SOUTHERN PERU COPPER CORP/
Form PRER14A
February 07, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under Rule 14a-12

SOUTHERN PERU COPPER CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No Filing Fee Required.

o Fee Computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11
(1) Title of each class of securities to which transaction applies: Common Stock

(2) Aggregate number of securities to which transaction applies: 67,207,640

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): $982,760,000*

*The filing fee was determined by calculating a fee of $126.70 per $1,000,000.00 of the aggregate book value of Minera México, S.A. de C.V., as of September 30, 2004.

(4) Proposed maximum aggregate value of transaction: $982,760,000

(5) Total fee paid: $124,515.70

ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount Previously Paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

PRELIMINARY COPY, SUBJECT TO COMPLETION
DATED FEBRUARY 7, 2005

Notice of Special Meeting of Stockholders
To Be Held on March 11, 2005

To the Stockholders of Southern Peru Copper Corporation:

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of Southern Peru Copper Corporation will be held at the offices of Grupo México, S.A. de C.V., Baja California 200, Fifth Floor, Colonia Roma Sur, 06760, Mexico City, Mexico, on March 11, 2005, at 10:00 A.M., Mexico City time, for the following purposes:

1. To amend our restated certificate of incorporation to (i) increase the number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) designate such newly-authorized shares as shares of Common Stock;

2. To approve the issuance of the 67,207,640 newly-authorized shares of our Common Stock to be paid to the holder of the outstanding stock of Americas Sales Company, Inc., the parent of Minera México, S.A. de C.V., pursuant to the terms of an Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Peru Copper Corporation, SPCC Merger Sub, Inc., our newly-formed, wholly-owned subsidiary, Americas Sales Company, Inc., Americas Mining Corporation and Minera México, S.A. de C.V.;

3. To amend our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors; and

4. To transact such other business as may properly come before the meeting.

The foregoing items of business are more fully described in the proxy statement which is attached to this notice.

The board of directors has fixed the close of business on February 10, 2005, as the record date for determining the stockholders entitled to notice of and to vote at the Special Meeting and any adjournment thereof. This proxy statement and accompanying proxy is being sent to stockholders entitled to vote on or about February 10, 2005.

By order of the Board of Directors,

/s/ ARMANDO ORTEGA GÓMEZ

Armando Ortega Gómez,
Secretary

YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE TAKE THE TIME TO VOTE YOUR SHARES BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND PROMPTLY RETURNING IT IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE.

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2575 East Camelback Road, Suite 500
Phoenix, Arizona 85016

PROXY STATEMENT

SUMMARY OF THE ACQUISITION

This summary highlights selected information from this document relating to the acquisition of Minera México, S.A. de C.V., or Minera México, by us through the merger of our newly-formed, wholly-owned subsidiary, SPCC Merger Sub, Inc., or SPCC Merger Sub, into Minera México's parent, Americas Sales Company, Inc., or ASC, and may not contain all the information that is important to you. For a more complete understanding of the acquisition and for a more complete description of the legal terms of the merger, you should read this entire document carefully, as well as any additional documents we refer you to, including the Agreement and Plan of Merger (attached as Annex A), the Fairness Opinion rendered to the special committee of our board of directors (attached as Annex B) and the Amendments to our Restated Certificate of Incorporation (attached as Annex C).

Information About the Companies

Southern Peru Copper Corporation
2575 East Camelback Road, Suite 500
Phoenix, Arizona 85016
(602) 977-6500

We are an integrated producer of copper that operates mining, smelting and refining facilities in the southern part of Peru. Our copper operations involve mining, milling and flotation of copper ore to produce copper concentrates, the smelting of copper concentrates to produce blister copper and the refining of blister copper to produce copper cathodes. We also produce refined copper using the solvent extraction/electrowinning (SX/EW) technology. Silver, molybdenum and small amounts of other metals are contained in copper ore as by-products. Silver is recovered in the refining process or as an element of blister copper. Molybdenum is recovered from copper concentrate in a molybdenum by-product plant. We operate the Toquepala and Cuajone mines, high in the Andes, approximately 984 kilometers southeast of Lima. We also operate a smelter and refinery, west of the mines at the Pacific Ocean Coast City of Ilo, Peru. We are incorporated under the laws of Delaware.

You can find more information about us on our website: *www.southernperu.com.* We have made available free of charge on *www.southernperu.com* our annual, quarterly and current reports, as soon as reasonably practical after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. However, the information found on our website is not part of this or any other report.

Minera México, S.A. de C.V.
Baja California 200
Col. Roma Sur
06760 Mexico City, Mexico
011-52-55-5080-0050

Minera México is a corporation (*sociedad anónima de capital variable)* organized under the laws of the United Mexican States. It is the largest mining company in Mexico. Minera México produces copper, zinc, silver, gold and molybdenum. Minera México is a holding company and all of its operations are conducted through subsidiaries that are grouped into three separate

units. The first unit is the Mexicana de Cobre Unit, which operates an open-pit copper mine. It also operates a 90,000 metric tons per day copper ore concentrator, a 22,000 metric tons per year solvent extraction-electro winning (SX/EW) refinery, a 300,000 metric tons per year copper smelter, a 300,000 metric tons per year refinery, a 150,000 metric tons per year rod plant and a 15 million ounces per year of silver and 100,000 ounces per year of gold precious metals refinery. The second unit is the Cananea Unit. This unit operates an open-pit copper mine, which is one of the world's largest copper ore deposits, a 80,000 metric tons per day copper concentrator, and two solvent extraction-electro winning (SX/EW) refineries with a combined capacity of 55,000 metric tons per year of electro winning copper. The third unit is the Industrial Minera México Unit, which consists of seven underground mines located in central and northern Mexico where zinc, copper, silver and gold are mined. This unit includes an industrial processing facility for zinc and copper in San Luis Potosí and Mexico's largest underground mine, San Martín, as well as Charcas, Mexico's largest zinc producing mine. This unit also includes a coal facility in northeast México.

SPCC Merger Sub., Inc.
2575 East Camelback Road, Suite 500
Phoenix, Arizona 85016
(602) 977-6500

SPCC Merger Sub is our wholly-owned subsidiary and was incorporated on October 19, 2004 in the State of Delaware. SPCC Merger Sub has not engaged in any operation and exists solely to facilitate the merger. Therefore, although SPCC Merger Sub will be a party to the merger, when we discuss the merger in this document, we generally refer to ourselves.

Americas Mining Corporation
2575 East Camelback Road, Suite 500
Phoenix, Arizona 85016
(602) 977-6500

Americas Mining Corporation, or AMC, is a Delaware corporation and a subsidiary of Grupo México, S.A. de C.V., or Grupo México. For more information regarding Grupo México, see *"Security Ownership of Certain Beneficial Owners and Management"* on page [ ] of this document. In addition, AMC, through its wholly-owned subsidiary SPHC II Incorporated, indirectly owns approximately 54.2% of our capital stock and approximately 65.8% of our Class A Common Stock. AMC carries out its operations in Mexico through Minera México, in Peru and in Chile through us, and in the United States and Canada through ASARCO Incorporated.

