continued with the metallurgical testing program.

Tia Maria: We have completed all engineering and have successfully obtained the approval of the environmental impact assessment for the project. We are currently working to obtain the construction license for this 120,000 tons of SX-EW copper per year greenfield project with a total capital investment of $1,400 million. In 2017, we are continuing with our social development programs with the neighboring communities.

This greenfield project, located in Arequipa, Peru, will use state of the art SX-EW technology with the highest international environmental standards. SX-EW facilities are the most environmentally friendly in the industry due to their technical process and consequently no emissions into the atmosphere are released. The project will use seawater, transporting it more than 25 kilometers and at 1,000 meters above sea level. The construction of the desalinization plant requires an investment of approximately $95 million.

We expect the project to generate 3,500 jobs during the construction phase. When in operation, Tia Maria will directly employ 600 workers and indirectly provide jobs to another 2,000. Through its expected twenty-year life, the project related services will create significant business opportunities in the Arequipa region. Tia Maria has complied with all existing requirements and regulations and therefore the Company trusts that it will soon receive from government authorities the construction licenses and permits required in order to begin construction of this project.

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Los Chancas. This greenfield project, located in Apurimac, Peru, is a copper and molybdenum porphyry deposit. Current estimates indicate the presence of 545 million tons of mineralized material with a copper content of 0.59%, molybdenum content of 0.04% and 0.039 grams of gold per ton as well as, 181 million tons of mineralized leachable material with a total copper content of 0.357%. Los Chancas project includes an open-pit mine with a combined operation of concentrator and SX-EW processes to produce 100,000 tons of copper and 4,500 tons of molybdenum. The estimated capital investment is $2,800 million and is expected to be in operation in 2022. In 2016, we continued with the development of social and environmental programs with the local communities. As of June 30, 2017, we have initiated the bidding process to select the consulting firm for the elaboration of the environmental impact assessment.

The above information is based on estimates only. We cannot make any assurances that we will undertake any of these projects or that the information noted is accurate.

ACCOUNTING ESTIMATES

Our discussion and analysis of financial condition and results of operations, as well as quantitative and qualitative disclosures about market risks, are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. Preparation of these consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We make our best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: ore reserves, revenue recognition, ore stockpiles on leach pads and related amortization, estimated impairment of assets, asset retirement obligations, valuation allowances for deferred tax assets, unrecognized tax benefits and fair value of financial instruments. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

The following table highlights key financial results for the three and six months ended June 30, 2017 and 2016 (in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017	**2016**	**Variance**	**% Change**	**2017**	**2016**	**Variance**	**% Change**
Net sales	$ 1,529.8	$ 1,335.1	$ 194.7	14.6%	$ 3,113.8	$ 2,580.1	$ 533.7	20.7%
Operating costs and expenses	1,003.9	(950.0)	53.9	5.7%	2,017.4	(1,848.9)	168.5	9.1%
Operating income	525.9	385.1	140.8	36.6%	1,096.4	731.2	365.2	49.9%
Non-operating income (expense)	(68.6)	(64.2)	(4.4)	(6.9)%	(153.8)	(137.4)	(16.4)	(11.9)%
	457.3	320.9	136.4	42.5%	942.6	593.8	348.8	58.7%

Income before income taxes								
Income taxes	(160.3)	(102.0)	(58.3)	57.2%	(336.6)	(194.2)	(142.4)	73.3%
Equity earnings of affiliate	3.5	3.6	(0.1)	(2.8)%	9.7	8.7	1.0	11.5%
Net income attributable to non-controlling interest	(0.8)	(0.6)	(0.2)	(33.3)%	(1.6)	(1.3)	0.3	23.1%
Net income attributable to SCC	$ 299.7	$ 221.9	$ 77.8	35.1%	$ 614.1	$ 407.0	$ 207.1	50.9%

NET SALES

Net sales for the second quarter 2017 were $1,529.8 million, compared to $1,335.1 million in the second quarter 2016, an increase of $194.7 million. This 14.6% increase was principally the result of higher metal prices as shown below, and also due to higher sales volume of copper (+1.5%), silver (+6.2%) and molybdenum (+4.5%); partially offset by a negative provisional sales price adjustment of $22.3 million for molybdenum.

Net sales in the first six months of 2017 were $3,113.8 million, compared to $2,580.1 million in the first six months of 2016, an increase of $533.7 million. This 20.7% increase was principally the result of higher metal prices as shown below, and also due to higher sales volume of copper (+2.7%), silver (+4.9%) and zinc (+3.1%).

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The table below outlines the average published market metals prices for our metals for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Copper ($ per pound LME)	$ 2.57	$ 2.15	19.5%	$ 2.61	$ 2.13	22.5%
Copper ($ per pound COMEX)	$ 2.58	$ 2.13	21.1%	$ 2.62	$ 2.12	23.6%
Molybdenum ($ per pound) (1)	$ 8.00	$ 6.89	16.1%	$ 7.87	$ 6.08	29.4%
Zinc ($ per pound LME)	$ 1.18	$ 0.87	35.6%	$ 1.22	$ 0.81	50.6%
Silver ($ per ounce COMEX)	$ 17.19	$ 16.83	2.1%	$ 17.32	$ 15.85	9.3%