Americas Sales Company, Inc.
2575 East Camelback Road, Suite 500
Phoenix, Arizona 85016
(602) 977-6500

ASC is a Delaware corporation and a wholly-owned subsidiary of AMC. Although currently inactive, ASC's historic business was copper sales.

ASC owns, through a guaranty trust and directly, approximately 99.1463% of the outstanding shares of Minera México.

Summary of the Merger

Effective as of October 18, 2004, AMC contributed all of its approximately 99.1463% ownership interest in Minera México to ASC, its wholly-owned subsidiary.

AMC agrees to use its best efforts to cause the board of directors to declare and pay an aggregate $100 million transaction dividend to all of the holders of our Common Stock and Class A Common Stock prior to the merger. On January 31, 2005, we declared the transaction dividend, which will be payable on March 1, 2005 to our shareholders of record at the close of business on February 17, 2005.

At the effective time of the merger, SPCC Merger Sub, will merge into ASC, with ASC surviving as our wholly-owned subsidiary. As a result of the merger, we will exchange 67,207,640 newly-issued shares of our Common Stock for all of the existing and outstanding shares of ASC's capital stock. You can find more information about the merger on page [ ] of this document under the caption, "*Description of the Agreement and Plan of Merger Merger Consideration."*

If the merger is completed, we will own, through ASC, approximately 99.1463% of Minera México, and AMC will increase its ownership of our capital stock from approximately 54.2% to approximately 75.1%.

Under Delaware law, you do not have appraisal rights in connection with this transaction.

Your rights as a stockholder of our Company will not change following the merger. In addition, ASC's stockholder, AMC, will be issued additional shares of Common Stock in connection with the merger having the same rights as you do with respect to your shares of Common Stock.

The merger will not result in any change in the two-class structure of our capital stock and both Common Stock and Class A Common Stock will remain outstanding.

Vote Requirements

Under Delaware Law, we are required to seek your approval to (i) increase the number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) to designate such newly-authorized shares as shares of Common Stock because such actions require amendments to our certificate of incorporation. Please read the section entitled, *"Proposal No 1: Amendment to The Restated Certificate of Incorporation to Increase the Number of Authorized Shares of Capital Stock and Designate such Newly-Authorized Shares as Shares of Common Stock" on page [ ] of this document.*

Under the listing rules of the New York Stock Exchange, we are required to seek your approval for the issuance of the 67,207,640 shares of our Common Stock in connection with the merger because they represent a greater than 20% increase in our outstanding capital stock and because they are being issued to a substantial security holder. Please read the section entitled, *"Proposal No. 2: Approval of the Issuance of Common Stock in the Merger" on page [ ] of this document.*

Under Delaware Law, we are required to seek your approval to change the composition and responsibilities of certain committees of our board of directors because such action requires amendments to our certificate of incorporation. Please read the section entitled, *"Proposal No 3*: *Amendments to the Restated Certificate of Incorporation to Change the Composition and Responsibilities of Certain Committees of our Board of Directors"on page [ ] of this document.*

Federal Tax Treatment

The merger is intended to qualify as a "reorganization" within the meaning of Section 368(a) of the U.S. Internal Revenue Code, as explained more fully on page [ ] of this document under the caption, "*Description of the Agreement and Plan of Merger Material United States Federal Income Tax Consequences of the Merger.*"

The distribution of the aggregate $100 million transaction dividend will give rise to ordinary dividend income to the extent paid out of our current or accumulated earnings and profits, as explained more fully on page [ ] of the document under the caption, "*Description of the Agreement and Plan of Merger Material United States Federal Income Tax Consequences, Tax Consequences of the $100 Million Distribution."*

Accounting Treatment

The merger shall be accounted for on a historical carryover basis in a manner similar to the "pooling-of-interests" method of accounting. For further information, see *"Description of the Agreement and Plan of Merger Accounting Treatment*" on page [ ] of this document.

Conditions to the Merger

The completion of the merger depends upon the satisfaction of a number of conditions set forth in the Agreement and Plan of Merger, including, but not limited to, the following:

Approval by our stockholders of Proposal No. 1 authorizing an amendment to our restated certificate of incorporation to (i) increase the number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) designate such newly-authorized shares as shares of Common Stock;

Approval by our stockholders of Proposal No. 2 authorizing the issuance of the 67,207,640 newly-authorized shares of our Common Stock in the merger;

Approval by our stockholders of Proposal No. 3 authorizing an amendment to our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors;

Payment of a cash transaction dividend in the aggregate amount of $100 million to holders of our Common Stock and Class A Common Stock prior to the closing, which we declared on January 31, 2005 to be paid on March 1, 2005;

Contribution by AMC of all of its ownership in Minera México to ASC, which was effective as of October 18, 2004;

Refinancing of $600,000,000 of Minera México's indebtedness, which was completed on October 29, 2004;

Minera México and its subsidiaries' net indebtedness (plus minority interests) does not exceed $1,000,000,000;

Absence of any injunction or prohibition against the merger issued by a court or government agency; and

Receipt of any necessary approvals from governmental entities in connection with the merger.

For further information, see *"Description of the Agreement and Plan of Merger Conditions to the Merger"* on page [ ] of this document.

Possible Termination of the Transaction

Either we or ASC may call off the merger under certain circumstances described in the Agreement and Plan of Merger, including, but not limited to, if:

We both consent;

There is any law or final, non-appealable governmental injunction, order or decree that prevents completion of the merger;

The merger is not completed on or before June 21, 2005;

Our stockholders do not approve Proposal No. 1 authorizing an amendment to our restated certificate of incorporation to (i) increase the number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) designate such newly-authorized shares as shares of Common Stock;

Our stockholders do not approve Proposal No. 2 authorizing the issuance of the 67,207,640 newly-authorized shares of our Common Stock in the merger; or

Our stockholders do not approve Proposal No. 3 authorizing an amendment to our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors.

For further information, see *"Description of the Agreement and Plan of Merger Termination of the Transaction"* on page [ ] of this document.

Completion of the Merger

The merger will become effective when we file a Certificate of Merger with the Delaware Secretary of State, which will occur as soon as practicable following the satisfaction or waiver of all of the conditions to the merger. For further information, see *"Description of the Agreement and Plan of Merger Completion of Merger*" on page [ ] of this document.

The Special Committee

Grupo México is, indirectly, our largest stockholder. Through its wholly-owned subsidiaries, AMC and SPHC II Incorporated, it owns approximately 54.2% of our capital stock and approximately 65.8% of our Class A Common Stock. In addition, Grupo México has the right, through our certificate of incorporation and a stockholders agreement, to nominate a majority of our board of directors. For more information regarding Grupo México, see *"Security Ownership of Certain Beneficial Owners and Management"* on page [ ] of this document.

On February 3, 2004, Grupo México presented a proposal to our board of directors regarding the possible sale to us of Grupo México's shares in its indirect subsidiary, Minera México, representing approximately 99.1463% of Minera México's outstanding shares, in return for the issuance of additional shares of our Common Stock.