(1) Platt s Metals Week Dealer Oxide

The table below provides our metal sales as a percentage of our total net sales for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Copper	82.1%	77.0%	81.6%	78.5%
Molybdenum	4.4%	6.1%	5.1%	5.3%
Silver	4.9%	5.2%	4.8%	5.1%
Zinc	5.0%	4.3%	5.0%	4.0%
Other by-products	3.6%	7.4%	3.5%	7.1%
Total	100.0%	100.0%	100.0%	100.0%

The table below provides our copper sales by type of product for the three and six months ended June 30, 2017 and 2016 (in million pounds):

	Three Months Ended June 30,				Six Months Ended June 30,			
Copper Sales	2017	2016	Variance	% Change	2017	2016	Variance	% Change
Refined (including SX-EW)	295.5	296.0	(0.5)	(0.2)%	603.1	602.4	0.7	0.1%
Rod	70.4	78.4	(8.0)	(10.2)%	143.8	158.7	(14.9)	(9.4)%
Concentrates and other	127.0	111.1	15.9	14.3%	233.8	193.7	40.1	20.7%
Total	492.9	485.5	7.4	1.5%	980.7	954.8	25.9	2.7%

The table below provides our copper sales volume by type of product as a percentage of our total copper sales volume for the three and six months ended June 30, 2017 and 2016:

Copper Sales by product type	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Refined (including SX-EW)	59.9%	61.0%	61.5%	63.1%
Rod	14.3%	16.1%	14.7%	16.6%
Concentrates and other	25.8%	22.9%	23.8%	20.3%
Total	100.0%	100.0%	100.0%	100.0%

OPERATING COSTS AND EXPENSES

The table below summarizes the production cost structure by major components as a percentage of total production cost:

	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Power	16.7%	17.3%	18.3%	18.0%
Labor	13.7%	14.0%	13.6%	13.8%
Fuel	13.8%	11.4%	13.7%	11.3%
Maintenance	18.7%	19.1%	18.9%	19.2%
Operating material	18.9%	19.1%	18.7%	19.4%
Other	18.2%	19.1%	16.8%	18.3%
Total Production Cost	100.0%	100.0%	100.0%	100.0%

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Second quarter: Operating costs and expenses were $1,003.9 million in the second quarter of 2017 compared to $950.0 million in the second quarter of 2016. The increase of $53.9 million was primarily due to:

Operating cost and expenses for the second quarter 2016	$	950.0
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher foreign currency transaction effect, inventory consumption, higher workers participation expense and higher fuel costs, partially offset by lower capitalized ore stockpiles on leach pads and lower cost of metals purchased from third parties.		53.2
• Higher depreciation, amortization and depletion mainly as a result of our expansion and maintenance capital investments.		6.7
Less:		
• Lower selling, general and administrative expenses.		(1.4)
• Lower exploration expense.		(4.6)
Operating cost and expenses for the second quarter 2017	$	1,003.9

Six months: Operating costs and expenses were $2,017.4 million in the first six months of 2017 compared to $1,848.9 million in the first six months of 2016. The increase of $168.5 million was primarily due to:

Operating cost and expenses for the first six months 2016	$	1,848.9
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher inventory consumption, foreign currency transaction effect, higher workers participation expense and higher power and fuel costs, partially offset by lower cost of metals purchased from third parties, and lower capitalized ore stockpiles on leach pads.		170.1
• Higher depreciation, amortization and depletion mainly as a result of our expansion and maintenance capital investments.		24.8
Less:		
• Partial recovery of the Sonora River remediation costs due to the completion of remediation activities.		(10.2)
• Lower selling, general and administrative expenses.		(6.3)
• Lower exploration expense.		(9.9)
Operating cost and expenses for the first six months 2017	$	2,017.4

NON-OPERATING INCOME (EXPENSE)

Non-operating income and expense were a net expense of $68.6 million and $153.8 million in the three and six months ended June 30, 2017, respectively, compared to a net expense of $64.2 million and $137.4 million in the comparable periods of 2016.

Second quarter: The higher expense of $4.4 million was primarily due to:

- $ 2.7 million of lower miscellaneous income, net,
- $ 0.7 million of lower interest income, and
- $ 1.0 million of lower capitalized interest.

Six months: The higher expense of $16.4 million was primarily due to:

- $ 15.5 million of higher interest expense due to an adjustment in capitalized interest computation,
- $ 2.0 million of lower interest income,
- $ 1.3 million of lower capitalized interest, partially offset by,
- $ 2.4 million of higher miscellaneous income, net.

INCOME TAXES

	Six months ended June 30,	
	2017	**2016**
Provision for income taxes (in millions)	$ 336.6	$ 194.2
Effective income tax rate	35.7%	32.7%

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These provisions include income taxes for Peru, Mexico and the United States. In addition, a Mexican royalty tax, a portion of the Peruvian royalty tax and the Peruvian special mining tax are included in the income tax provision. The increase in the effective tax rate for the 2017 period from the same period of 2016 is primarily due to an increase in expected dividends from our Mexican subsidiaries. For further information, please see Note 4 Income taxes .

SEGMENT RESULT ANALYSIS

We have three segments: the Peruvian operations, the Mexican open-pit operations and the Mexican underground mining operations.

The table below presents information regarding the volume of our copper sales by segment for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,				Six Months Ended June 30,			
Copper Sales (million pounds):	**2017**	**2016**	**Variance**	**% Change**	**2017**	**2016**	**Variance**	**% Change**
Peruvian operations	178.9	170.9	8.0	4.7%	351.4	348.4	3.0	0.9%
Mexican open-pit	314.0	314.6	(0.6)	(0.2)%	629.2	606.4	22.8	3.8%
Mexican IMMSA unit	3.9	5.5	(1.6)	(29.1)%	8.5	10.1	(1.6)	(15.8)%
Other and intersegment elimination	(3.9)	(5.5)	1.6	29.1%	(8.5)	(10.1)	1.6	15.8%
Total	492.9	485.5	7.4	1.5%	980.6	954.8	25.8	2.7%

The table below presents information regarding the volume of sales by segment of our significant by-products for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,				Six Months Ended June 30,			
By-product Sales (in million pounds, except silver in million ounces)	**2017**	**2016**	**Variance**	**% Change**	**2017**	**2016**	**Variance**	**% Change**
Peruvian operations								
Molybdenum contained in concentrates	4.6	5.4	(0.8)	(14.8)%	9.4	11.5	(2.1)	(18.3)%
Silver	1.1	0.8	0.3	37.5%	1.9	1.6	0.3	18.8%
Mexican open-pit								
Molybdenum contained in concentrates	7.6	6.3	1.3	20.6%	14.4	12.5	1.9	15.2%
Silver	2.5	2.8	(0.3)	(10.7)%	5.2	5.4	0.2	(3.7)%
Mexican IMMSA unit								
Zinc refined and in concentrate	61.7	61.9	(0.2)	(0.4)%	121.2	117.6	3.6	3.1%
Silver	1.2	1.0	0.2	20.0%	2.4	2.2	0.2	9.1%
Other and intersegment elimination								
Silver	(0.5)	(0.5)			(1.0)	(1.0)		
Total by-product sales								
	12.2	11.7	0.5	4.5%	23.8	24.0	(0.2)	(1.1)%

Molybdenum contained in concentrates								
Zinc refined and in concentrate	61.7	61.9	(0.2)	(0.3)%	121.2	117.6	3.6	3.1%
Silver	4.3	4.1	0.2	6.2%	8.5	8.2	0.3	4.9%

Sales value per segment (in millions):

	Three Months Ended June 30, 2017				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 788.4	$ 8.0	$ 467.8	$ (8.1)	$ 1,256.1
Molybdenum	42.7		24.4		67.1
Zinc		76.4		0.3	76.7
Silver	42.9	20.2	19.9	(7.5)	75.5
Other	25.8	20.3	10.6	(2.3)	54.4
Total	$ 899.8	$ 124.9	$ 522.7	$ (17.6)	$ 1,529.8

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	Three Months Ended June 30, 2016				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 655.9	$ 9.2	$ 372.5	$ (9.2)	$ 1,028.4
Molybdenum	43.8		37.5		81.3
Zinc		57.2			57.2
Silver	47.8	16.2	13.6	(8.1)	69.5
Other	68.4	19.5	12.9	(2.1)	98.7
Total	$ 815.9	$ 102.1	$ 436.5	$ (19.4)	$ 1,335.1

	Six Months Ended June 30, 2017				
	Mexican Open-Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 1,616.6	$ 18.9	$ 925.4	$ (19.0)	$ 2,541.9
Molybdenum	96.6		63.3		159.9
Zinc		155.7			155.7
Silver	90.4	39.9	33.9	(14.9)	149.3
Other	48.4	41.2	21.6	(4.2)	107.0
Total	$ 1,852.0	$ 255.7	$ 1,044.2	$ (38.1)	$ 3,113.8

	Six Months Ended June 30, 2016				
	Mexican Open-pit	Mexican IMMSA Unit	Peruvian Operations	Corporate & Elimination	Consolidated
Copper	$ 1,270.7	$ 15.4	$ 755.2	$ (15.4)	$ 2,025.9
Molybdenum	72.3		64.2		136.5
Zinc		102.8			102.8
Silver	86.9	32.5	25.6	(14.4)	130.6
Other	127.6	36.5	24.9	(4.7)	184.3
Total	$ 1,557.5	$ 187.2	$ 869.9	$ (34.5)	$ 2,580.1

The geographic breakdown of the Company s sales is as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
The Americas:				
Mexico	$ 363.5	$ 355.1	$ 732.0	$ 696.2
United States	214.6	255.7	514.9	500.3
Peru	82.8	70.3	170.7	139.4
Brazil	55.9	41.8	113.3	85.5
Chile	18.1	26.9	51.3	47.3
Other American countries	15.0	17.3	39.1	39.3
Europe:				
Switzerland	160.7	134.5	257.6	246.2
Italy	78.6	70.2	166.2	138.9
Other European countries	136.2	81.3	242.6	122.1
Asia:				
Singapore	241.5	103.7	520.1	235.7
Japan	101.2	137.1	216.7	228.6
Other Asian countries	61.7	41.2	89.3	100.6
Total	$ 1,529.8	$ 1,335.1	$ 3,113.8	$ 2,580.1

Peruvian Operations:

(in millions)	Three Months Ended June 30, 2017	2016	Variance	% Change	Six Months Ended June 30, 2017	2016	Variance	% Change
Net sales	$ 522.7	$ 436.5	$ 86.2	19.7%	$ 1,044.2	$ 869.9	$ 174.3	20.0%
Operating costs and expenses	(411.3)	(378.3)	(33.0)	8.7%	(773.4)	(751.7)	(21.7)	2.9%
Operating income	$ 111.4	$ 58.2	$ 53.2	91.4%	$ 270.8	$ 118.2	$ 152.6	129.1%

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Second quarter: Net sales in the second quarter of 2017 were $522.7 million compared to $436.5 million in the second quarter of 2016. The increase in net sales was mainly the result higher metal prices and higher copper (+4.7%) and silver (+37.5%) sales volumes, partially offset by lower molybdenum sales volume.