In response, we formed a special committee of disinterested directors comprised of members of our board of directors to evaluate whether the proposed transaction was in the best interest of our stockholders. For further information, see "*The Merger Background of the Merger"* on page [ ] of this document.

On October 21, 2004, the special committee, after an extensive review and thorough discussion of all facts and issues it considered relevant with respect to the proposed acquisition of Minera México, concluded unanimously to recommend that our board of directors approve the Agreement and Plan of Merger and related transaction documents and to determine that the transaction was advisable, fair and in the best interests of our stockholders (other than AMC and its affiliates). For further information, see "*The Merger Background of the Merger; Factors Considered by the Special Committee"* on page [ ] of this document.

Opinion of the Special Committee's Financial Advisor, Goldman, Sachs & Co.

Goldman, Sachs & Co., or Goldman Sachs, delivered an oral opinion to the special committee, subsequently confirmed in writing, to the effect that, as of October 21, 2004, and based upon and subject to the factors and assumptions set forth in the opinion, the exchange of 67,207,640 newly-issued shares of our Common Stock for 99.1463% of the outstanding shares of Minera México currently owned by ASC, pursuant to the Agreement and Plan of Merger was fair from a financial point of view to our company.

The full text of the written opinion of Goldman Sachs, dated October 21, 2004, which sets forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of the special committee in connection with its consideration of the merger. Goldman Sachs' opinion is not a recommendation as to how any holder of our Common Stock or Class A Common Stock should vote with respect to the merger.

Risk Factors

In deciding whether to vote in favor of the three proposals discussed herein, you should read carefully this proxy statement and the documents to which we refer you. You should also carefully consider the following factors related to the merger:

- The benefits of the combination may not be realized; and
- Fluctuations in the relative values of each of the companies could have an effect on the value and the parity of the merger consideration.

In addition, you should also consider the following factors associated with Minera México's business and certain factors relating to Mexico and elsewhere, which may adversely affect Minera México's business, results of operations and financial condition:

- Fluctuations in the market price of the metals that Minera México produces may significantly affect its financial performance;
- Despite the refinancing of Minera México's indebtedness, its financial condition and liquidity may not improve;
- Minera México may be adversely affected by the imposition of more stringent environmental regulations that would require it to spend additional funds;
- Certain facilities near urban centers may be subject to certain restrictions in their operations.
- Minera México's actual reserves may not conform to current expectations;
- Metals exploration efforts are highly speculative in nature and may be unsuccessful;
- There is uncertainty as to the termination and renewal of Minera México's concessions;
- Mexican economic and political conditions may have an adverse impact on Minera México's business;
- Inflation, restrictive exchange control policies and devaluation of the peso may adversely affect Minera México's financial condition and results of operations; and

Developments in other emerging market countries and in the United States may adversely affect the market value of Minera México.

For further information, see "*Risk Factors"* beginning on page [ ] of this document.

A WARNING ABOUT FORWARD-LOOKING INFORMATION

Forward-looking statements made in this document, and in certain documents referred to in this document, are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of our management and on information currently available to our management. Forward-looking statements include the information concerning possible or assumed future results of our operations set forth under "*Unaudited Pro Forma Combined Condensed Financial Information*," included in Annex D of this document, and statements preceded by, followed by or that include the words "will," "believes," "expects," "anticipates," "intends," "plans," "estimates" or similar expressions, including statements regarding the special meeting, the anticipated effects of the merger, the intention that the merger be a tax-free reorganization and statements under the heading "*The Merger Factors Considered by the Special Committee*." Such statements are subject to risks relating, among other things, to the ability to complete the merger and effectively operate the combined companies, 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 metals prices on commodity exchanges, which can be volatile.

Our management believes that these forward-looking statements are reasonable. You should not, however, place undue reliance on such forward-looking statements, which are based on current expectations.

Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results and stockholder values following completion of the merger may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. All forward-looking statements and risk factors included in this document are made as of the filing date hereof, based on information available to us as of the filing date hereof, and we assume no obligation to update any forward-looking statement or risk factor.

SPECIAL MEETING INFORMATION

General

This proxy statement and the accompanying form of proxy are being furnished as part of the solicitation by our board of directors of the proxies of all holders of our Common Stock and Class A Common Stock entitled to vote at the special meeting to be held on March 11, 2005, and at any adjournment thereof. This proxy statement and the enclosed form of proxy are being mailed commencing on or about February 10, 2005, to holders of our Common Stock and Class A Common Stock of record on February 10, 2005. Additional copies will be available at the Company's offices in the United States, Lima and other locations in Peru.

Any proxy in the enclosed form given pursuant to this solicitation, that is properly marked, dated, executed, not revoked and received in time for the special meeting will be voted with respect to all shares represented by it and in accordance with the instructions, if any, given in such proxy. **If we receive a signed proxy with no voting instructions given, such shares will be voted FOR (i) the proposal to amend our restated certificate of incorporation to increase the number of authorized shares of our capital stock and designate such newly-authorized shares as shares of Common Stock, (ii) the proposal to issue the newly-authorized shares of Common Stock in the merger and (iii) the proposal to amend our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors.**

Revocability of Proxies

Any proxy may be revoked at any time prior to the exercise thereof by (i) voting in person at the special meeting, (ii) submitting written notice of revocation to the secretary prior to the special meeting or (iii) by submitting another proxy with a later date that is properly executed. Attendance at the special meeting in and of itself will not revoke a prior proxy.

Solicitation of Proxies

We will bear the cost of this solicitation. In addition to soliciting proxies by mail, our directors and officers may solicit proxies in person or by telephone or e-mail.

We will also reimburse brokers, fiduciaries, custodians and other nominees, as well as persons holding stock for others who have the right to give voting instructions, for out-of-pocket expenses incurred in forwarding this proxy statement and related materials to, and obtaining instructions or authorizations relating to such materials from, beneficial owners of our capital stock. We will pay for the cost of these solicitations, but these individuals will receive no additional compensation for these solicitation services.

Record Date

The outstanding shares of our capital stock consist of Common Stock and Class A Common Stock. The close of business on February 10, 2005 has been fixed as the record date for determining the holders of shares of our Common Stock and Class A Common Stock entitled to notice of and to vote at the special meeting. As of January 31, 2005, we had 14,116,552 shares of Common Stock and 65,900,833 shares of Class A Common Stock outstanding. Each share of Common Stock and Class A Common Stock outstanding on the record date is entitled to vote at the Special Meeting.

Vote Required

The presence in person or by proxy of the holders of record of a majority of the combined voting power of our outstanding shares of Common Stock and Class A Common Stock entitled to vote at the special meeting will constitute a quorum for purposes of voting on the proposals at the special meeting. Abstentions and broker "non-votes" will be counted for quorum purposes. A broker "non-vote" occurs when a broker submits a proxy card with respect to shares of Common Stock held in a fiduciary capacity (typically referred to as being held in "street name") but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. In accordance with our restated certificate of incorporation, except with respect to the election of directors or as required by law, the holders of our Common Stock and the holders of Class A Common Stock vote together as a single class. Except as set forth below, each share of Common Stock is entitled to one vote per share and each share of Class A Common Stock is entitled to five votes per share on matters submitted to the vote of stockholders voting as one class.