Operating costs and expenses in the second quarter of 2017 increased by $33.0 million to $411.3 million from $378.3 million in the second quarter of 2016, primarily due to:

Operating cost and expenses for the second quarter 2016	$	378.3
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher cost of metals purchased from third parties, higher inventory consumption, higher fuel costs and higher workers participation expense; partially offset by lower energy and operating contractors costs.		31.9
• Higher depreciation, amortization and depletion expense.		3.2
Less:		
• Lower exploration expenses.		(2.0)
• Lower selling, general and administrative expenses.		(0.1)
Operating cost and expenses for the second quarter 2017	$	411.3

Six months: Net sales in the first six months of 2017 were $1,044.2 million compared to $869.9 million in the comparable period of 2016. The increase in net sales was mainly the result higher metal prices and higher silver sales volume (+18.8%), partially offset by lower molybdenum sales volumes.

Operating costs and expenses in the first six months of 2017 increased by $21.7 million to $773.4 million from $751.7 million in the first six months of 2016, primarily due to:

Operating cost and expenses for the first six months 2016	$	751.7
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher cost of metals purchased from third parties, higher fuel costs and higher workers participation expense; partially offset by lower energy and operating contractors costs, and lower inventory consumption.		43.0
Less:		
• Lower depreciation, amortization and depletion expense.		(15.9)
• Lower exploration expenses.		(3.2)
• Lower selling, general and administrative expenses.		(2.2)
Operating cost and expenses for the first six months 2017	$	773.4

Mexican Open-pit Operations:

	Three Months Ended June 30,				Six Months Ended June 30,			
(in millions)	2017	2016	Variance	% Change	2017	2016	Variance	% Change
Net sales	$ 899.8	$ 815.9	$ 83.9	10.3%	$ 1,852.0	$ 1,557.5	$ 294.5	18.9%
Operating costs and expenses	(503.3)	(553.5)	50.2	9.1%	(1,067.1)	(1,028.0)	(39.1)	3.8%
Operating income	$ 396.5	$ 262.4	$ 134.1	51.1%	$ 784.9	$ 529.5	$ 255.4	48.2%

Second quarter: Net sales in the second quarter of 2017 were $899.8 million, compared to $815.9 million in the second quarter of 2016. The increase of $83.9 million was principally due to higher metal prices and molybdenum sales volume (+20.6%), partially offset by lower silver sales volume.

Operating costs and expenses in the second quarter of 2017 decreased by $50.2 million to $503.3 million from $553.5 million in the same 2016 period, primarily due to:

Operating cost and expenses for the second quarter 2016	$	553.5
Less:		
• Lower cost of sales (exclusive of depreciation, amortization and depletion) mainly due to lower cost of metals purchased from third parties and higher capitalized ore stockpiles on leach pads; partially offset by higher foreign currency transaction effect and higher fuel costs.		(40.3)
• Lower depreciation, amortization and depletion expense.		(7.6)
• Lower selling, general and administrative expenses.		(1.6)
• Lower exploration expenses.		(0.7)
Operating cost and expenses for the second quarter 2017	$	503.3

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Six months: Net sales in the first six months of 2017 were $1,852.0 million, compared to $1,557.5 million in the first six months of 2016. The increase of $294.5 million was principally due to higher metal prices and higher copper and molybdenum sales volumes, due to the completion of the Buenavista projects.

Operating costs and expenses in the first six months of 2017 increased by $39.1 million to $1,067.1 million from $1,028.0 million in the comparable 2016 period, primarily due to:

Operating cost and expenses for the first six months 2016	$	1,028.0
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher inventory consumption, foreign currency transaction effect and higher workers participation expense; partially offset by lower cost of metals purchased from third parties and higher capitalized ore stockpiles on leach pads.		30.1
• Higher depreciation, amortization and depletion due to our expansion and maintenance capital investments.		26.1
Less:		
• Partial recovery of the Sonora River remediation costs due to the completion of remediation activities.		(10.2)
• Lower selling, general and administrative expenses.		(5.1)
• Lower exploration expenses.		(1.8)
Operating cost and expenses for the first six months 2017	$	1,067.1

Mexican Underground Operations (IMMSA):

($ in millions)	Three Months Ended June 30, 2017	2016	Variance	% change	Six Months Ended June 30, 2017	2016	Variance	% change
Net sales	$ 124.9	$ 102.1	$ 22.8	22.3%	$ 255.7	$ 187.2	$ 68.5	36.6%
Operating costs and expenses	(106.8)	(90.8)	(16.0)	17.6%	(206.1)	(172.2)	(33.9)	19.7%
Operating income	$ 18.1	$ 11.3	$ 6.8	60.2%	$ 49.6	$ 15.0	$ 34.6	230.7%

Second quarter: Net sales in the second quarter of 2017 were $124.9 million, compared to $102.1 million in the second quarter of 2016. This increase of $22.8 million was primarily due to higher metal prices and higher silver sales volume (+20.0%), partially offset by lower copper sales volume (-29.1%) and a slightly lower zinc sales volume (-0.4%).

Operating costs and expenses in the second quarter of 2017 increased by $16.0 million to $106.8 million from $90.8 million in the second quarter of 2016, primarily due to:

Operating cost and expenses for the second quarter 2016	$	90.8
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher cost of metals purchased from third parties, higher power costs and inventory consumption; partially offset by foreign currency transaction effect.		18.1
• Higher selling, general and administrative expenses.		0.2
Plus:		
• Lower exploration expenses.		(0.4)
• Lower depreciation, amortization and depletion expense.		(1.9)
Operating cost and expenses for the second quarter 2017	$	106.8

Six months: Net sales in the first six months of 2017 were $255.7 million, compared to $187.2 million in the comparable period of 2016. This increase of $68.5 million was primarily due to higher metal prices and higher silver and zinc sales volume, partially offset by lower copper sales volume.

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Operating costs and expenses in the first six months of 2017 increased by $33.9 million to $206.1 million from $172.2 million in the comparable period of 2016, primarily due to:

Operating cost and expenses for the first six months 2016	$	172.2
Plus:		
• Higher cost of sales (exclusive of depreciation, amortization and depletion) mainly due to higher cost of metals purchased from third parties, higher inventory consumption and power costs; partially offset by foreign currency transaction effect.		32.4
• Higher depreciation, amortization and depletion.		2.1
• Higher selling, general and administrative expenses.		0.9
Plus:		
• Lower exploration expenses.		(1.5)
Operating cost and expenses for the first six months 2017	$	206.1

Intersegment Eliminations and Adjustments:

The net sales, operating costs and expenses and operating income discussed above will not be directly equal to amounts in our condensed consolidated statement of earnings because the adjustments of intersegment operating revenues and expenses must be taken into account. Please see Note 10 Segment and Related Information of the condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow:

The following table shows the cash flow for the first six months of 2017 and 2016 (in millions):

		2017		2016		Variance
Net cash provided by (used in) operating activities	$	843.9	$	328.8	$	515.1
Net cash provided by (used in) investing activities	$	(485.4)	$	(22.0)	$	(463.4)
Net cash provided by (used in) financing activities	$	(154.3)	$	(115.3)	$	(39.0)

Net cash provided by operating activities:

The change in net cash from operating activities for the first six months of 2017 and 2016 include (in millions):

	2017	2016	Variance	% Change
Net income	$ 615.7	$ 408.3	207.4	50.8%
Depreciation, amortization and depletion	324.6	299.8	24.8	8.3%
Benefit for deferred income taxes	(40.6)	(53.8)	13.2	24.5%
Loss (income) on foreign currency transaction effect	52.8	(8.1)	60.9	751.9%
Other adjustments to net income	3.6	11.6	(8.0)	(69.0)%
Change in operating assets and liabilities	(112.2)	(329.0)	216.8	65.9%
Net cash provided by operating activities	$ 843.9	$ 328.8	$ 515.1	156.7%

Significant items added to (deducted from) net income to arrive at operating cash flow include depreciation, amortization and depletion, deferred tax amounts and changes in operating assets and liabilities.

Six months ended June 30, 2017: Net income was $615.7 million, approximately 73.0% of the net operating cash flow. A net increase in operating assets and liabilities decreased operating cash flow by $112.2 million and included:

- $(28.2) million increase in accounts receivable.
- $(48.3) million of net increase in inventory, which included $(85.7) million of higher non-current leaching inventory, $(16.0) million of higher supplies inventories for our operations and $(19.2) million of finished goods partially offset by $72.6 million of lower inventories in process.
- $(123.4) million decrease in accounts payable and accrued liabilities, which included $106.0 million of workers participation paid at our Mexican operations and $17.4 million of lower other liabilities.
- $87.7 million decrease in other operating assets and liabilities, which included principally $89.0 million of lower prepaid taxes.

Six months ended June 30, 2016: Net income was $408.3 million, approximately 124.2% of the net cash provided by operating activities. An increase in operating assets and liabilities reduced operating cash flow by $329.0 million and included:

- $(28.5) million increase in accounts receivable.

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- $(146.3) million increase in inventory, which included $(24.1) million of higher non-current leaching inventory and $(122.2) million of higher inventories and supplies for our operations.

- $(99.5) million decrease in accounts payable and accrued liabilities, which included $(64.9) million of lower accounts payable, $16.5 million higher income tax accrual, $(62.1) million of workers participation payments, $(2.3) million interest payments and $13.3 million of higher other liabilities.

- $(54.7) million decrease in other operating assets and liabilities, which included $(49.9) million of higher prepaid taxes, $(10.9) million of higher current payments in advance and $6.1 million of other operating assets.

Net cash used for investing activities:

Six months ended June 30, 2017: Net cash used for investing activities included $497.7 million for capital investments. The capital investments included:

- $168.7 million of investments at our Mexican operations:
- $12.6 million for the new Buenavista concentrator,
- $13.8 million for the new tailing disposal deposit at the Buenavista mine,
- $12.6 million for the Quebalix IV project,
- $8.6 million for the solutions system improvements of Tinajas,
- $6.3 million for new projects infrastructure,
- $11.0 million at our IMMSA unit, and
- $103.8 million for various other replacement expenditures.

- $329.0 million of investments at our Peruvian operations:
- $99.8 million for the Toquepala concentrator expansion project,
- $33.5 million for the Heavy Mineral Management Optimizing Project in Cuajone,
- $14.6 million for the Tailing Thickener replacement project in Cuajone

- $15.6 million for the Maintenance shop improvement in Cuajone,
- $11.6 million for the relocation of fresh water pipeline in Cuajone , and
- $153.9 million for various other replacement expenditures.