When a holder of Common Stock participates in the Dividend Reinvestment Plan applicable to our Common Stock, his or her proxy to vote shares of Common Stock will include the number of shares held for him by The Bank of New York, the agent under the plan. If the holder of Common Stock does not send any proxy, the shares held for his or her account in the Dividend Reinvestment Plan will not be voted. Shares of Common Stock, owned under the Company's Savings Plan, will be voted by the trustee under the plan in accordance with the instructions contained in the proxy submitted by the beneficial holder of Common Stock. Any shares held by the trustee for which no voting instructions are received will be voted by the trustee in the same proportion as the shares for which voting instructions have been received.

Proposal No. 1: Amendment to the Restated Certificate of Incorporation to Increase the Number of Authorized Shares of Capital Stock and Designate Such Newly-Authorized Shares as Shares of Common Stock

The proposal to amend our restated certificate of incorporation to increase the number of authorized shares of our capital stock and designate such newly-authorized shares as shares of Common Stock will be approved if (i) the holders of at least two-thirds of the outstanding shares of our Common Stock and Class A Common Stock (calculated without giving effect to any super majority voting rights) vote in favor of the proposal and (ii) the majority of the total combined voting power of the outstanding shares of our Common Stock and Class A Common Stock entitled to vote thereon vote in favor of the proposal. Abstentions and broker "non-votes" will have the same effect as a vote "*Against*" this proposal.

Proposal No. 2: Issuance of Common Stock in the Merger

Our Common Stock is listed on the New York Stock Exchange. In accordance with New York Stock Exchange listing requirements, the proposal to issue shares of Common Stock in the merger pursuant to the Agreement and Plan of Merger requires the affirmative vote of the holders of a majority of shares of Common Stock and Class A Common Stock cast on such proposal provided that the total vote cast on the proposal represents over 50% of the total combined voting power of the outstanding shares of Common Stock and Class A Common Stock entitled to vote on the proposal. Abstentions will have the same effect as votes "*Against*" the proposal; however, broker "non-votes" will be disregarded and will have no effect on the proposal.

Proposal No. 3: Amendments to the Restated Certificate of Incorporation to Change the Composition and Responsibilities of Certain Committees of our Board of Directors

The proposal to amend our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors will be approved if a majority of total combined voting power of the outstanding shares of Common Stock and Class A Common Stock vote in favor of this proposal. Abstentions and broker "non-votes" will have the same effect as a vote "*Against*" this proposal.

Arrangements With Respect to the Vote

We understand that AMC, which indirectly owns 43,348,949 shares of Class A Common Stock, representing approximately 54.2% of our outstanding capital stock, intends to cause all of the shares beneficially owned by it to be voted in favor of each of the three proposals. This vote by AMC is sufficient to approve each of the proposals, except for the first required vote under Proposal No. 1, which requires a two-thirds vote (without giving effect to the super-majority voting rights of our Class A Common Stock).

In addition, pursuant to information contained in amendments to Schedules 13D filed by AMC and Cerro Trading Company, Inc., which we refer to as Cerro, on October 21, 2004 AMC and Cerro entered into a letter agreement pursuant to which, among other matters, both AMC and Cerro expressed their current intent to (i) submit their proxies to vote in favor of the three proposals discussed in this proxy statement and (ii) to take all action reasonably necessary to effect simultaneously with the closing of the merger the conversion of their shares of Class A common stock into a single class of capital stock. We currently anticipate that the merger will not result in any change in the two-class structure of our capital stock and both Common Stock and Class A Common Stock will remain outstanding. We understand that AMC and Cerro will not voluntarily convert their shares of Class A Common Stock unless all shares of Class A Common Stock are simultaneously converted. In addition, in the event that the special committee withdraws its recommendation to our board of directors approving the merger and the related transactions, Cerro agreed that it would not submit its proxy to vote in favor of the three proposals. Since Cerro owns approximately 11.9% of our capital stock, the vote of Cerro pursuant to the letter agreement plus the vote of AMC, as discussed above, would be sufficient to approve the first required vote for Proposal No. 1. Harold Handelsman, one of the members of the special committee, is a designee of Cerro on our board of directors.

The letter agreement between AMC and Cerro also provides that AMC would use its reasonable best efforts to cause us to enter into a registration rights agreement with Cerro. Such registration rights agreement will require us, as promptly as practicable after the closing of the merger, to file a shelf registration covering the sale of all of Cerro's shares of our Common Stock, which sales may only be effected through underwritten offerings sponsored by us during the first six months following the effectiveness of the shelf registration, which we refer to as the initial six month period.

The letter agreement also provides that Cerro will not sell its shares of Common Stock, other than through a secondary offering effected pursuant to the registration rights agreement, from the closing of the merger until the earlier of (i) the end of the initial six month period and (ii) eight months after the closing of the merger. Notwithstanding the foregoing, Cerro is permitted to dividend or otherwise transfer all or any portion of its shares of our Common Stock to its parent, and Cerro and its parent corporation are each permitted to dividend or otherwise transfer all or any portion of such shares to the parent corporation's trust shareholders and/or beneficiaries of such trusts; provided, however, that such parent corporation, trust shareholders and/or beneficiaries, as the case may be, must first agree to be bound by the terms of the letter agreement. During the period described above, Cerro also agrees that the maximum number of shares of our Common Stock that it will sell will be subject to certain volume limitations that will be set forth in the registration rights agreement. Additionally, Cerro agrees

that other than pursuant to an offering effected in accordance with the proposed registration rights agreement, it will not, following the closing of the merger, knowingly sell its shares of our Common Stock to any strategic buyers or competitors of our company without AMC's prior approval, which approval shall not be unreasonably withheld.

The letter agreement also provides that AMC will not sell, and will use its best efforts to prevent its affiliates from selling, shares of our Common Stock, from the closing of the merger until the earlier of (i) the end of the initial six month period and (ii) eight months after the closing of the merger. AMC further agrees to use its reasonable best efforts to cause our company to not conduct a primary offering of our shares of Common Stock during the first six months following the closing of the merger, subject to our right to issue shares in connection with acquisitions, mergers, business combinations, applicable benefit plans and other similar transactions.

Pursuant to information contained in amendments to Schedules 13D filed by AMC and Phelps Dodge Corporation, on December 22, 2004, AMC and Phelps Dodge Corporation entered into a letter agreement pursuant to which, among other matters, both AMC and Phelps Dodge Corporation expressed their current intent to (i) submit their proxies to vote in favor of the three proposals discussed in this proxy statement and (ii) to take all action reasonably necessary to effect simultaneously with the closing of the merger the conversion of their shares of Class A common stock into a single class of capital stock. We currently anticipate that the merger will not result in any change in the two-class structure of our capital stock and both Common Stock and Class A Common Stock will remain outstanding. We understand that AMC and Phelps Dodge Corporation will not voluntarily convert their shares of Class A Common Stock unless all shares of Class A Common Stock are simultaneously converted. Since Phelps Dodge Corporation, through its wholly-owned subsidiaries Phelps Dodge Overseas Capital Corporation, which we refer to as Phelps Overseas, and Climax Molybdenum B.V., owns approximately 13.96% of our capital stock, the vote of Phelps Dodge Corporation pursuant to the letter agreement plus the vote of AMC and Cerro, as discussed above, would be sufficient to approve the first required vote for Proposal No. 1.