The first six months of 2017 investment activities include $11.2 million of net proceeds from short-term investments.

Six months ended June 30, 2016: Net cash used in investing activities included $564.9 million for capital investments. The capital investments included:

- $284.5 million of investments at our Mexican operations:
- $38.3 million for the new Buenavista concentrator,
- $22.4 million for new projects infrastructure,
- $33.8 million for the new tailing disposal deposit at the Buenavista mine,
- $55.6 million for the Quebalix IV project,
- $17.6 million for the solutions system improvements of Tinajas,
- $17.5 million at our IMMSA unit, and
- $99.3 million for various other replacement expenditures.

- $280.4 million of investments at our Peruvian operations:
- $89.8 million for the Toquepala mine equipment acquisition project,
- $39.1 million for the Toquepala concentrator expansion project,
- $22.1 million for the Heavy Mineral Management Optimizing Project in Cuajone,
- $6.1 million for the High Pressure Grinding Roll (HPGR) system in Toquepala, and
- $123.3 million for various other replacement expenditures.

Also, investment activities included $505.3 million of net proceeds from short-term investments and a repayment of $36.4 million received from a related party.

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Net cash used for financing activities:

Net cash used for financing activities in the six months ended June 30, 2017 was $154.4 million, compared to $115.3 million in the six months ended June 30, 2016. The first six months of 2017 included a dividend distribution of $154.6 million, compared to a distribution of $61.9 million in the same period of 2016. There were no repurchases of our common shares in the first six months of 2017, while in the same period of 2016 we repurchased 2.2 million of our common shares at a cost of $53.7 million.

Dividends:

On May 31, 2017, we paid a dividend of $0.12 per share totaling $92.8 million. On July 20, 2017, our Board of Directors authorized a quarterly dividend of $0.14 per share, expected to total $108.2 million, to be paid on August 23, 2017 to SCC shareholders of record at the close of business on August 9, 2017.

Capital Investment and Exploration Programs:

A discussion of our capital investment programs is an important part of understanding our liquidity and capital resources. We expect to meet the cash requirements for these capital investments from cash on hand, internally generated funds and from additional external financing if required. For information regarding our capital investment programs, please see the discussion under the caption Capital Investment Programs under this Item 2.

Contractual Obligations:

There have been no material changes in our contractual obligations in the first six months of 2017. Please see item 7 in Part II of our 2016 annual report on Form 10-K.

NON-GAAP INFORMATION RECONCILIATION

Operating cash cost: Following is a reconciliation of Operating Cash Cost (see page 33) to cost of sales (exclusive of depreciation, amortization and depletion) as reported in our consolidated statement of earnings, in millions of dollars and **dollars per pound of copper** in the table below.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2016		Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	$ million	$ per pound	$ million	$ per pound	$ million	$ per pound	$ million	$ per pound
Cost of sales (exclusive of depreciation, amortization and depletion)	$ 804.8	$ 1.74	$ 751.6	$ 1.55	$ 1,648.6	$ 1.79	$ 1,478.5	$ 1.53
Add:								
Selling, general and administrative	22.2	0.05	23.6	0.05	43.6	0.05	49.9	0.05
Sales premiums, net of treatment and refining charges	11.2	0.02	8.7	0.02	16.5	0.02	8.8	0.01
Less:								
Workers participation	(39.0)	(0.08)	(27.3)	(0.06)	(86.0)	(0.09)	(57.9)	(0.06)
Cost of metal purchased from third parties	(58.3)	(0.13)	(72.3)	(0.15)	(135.7)	(0.15)	(172.2)	(0.18)
Other cost of sales, net	(42.8)	(0.09)	(8.3)	(0.02)	(93.6)	(0.10)	(24.1)	(0.03)
Inventory change	10.0	0.02	19.9	0.04	(5.6)	(0.01)	85.3	0.09
Operating cash cost before by-products revenues	**$ 708.1**	**$ 1.53**	**$ 695.9**	**$ 1.43**	**$ 1,387.8**	**$ 1.51**	**$ 1,368.3**	**$ 1.41**
Add:								
By-product revenues (1)	(240.3)	(0.52)	(236.6)	(0.49)	(507.2)	(0.55)	(418.7)	(0.43)
Net revenue on sale of metal purchased from third parties	(13.9)	(0.03)	(12.7)	(0.02)	(22.9)	(0.03)	(33.9)	(0.04)
Total by-product revenues	(254.2)	(0.55)	(249.3)	(0.51)	(530.1)	(0.58)	(452.6)	(0.47)
Operating cash cost, net of by-product revenues	**$ 453.9**	**$ 0.98**	**$ 446.6**	**$ 0.92**	**$ 857.7**	**$ 0.93**	**$ 915.7**	**$ 0.94**
Total pounds of copper produced (in millions)	**462.3**		**485.8**		**919.3**		**964.0**	

(1) By-product revenues included in our presentation of operating cash cost contain the following:

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	Three Months Ended June 30, 2017		Three Months Ended June 30, 2016		Six Months Ended June 30, 2017		Six Months Ended June 30, 2016	
	$ million	$ per pound	$ million	$ per pound	$ million	$ per pound	$ million	$ per pound
Molybdenum	$ (67.1)	$ (0.15)	$ (81.3)	$ (0.17)	$ (160.0)	$ (0.17)	$ (136.5)	$ (0.14)
Silver	(66.8)	(0.14)	(57.3)	(0.12)	(131.8)	(0.14)	(105.7)	(0.11)
Zinc	(55.1)	(0.12)	(43.6)	(0.09)	(114.5)	(0.13)	(79.0)	(0.08)
Sulfuric Acid	(17.7)	(0.04)	(22.2)	(0.05)	(34.1)	(0.04)	(43.5)	(0.05)
Gold and others	(33.6)	(0.07)	(32.2)	(0.06)	(66.8)	(0.07)	(54.0)	(0.05)
Total	**$ (240.3)**	**$ (0.52)**	**$ (236.6)**	**$ (0.49)**	**$ (507.2)**	**$ (0.55)**	**$ (418.7)**	**$ (0.43)**

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Item 3. Quantitative and Qualitative Disclosure about Market Risk

Commodity price risk:

For additional information on metal price sensitivity, refer to Metal Prices in Part I, Item 2 of this quarterly report on Form 10-Q for the period ended June 30, 2017.

Foreign currency exchange rate risk:

Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation or deflation in our Mexican or Peruvian operations is not offset by a change in the exchange rate of the sol or the peso to the dollar, our financial position, results of operations and cash flows could be affected by local cost conversion when expressed in U.S. dollars. In addition, the dollar value of our net monetary assets denominated in soles or pesos can be affected by exchange rate variances of the sol or the peso, resulting in a re-measurement gain or loss in our financial statements. Recent inflation and exchange rate variances are provided in the table below for the three and six month periods ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Peru:				
Peruvian inflation rate	(0.7)%	0.4%	1.2%	1.5%
Initial exchange rate	3.249	3.328	3.360	3.413
Closing exchange rate	3.255	3.292	3.255	3.292
Appreciation/(devaluation)	(0.2)%	1.1%	3.1%	3.6%
Mexico:				
Mexican inflation rate	0.3%	(0.7)%	3.2%	0.3%
Initial exchange rate	18.809	17.402	20.664	17.207
Closing exchange rate	17.897	18.911	17.897	18.911
Appreciation/(devaluation)	4.9%	(8.7)%	13.4%	(9.9)%

Change in monetary position:

Assuming an exchange rate variance of 10% at June 30, 2017 we estimate our net monetary position in Peruvian sol and Mexican peso would increase (decrease) our net earnings as follows:

		Effect on net earnings ($ in millions)
Appreciation of 10% in U.S. dollar vs. sol	$	4.1
Devaluation of 10% in U.S. dollar vs. sol	$	(5.1)
Appreciation of 10% in U.S. dollar vs. Mexican peso	$	6.4
Devaluation of 10% in U.S. dollar vs. Mexican peso	$	(7.9)

Open sales risk:

Our provisional copper and molybdenum sales contain an embedded derivative that is required to be separate from the host contract for accounting purposes. The host contract is the receivable from the sale of copper and molybdenum concentrates at prevailing market prices at the time of the sale. The embedded derivative, which does not qualify for hedge accounting, is marked to market through earnings each period prior to settlement. See Note 5 to our condensed consolidated financial statements for further information about these provisional sales.

Short-term Investments:

For additional information on our trading securities and available-for-sale investments, refer to Short-term Investments in Part I, Item 1 of this quarterly report on Form 10-Q for the period ended June 30, 2017.

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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 as well as projected demand or supply for the Company s products. Actual results could differ materially depending upon 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, 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 that can be volatile.

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Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2017, the Company conducted an evaluation under the supervision and with the participation of the Company s disclosure committee and the Company s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness and the design and operation of the Company s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective as of June 30, 2017, to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is:

1. Recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and

2. Accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company s internal controls over financial reporting.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Southern Copper Corporation:

We have reviewed the accompanying condensed consolidated balance sheet of Southern Copper Corporation and subsidiaries (the Company) as of June 30, 2017, and the related condensed consolidated statements of earnings, comprehensive income and cash flows for the three-month and six-month periods ended June 30, 2017 and 2016. These interim financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Southern Copper Corporation and subsidiaries as of December 31, 2016, and the related consolidated statements of earnings, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated March 1, 2017, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2016 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Galaz, Yamazaki, Ruiz Urquiza S.C.

Member of Deloitte Touche Tohmatsu Limited

/s/ Miguel Angel Andrade Leven
Miguel Angel Andrade Leven
Mexico City, Mexico
August 2, 2017

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PART II OTHER INFORMATION

Item 1. Legal Proceedings:

The information provided in Note 9 Commitments and Contingencies to the condensed consolidated financial statements contained in Part I of this Form 10-Q, is incorporated herein by reference.

Item 1A. Risk Factors:

There have been no material changes to our risk factors during the three months ended June 30, 2017. For additional information on risk factors, refer to Risk Factors included in Part I, Item 1A of our Annual report on Form 10-K for the year ended December 31, 2016 filed with the SEC on March 1, 2017.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds:

SCC share repurchase program:

In 2008, the Company s 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, the Company has purchased 119.5 million shares of common stock at a cost of $2.9 billion. These shares are available for general corporate purposes. The Company may purchase additional shares of its common stock 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.

There has not been activity in the SCC share repurchase program since the third quarter of 2016. The NYSE closing price of SCC common shares at June 30, 2017 was $34.63 and the maximum number of shares that the Company could purchase at that price is 2.4 million shares.

As a result of the repurchase of shares of SCC s common stock, Grupo Mexico s direct and indirect ownership was 88.9% as of June 30, 2017.

Item 4. Mine Safety Disclosures:

Not applicable.