The letter agreement between AMC and Phelps Dodge Corporation also provides that AMC would use its reasonable best efforts to cause us to enter into a registration rights agreement with Phelps Dodge Corporation. Such registration rights agreement will require us, as promptly as practicable after the closing of the merger, to file a shelf registration covering the sale of all of Phelps Dodge Corporation's shares of our Common Stock, which sales may only be effected through underwritten offerings sponsored by us during the first six months following the effectiveness of the shelf registration, which we refer to as the initial six month period.

The letter agreement also provides that Phelps Dodge Corporation will not sell its shares of Common Stock, other than through a secondary offering effected pursuant to the registration rights agreement, from the closing of the merger until the earlier of (i) the end of the initial six month period and (ii) eight months after the closing of the merger. Notwithstanding the foregoing, Phelps Dodge is permitted to dividend or otherwise transfer all or any portion of its shares of our Common Stock to its parent, and Phelps Dodge and its parent corporation are each permitted to dividend or otherwise transfer all or any portion of such shares to the parent corporation's trust shareholders and/or beneficiaries of such trusts; provided, however, that such parent corporation, trust shareholders and/or beneficiaries, as the case may be, must first agree to be bound by the terms of the letter agreement. During the period described above, Phelps Dodge Corporation also agrees that the maximum number of shares of our Common Stock that it will sell will be subject to certain volume limitations that will be set forth in the registration rights agreement. Additionally, Phelps Dodge Corporation agrees that other than pursuant to an offering effected in accordance with the proposed registration rights agreement, it will not, following the closing of the merger, knowingly sell its shares of our Common Stock to any strategic buyers or competitors of our company without AMC's prior approval, which approval shall not be unreasonably withheld.

The letter agreement also provides that AMC will not sell, and will use its best efforts to prevent its affiliates from selling, shares of our Common Stock, from the closing of the merger until the earlier of (i) the end of the initial six month period and (ii) eight months after the closing of the merger. AMC further agrees to use its reasonable best efforts to cause our company to not conduct a primary offering of our shares of Common Stock during the first six months following the closing of the merger, subject to our right to issue shares in connection with acquisitions, mergers, business combinations, applicable benefit plans and other similar transactions.

Householding of Special Meeting Materials

Some brokers and other nominee record holders may be participating in the practice of "householding" proxy statements. This means that only one copy of this proxy statement may have been sent to multiple stockholders in a stockholder's household. We will promptly deliver a separate copy of this proxy statement to any stockholder who contacts our investor relations department at (011) +511 372-1414 requesting a copy. If you are receiving multiple copies of the proxy statement at your household and would like to receive a single copy of proxy statements in the future, you should contact your broker, other nominee record holder, or our investor relations department to request mailing of a single copy of the proxy statement.

PROPOSAL NO. 1: AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF CAPITAL STOCK AND DESIGNATE SUCH NEWLY-AUTHORIZED SHARES TO BE SHARES OF COMMON STOCK

General

On October 21, 2004, our board of directors unanimously adopted a resolution recommending that our stockholders approve an amendment to our restated certificate of incorporation to (i) increase the aggregate number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) designate such newly-authorized shares to be classified as shares of Common Stock. We encourage you to carefully read the entire text of this amendment, which is included in Annex C to this proxy statement.

If approved by you, this proposed amendment will become effective upon the filing of a Certificate of Amendment of Certificate of Incorporation with the Delaware Secretary of State.

Purpose and Effect of the Amendment

Pursuant to our restated certificate of incorporation, the total number of shares of capital stock that we are authorized to issue is 100,000,000, par value $0.01 per share. Of those shares, 34,099,167 are designated as shares of Common Stock and 65,900,833 are designated as shares of Class A Common Stock. As of January 31, 2005, 14,116,552 shares of Common Stock and 65,900,822 shares of Class A Common Stock were issued and outstanding. In connection with the merger, we are obligated to issue 67,207,640 shares of our Common Stock to AMC. Based upon the foregoing number of authorized shares and shares of Common Stock remaining for issuance, we currently do not have enough authorized and unissued shares to issue the shares required under the Agreement and Plan of Merger. Therefore, it is necessary for us to increase the number of our authorized shares by 67,207,640 and designate such shares as shares of Common Stock.

If you approve the proposed amendment to our restated certificate of incorporation, we will have a total of 167,207,640 authorized shares of capital stock. Of those shares, 101,306,807 will be designated as shares of Common Stock. If the merger is completed, we would have 81,324,192 shares of Common Stock issued and outstanding. The number of shares of Class A Common Stock issued and outstanding will not change. We currently anticipate that the merger will not result in any change in the two-class

structure of our capital stock and both Common Stock and Class A Common Stock will remain outstanding.

Our board of directors believes that it is in our best interests to increase the number of authorized shares of stock and designate such shares as Common Stock in order to provide the consideration required under the terms of the Agreement and Plan of Merger. When issued, the additional shares of Common Stock will have the same rights and privileges as the shares of Common Stock currently authorized and outstanding. No holder of any of our shares of Common Stock or Class A Common Stock has preemptive rights. Therefore, no stockholder will have any preferential right to purchase any additional shares of our Common Stock when the new shares are issued in connection with the merger.

The foregoing proposed amendment to our restated certificate of incorporation must be approved before the merger can be completed. Our board of directors believes that it is in our best interests for the stockholders to approve the proposed amendment.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* APPROVAL OF PROPOSAL NO. 1 TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF CAPITAL STOCK AND DESIGNATE SUCH SHARES TO BE CLASSIFIED AS SHARES OF COMMON STOCK

PROPOSAL NO. 2: APPROVAL OF THE ISSUANCE OF COMMON STOCK IN THE MERGER

General

We have approved an Agreement and Plan of Merger which provides that our new subsidiary, SPCC Merger Sub, will merge with and into ASC. ASC, as the surviving corporation in the merger, will become our wholly-owned subsidiary. As a result of the merger, ASC's stockholder, AMC, will have the right to receive shares of our Common Stock as described herein. We encourage you to carefully read the entire Agreement and Plan of Merger, which we have included as Annex A to this proxy statement, for more detailed information.

New York Stock Exchange Stockholder Approval Requirement

New York Stock Exchange rules require that our stockholders approve the issuance of our Common Stock in connection with the merger because the 67,207,640 newly-authorized shares to be issued will (i) result in a greater than 20% increase in the number of shares of Common Stock outstanding (calculated by giving effect to the 1:1 conversion ratio of our Class A Common Stock) and (ii) be issued to AMC, which is a substantial security holder of us.

The foregoing proposed issuance of our Common Stock must be approved before the merger can be completed. Our board of directors believes that it is in our best interests for the stockholders to approve the proposed amendment.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE *FOR* PROPOSAL NO. 2 TO APPROVE THE ISSUANCE OF OUR COMMON STOCK IN THE MERGER

PROPOSAL NO. 3: AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION TO CHANGE THE COMPOSITION AND RESPONSIBILITIES OF CERTAIN COMMITTEES OF THE BOARD OF DIRECTORS

General

On October 21, 2004, our board of directors unanimously adopted resolutions recommending that our stockholders approve an amendment to our restated certificate of incorporation which, if implemented, would change the composition and responsibilities of certain committees of our board of directors. Below is a summary of the amendment. However, we encourage you to carefully read the entire text of this amendment, which is included as Annex C to this proxy statement.

If approved by you, this amendment will become effective upon the filing of a Certificate of Amendment of Certificate of Incorporation with the Delaware Secretary of State.

Special Independent Directors/Special Nominating Committee

The proposed amendment to our restated certificate of incorporation requires our board of directors to include a certain number of special independent directors. A special independent director is a person who (i) satisfies the independence standards of the New York Stock Exchange (or any other exchange or association on which our Common Stock is listed) and (ii) is nominated by a special nominating committee of our board of directors. Any individual nominated by holders of our Class A Common Stock (other than Grupo México) is considered to be a special independent director. A special independent director may only be removed from the board of directors for cause.

The number of special independent directors on the board of directors at any given time shall equal (a) the total number of directors on the board of directors multiplied by (b) the percentage of Common Stock owned by all of our stockholders (other than Grupo México and its affiliates), rounded up to the next whole number. Notwithstanding the foregoing, the total number of persons nominated as special independent directors and the number of directors nominated by holders of our Class A Common Stock (other than Grupo México), cannot be less than two or greater than six.

To nominate persons to stand for election as special independent directors and fill any vacancies of special independent directors, the proposed amendment requires us to establish a special nominating committee. The special nominating committee is required to consist of three of our directors, two (2) of whom will be and (each an "Initial Member" and, together with their successors, "Special Designees") and such other director, who will initially be , as may be appointed by the board of directors or the "Board Designee". The Board Designee will be selected annually by the board of directors. The Special Designees will be selected annually by the members of the board who are special independent directors or Initial Members. Only special independent directors can fill vacancies on the special nominating committee. Any member of the special nominating committee may be removed at any time by the board of directors for cause. The unanimous vote of all members of the nominating committee will be necessary for the adoption of any resolution or the taking of any action.

Notwithstanding the foregoing, the power of the special nominating committee to nominate special independent directors is subject to the rights of our stockholders to make nominations in accordance with our by-laws and the rights of holders of our Class A Common Stock to make nominations in accordance with the terms of their stockholders' agreement.

The provisions of this new amendment may only be amended by the affirmative vote of a majority of the holders of our Common Stock (calculated without giving effect to any super majority voting rights) other than Grupo México and its affiliates.

Affiliate Transaction Committee

The proposed amendment to the restated certificate of incorporation also prohibits us from engaging in any material affiliate transaction unless the transaction has been reviewed by a committee of at least three members of the board of directors each of whom satisfy the independence standards of the New York Stock Exchange (or any other exchange or association on which our Common Stock is listed). A material affiliate transaction is defined as a transaction, business dealing or material financial interest in any transaction, or any series of transactions between Grupo México or one of its affiliates (other than us or any of our subsidiaries), on the one hand, and us or one of our subsidiaries, on the other hand, that involves aggregate consideration of more than $10,000,000.

The foregoing proposed amendment to our restated certificate of incorporation must be approved before the merger can be completed. Our board of directors believes that it is in our best interests for the stockholders to approve the proposed amendment.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR APPROVAL OF PROPOSAL NO. 3 TO AMEND THE RESTATED CERTIFICATE OF INCORPORATION TO CHANGE THE COMPOSITION AND RESPONSIBILITIES OF CERTAIN COMMITTEES OF THE BOARD OF DIRECTORS

THE MERGER

The terms, conditions and other provisions of the Agreement and Plan of Merger are the result of arms-length negotiations conducted by the special committee and AMC and its affiliates, with the assistance of their respective representatives. The following is a summary of the meetings, negotiations and discussions between the parties that preceded entering into the Agreement and Plan of Merger.

Background of the Merger

From time to time during 2003, various executive officers of Grupo México participated in internal discussions regarding the strategic possibilities of combining its Mexican mining operations, conducted through Minera México, with its Peruvian mining operations conducted through our company. In September, 2003, Grupo México engaged UBS Investment Bank, or UBS, to provide advice with respect to a strategic transaction involving Minera México and us. After our October 2003 board meeting, certain of Grupo México's designees on our board of directors had an informal discussion with certain of our directors unaffiliated with Grupo México regarding the possible combination of the two companies. On January 30, 2004, Grupo México's board of directors resolved to make a formal presentation to our board of directors at our next board meeting, which was scheduled for February 3, 2004.

On February 3, 2004, Grupo México, our largest stockholder, presented a proposal at a regularly scheduled meeting of our board of directors regarding the possible sale to us of Grupo México's 99.1463% stake in Grupo México's subsidiary, Minera México, in return for the issuance to Grupo México of additional shares of our Common Stock. On February 4, 2004, we announced that Grupo México had made that proposal. Through its wholly-owned subsidiaries, AMC and SPHC II Incorporated, Grupo México owns approximately 54.2% of our capital stock and approximately 65.8% of our Class A Common Stock. In addition, Grupo México has the right, through our certificate of incorporation and a stockholders agreement, to nominate a majority of our board of directors.

In connection with this announcement, we also announced that our board of directors had established a special committee of disinterested directors to evaluate the proposal. The initial members of the special committee were Pedro-Pablo Kuczynski, Gilberto Perezalonso Cifuentes and Harold Handelsman, each of whom has no affiliation with Grupo México or any of its affiliates other than our company. Mr. Handelsman is a designee on our board of directors of one of our stockholders, Cerro.

At the February 3 meeting, Grupo México made a presentation to our board regarding the proposed transaction that indicated a $4.3 billion enterprise value for Minera México and the assumption of approximately $1.3 billion in net debt. Grupo México proposed that the consideration it would receive for the sale of Minera México would be the issuance to it of additional shares of our Common Stock, with the precise number of shares to be determined based upon the trading price of our Common Stock. Based on the January 29 closing price of our Common Stock, Grupo México indicated its proposal would result in the issuance to it of approximately 72 million shares of our Common Stock.

On February 12, our board of directors met by telephone to elect Carlos Ruiz Sacristán as a member of the board of directors to fill a position left vacant as a result of the resignation on October 24, 2003 of Daniel Tellechea Salido. Mr. Ruiz, who has no affiliation with Grupo México or any of its affiliates other than our company, was also appointed by our board to the special committee.