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Item 6. Exhibits

Exhibit No.	Description of Exhibit
3.1	(a) Amended and Restated Certificate of Incorporation, filed on October 11, 2005. (Filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the third quarter of 2005 and incorporated herein by reference). (b) Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 2, 2006. (Filed as Exhibit 3.1 to Registration Statement on Form S-4, File No. 333-135170) filed on June 20, 2006 and incorporated herein by reference). (c) Certificate of Amendment of Amended and Restated Certificate of Incorporation dated May 28, 2008. (Filed as Exhibit 3.1 to the Company s Quarterly Report on Form 10-Q for the second quarter of 2008 and incorporated herein by reference).
3.2	By-Laws, as last amended on January 27, 2011. (Filed as Exhibit 3.2 to the Company s 2010 Annual Report on Form 10-K incorporated herein by reference).
4.1	Indenture governing $200 million 6.375% Notes due 2015, by and among Southern Copper Corporation, The Bank of New York and the Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.1 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated by reference.
4.2	(a) Indenture governing $600 million 7.500% Notes due 2035, by and among Southern Copper Corporation, the Bank of New York and The Bank of New York (Luxembourg) S.A. (Filed as Exhibit 4.2 to the Company s Current Report on Form 8-K, filed on August 1, 2005) and incorporated herein by reference). (b) Indenture governing $400 million 7.500% Notes due 2035, by and between Southern Copper Corporation, The Bank of New York, The Bank of New York (Luxembourg) S.A.(Filed as Exhibit 4.2 to the Company s Current Report on Form 8-K, filed on August 1, 2005 and incorporated herein by reference).
4.3	Form of 6.375% Note (included in Exhibit 4.1).
4.4	Form of New 7.500% Note (included in Exhibit 4.2(a)).
4.5	Form of New 7.500% Note (included in Exhibit 4.2(b)).
4.6	Indenture, dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which $400 million of 5.375% Notes due 2020 and $1.1 billion of 6.750% Notes due 2040 were issued (Filed as Exhibit 4.1 to the Company s Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.7	First Supplemental Indenture dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.375% Notes due 2020 were issued (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.8	Second Supplemental Indenture, dated as of April 16, 2010, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 6.750% Notes due 2040 were issued. (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.9	Form of 5.375% Notes due 2020 (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.10	Form of 6.750% Notes due 2040 (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on April 19, 2010 and incorporated herein by reference).
4.11	Third Supplemental Indenture dated as of November 8, 2012, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 3.500% Notes due 2022 were issued (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).

4.12	Fourth Supplemental Indenture, dated as of November 8, 2012, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.250% Notes due 2042 were issued. (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).
4.13	Form of 3.500% Notes due 2022. (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).

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4.14	Form of 5.250% Notes due 2042. (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on November 9, 2012 and incorporated herein by reference).
4.15	Fifth Supplemental Indenture dated as of April 23, 2015, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 3.875% Notes due 2025 were issued. (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on April 24, 2015 and incorporated herein by reference).
4.16	Sixth Supplemental Indenture, dated as of April 23, 2015, between Southern Copper Corporation and Wells Fargo Bank, National Association, as trustee, pursuant to which the 5.875% Notes due 2045 were issued. (Filed as an Exhibit to the Company s Current Report on Form 8-K filed on April 24, 2015 and incorporated herein by reference).
4.17	Form of 3.875% Notes due 2025. (Filed as Exhibit A to Exhibit 4.1 to the Company s Current Report on Form 8-K filed on April 24, 2015 and incorporated herein by reference).
4.18	Form of 5.875% Notes due 2045. (Filed as Exhibit A to Exhibit 4.2 to the Company s Current Report on Form 8-K filed on April 24, 2015 and incorporated herein by reference).
10.1	Directors Stock Award Plan of the Company, as amended through January 29, 2018. (Filed as an exhibit to the Company s 2017 Proxy Statement and incorporated herein by reference).
10.2	Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A.B. de C. V., assigned upon the same terms and conditions to Grupo Mexico S.A.B. de C.V. in February 2004 (Filed as Exhibit 10.10 to the Company s 2002 Annual Report on Form 10-K and incorporated herein by reference).
10.3	Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub., Inc., Americas Sales Company, Inc., Americas Mining Corporation and Minera Mexico S.A. de C.V., (Filed as an Exhibit to Current Report on Form 8-K filed on October 22, 2004 and incorporated herein by reference).
10.4	Tax Agreement entered into by the Company and Americas Mining Corporation, effective as of February 20, 2017. (Filed as Exhibit 10.4 to the Company s Quarterly Report on Form 10-Q for the first quarter of 2017 and incorporated herein by reference).
14.0	Code of Business Conduct and Ethics adopted by the Board of Directors on May 8, 2003 and amended on April 23, 2015. (Filed as Exhibit 14 to the Company s Current Report on Form 8-K filed April 29, 2015 and incorporated herein by reference).
15.0	Consent of Registered Public Accounting Firm (Galaz, Yamazaki, Ruiz Urquiza, S.C. - Member of Deloitte Touche Tohmatsu, Limited) (filed herewith).
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C., Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
101.INS	XBRL Instance Document (submitted electronically with this report).
101.SCH	XBRL Taxonomy Extension Schema Document (submitted electronically with this report).
101.CAL	XBRL Taxonomy Calculation Linkbase Document (submitted electronically with this report).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (submitted electronically with this report).

101.LAB	XBRL Taxonomy Label Linkbase Document (submitted electronically with this report).
101.PRE	