The members of the special committee met on a number of occasions in February 2004 to interview potential legal and financial advisors. After interviewing several potential legal and financial advisors, the special committee engaged Goldman Sachs to act as its financial advisor and Latham & Watkins LLP or Latham & Watkins to act as its United States legal advisor.

During one of these meetings in Miami, Florida on February 13, representatives of Latham & Watkins gave a detailed presentation to the members of the special committee regarding their fiduciary duties in connection with the proposed acquisition of Minera México and explained the role of the special committee in connection with the proposed transaction.

On February 16, Mr. Kucyzinski delivered a letter to our board of directors announcing his resignation as a member of the board of directors in order to accept the post of Minister of Economy and Finance of the Republic of Peru.

In late February, the special committee's legal advisors requested that Grupo México's legal advisors provide a detailed term sheet relating to Grupo México's proposal to sell Minera México to us.

The special committee met with Latham & Watkins and Goldman Sachs in Dallas, Texas on March 2. At that meeting, the members of the special committee appointed Mr. Ruiz as chairman of the special committee. The members of the special committee discussed with representatives of Goldman Sachs and Latham & Watkins the scope, objectives and timing of financial, operational and legal due diligence to be conducted on behalf of the special committee and representatives of Goldman Sachs reviewed with the special committee certain publicly available financial and operational information concerning Minera México and our company. At this meeting, the special committee also determined that it should obtain proposals from a number of mining consultants and Mexican law firms to assist the special committee in its evaluation of Grupo México's proposal.

On March 4, Mr. Ruiz sent a letter to Germán Larrea Mota-Velasco, the chairman of our board of directors and our chief executive officer, and Grupo México. In this letter, Mr. Ruiz requested that Grupo México provide the special committee with a term sheet for the proposed transaction containing sufficient detail for the special committee to begin its analysis of the proposed acquisition of Minera México. In this letter, Mr. Ruiz requested that Grupo México address, among other things:

- the proposed consideration to be received by Grupo México for Grupo México's interest in Minera México;
- the proposed structure and tax implications of the transaction;
- in light of statements made by Grupo México that the transaction would result in the creation of a single class of Common Stock, the proposed mechanism for creating a single class of Common Stock;
- the contemplated legal structure for the combined entity;
- the proposed treatment of Minera México's debt in the proposed transaction and whether Grupo México contemplated any refinancing at either AMC or Grupo México that would have an effect on the combined entity;
- whether Grupo México intended to make any proposals regarding the corporate governance of our company following completion of the proposed transaction; and
- whether Grupo México intended to make any proposals to provide liquidity for our principal minority stockholders.

On March 9, representatives of Goldman Sachs met with members of Grupo México's senior management and representatives of UBS, financial advisor to Grupo México. At that meeting, representatives of Grupo México and UBS made a presentation regarding their views of the strategic benefits of the proposed transaction to us, including anticipated operating synergies, cost savings and tax benefits they believed would result from the transaction. Grupo México, UBS and Goldman Sachs also discussed the anticipated process for structuring and negotiating any potential transaction as well as the anticipated timing of the due diligence process.

On March 11, the special committee met by telephone with representatives of Latham & Watkins and Goldman Sachs. Representatives of Goldman Sachs updated the special committee on their March 9 meeting with Grupo México and UBS. Mr. Ruiz noted that he had received a letter from Grupo México advising him that certain Peruvian pension funds holding approximately 7.7% of our capital stock had advised Grupo México that they proposed Luis Miguel Palomino Bonilla be elected to our board of directors to fill the position created by the resignation of Mr. Kuczynski on February 16.

Mr. Palomino was elected as a member of our board of directors on March 19. Mr. Palomino, who has no affiliation with Grupo México or any of its affiliates other than our company, was also appointed by our board of directors to the special committee.

After interviewing several Mexican law firms, on March 25, the special committee engaged the law firm of Mijares, Angoitia, Cortés y Fuentes SC, or Mijares, as Mexican counsel to advise the special committee.

On March 25, Grupo México delivered a term sheet relating to the proposed transaction to the special committee. In the term sheet, Grupo México proposed, among other things, that:

- the consideration to be paid by our company would be based on an enterprise value for Minera México of approximately $4.3 billion;
- the transaction would be a tax-free reorganization for both United States and Mexican tax purposes;
- AMC would use reasonable efforts to cause the conversion of all of our high-vote Class A Common Stock into our one vote per share Common Stock;
- approximately $765 million of Minera México's senior debt would be refinanced at or prior to closing of the proposed transaction; and
- Grupo México would consider agreeing to allow us to file a shelf registration statement covering the resale of shares held by Cerro and Phelps Dodge Overseas, our two largest stockholders after Grupo México, that hold, respectively, 9,498,088 and 11,173,796 shares of our Class A Common Stock.

The special committee met with representatives of Goldman Sachs and Latham & Watkins by telephone on April 1 to discuss the March 25 term sheet. During the meeting, representatives of Goldman Sachs reported to the special committee on a meeting they had with representatives of UBS regarding the March 25 term sheet. After discussion with the special committee's legal and financial advisors, the members of the special committee concluded that the term sheet did not provide sufficient detail or information for the special committee to evaluate Grupo México's proposal. In addition, representatives of Latham & Watkins reported that representatives of Milbank, Tweed, Hadley & McCloy LLP, or Milbank Tweed, Grupo México's legal advisors, had indicated that due diligence materials relating to Minera México were expected to become available in New York City and Mexico City beginning on April 12.

On April 2, Mr. Ruiz sent a letter to Mr. Larrea requesting additional information with respect to Grupo México's March 25 term sheet. In that letter, Mr. Ruiz explained that the special committee required, among other things:

- information regarding the number of shares of our Common Stock that Grupo México proposed be issued to it as consideration;
- detailed information regarding Minera México's outstanding indebtedness and the proposed treatment of Minera México's indebtedness in the transaction;

sufficient information concerning the proposed structure of the transaction to enable the special committee's advisors to evaluate the tax implications of the transaction;

a description of the proposed mechanism for creating a single class of Common Stock; and

Grupo México's proposals regarding registration rights for Cerro and Phelps Dodge Corporation.

Additionally, in the April 2 letter, Mr. Ruiz encouraged Grupo México to consider making a proposal regarding corporate governance provisions for our minority stockholders following consummation of the proposed transaction.

During the week of April 12, the special committee's legal and financial advisors began their business, operational and financial due diligence review of Minera México. After interviewing several mining consulting firms, on April 14 the special committee engaged Anderson & Schwab, Inc., or Anderson & Schwab, to assist the special committee in its due diligence and evaluation of the proposed transaction. On April 16, representatives of Goldman Sachs and Anderson & Schwab met with members of Minera México's senior management at Minera México's headquarters in Mexico City to conduct a detailed review of Minera México's operations.

On April 21, the special committee met with representatives of Goldman Sachs, Latham & Watkins and Mijares to discuss the progress of legal, operational and financial due diligence.

From time to time in April, Mr. Ruiz and other members of the special committee spoke with Mr. Larrea to discuss the terms of the proposed transaction and the progress of legal, operational and financial due diligence. During these discussions, Mr. Larrea indicated that Grupo México was preparing a revised term sheet to address the questions and issues raised in Mr. Ruiz's April 2 letter.

On April 29, the members of the special committee met in Mexico City in advance of a regularly scheduled meeting of our board of directors. At that meeting, representatives of Latham & Watkins, Mijares, Goldman Sachs and Anderson & Schwab reported to the special committee on the progress they had made in their conduct of legal, operational and financial due diligence.

On May 7, Grupo México delivered a revised term sheet to the special committee. The term sheet provided additional information concerning the matters addressed in the March 25 term sheet, including:

Grupo México proposed that for purposes of the transaction Minera México's enterprise value was approximately $4.3 billion, consisting of an equity value of approximately $3.1 billion and net debt of approximately $1.2 billion (as of April 2004);

Grupo México proposed that the number of shares of our Common Stock to be issued in the transaction for Minera México's $3.1 billion of equity value would be calculated based on the 20-day average closing price of our Common Stock beginning 5 days prior to the closing of the transaction;

the basic terms of a proposed refinancing of Minera México's indebtedness; and

Grupo México proposed that the transaction would not provide for any special corporate governance provisions for our minority stockholders other than those provided under Delaware law and New York Stock Exchange rules.

The special committee met on May 13 by telephone with representatives of Latham & Watkins, Goldman Sachs and Mijares to discuss the revised term sheet and the progress of due diligence.

Legal, financial and operational due diligence continued throughout May and June.

On May 21, representatives of Goldman Sachs and Anderson & Schwab met with members of our senior management at our offices in Lima, Peru to conduct a detailed review of our operations.

On June 11, the special committee met in Miami, Florida to receive preliminary due diligence reports from Goldman Sachs, Anderson & Schwab, Latham & Watkins and Mijares. Representatives of Goldman Sachs discussed with the members of the special committee the May 7 term sheet, a preliminary financial review of Minera México and recent developments in the market for our Common Stock. Among other things, the special committee concluded that a floating exchange ratio based solely on the price of our Common Stock over a period of time immediately prior to the closing would not be an appropriate mechanism for determining the consideration to be paid by our company for Minera México. Because of the volatility of the trading prices of our Common Stock, the special committee was unwilling to accept any uncertainty in the number of shares to be issued as consideration. The members of the special committee also discussed with the special committee's advisors how issues that had been identified in due diligence might be addressed in any transaction. The members of the special committee also discussed with representatives of Goldman Sachs and Anderson & Schwab, and approved, adjustments to the projections for Minera México that were supplied by Minera México and Grupo México to reflect the average price forecasts for copper and molybdenum published by research analysts and to reflect modifications deemed appropriate in light of the diligence conducted by the special committee's advisors. The adjustments were based on a number of factors, including the historical performance of Minera México. Following discussion, the members of the special committee agreed that representatives of the special committee should meet with Mr. Larrea and inform him that the special committee had received a preliminary report from its advisors and that there were substantial differences between the views of the special committee and Grupo México regarding Grupo México's term sheet. The parties agreed to ask their respective financial advisors to meet and discuss the respective views of the special committee and Grupo México with regard to the appropriate valuation of Minera México.

Representatives of Goldman Sachs met with representatives of UBS on June 16 to discuss the respective views of the special committee and Grupo México with regard to the appropriate valuation of Minera México, including issues regarding commodity price assumptions, tax assumptions and the need for adjustments, based on the advisors' operational due diligence, to the financial projections of Minera México that had been provided to the special committee's advisors in the due diligence process. During this meeting, representatives of Goldman Sachs also informed UBS that the special committee believed that the parties should agree on a different mechanism for setting the exchange ratio than that proposed by Grupo México, with one possibility being a fixed exchange ratio to determine the number of shares of Common Stock to be issued in a transaction, so that the number of shares would not change as the price of our Common Stock fluctuated.

The special committee met by telephone with representatives of Goldman Sachs, Latham & Watkins and Mijares on June 23. During this meeting, representatives of the special committee's advisors updated the members of the special committee regarding the progress of legal, financial and operational due diligence and Goldman Sachs updated the special committee on its discussions of valuation with UBS. Representatives of Latham & Watkins made a presentation to the special committee regarding corporate governance mechanisms that might be implemented after the closing of the proposed transaction in order to provide protection to our minority stockholders in addition to the basic protections provided under Delaware law and New York Stock Exchange rules. Representatives of Goldman Sachs discussed with the members of the special committee recent developments in the market for our Common Stock, a preliminary financial review of our company and certain portions of Minera México's operations.

Throughout June and July, representatives of Goldman Sachs spoke with representatives of UBS on numerous occasions to discuss the respective views of the special committee and Grupo México with respect to valuation issues, including views as to commodity prices, tax assumptions and adjustments to Minera México's economic model based on the special committee's operational due diligence. Also during this period, from time to time Mr. Ruiz and other members of the special committee spoke with

Mr. Larrea about the respective views of the special committee and Grupo México with respect to the valuations of Minera México and our company.

On July 2, UBS provided Goldman Sachs with discussion materials addressing Grupo México's views regarding significant valuation issues, including:

- metal price forecasts for copper and molybdenum;
- our operating projections (including an anticipated decline in our ore grades);
- the anticipated enhancement in our reserve and production profile as a result of the proposed transaction, including our acquisition of additional reserves, enhancement in our relative cost position resulting from commodity diversification into zinc and precious metals and a decrease in our volatility of earnings after the acquisition of Minera México due to a relatively lower exposure to molybdenum; and
- relative valuation and contribution considerations using various metrics and price assumptions.

The special committee met on July 8 to discuss recent developments in the negotiations with Grupo México and to receive a report from its advisors regarding the ongoing due diligence process. Representatives of Goldman Sachs updated the members of the special committee regarding their discussions with UBS, including the July 2 discussion materials provided by UBS.

The special committee discussed the possibility that Grupo México might offer Cerro and Phelps Dodge Corporation the opportunity to participate in a registered offering of our Common Stock following the completion of a transaction. After discussion with its legal and financial advisors, the members of the special committee concluded that the special committee would ask Grupo México to keep the special committee informed of the progress of any such discussions, but that the special committee would not otherwise involve itself in any discussions regarding registration rights.

Representatives of Latham & Watkins discussed with the members of the special committee a draft term sheet regarding proposed corporate governance provisions to be adopted by our company after the proposed acquisition of Minera México and the creation of a single class of Common Stock in order to protect our minority stockholders. The corporate governance term sheet, which was provided to Grupo México and its advisors later that week, provided for, among other things:

- proportional representation of minority stockholders on our board of directors through the election of independent directors;
- a requirement that the independent directors meet the New York Stock Exchange independence tests and be nominated by a special nominating committee;
- a requirement that related party transactions between Grupo México and its affiliates and our company be approved by either the audit committee of our board of directors or a related party transactions committee of our board of directors to be comprised of a majority of independent directors; and
- that we and Grupo México would each agree to use our respective best efforts to maintain our New York Stock Exchange listing for at least five years.

Several times over the following two weeks Mr. Ruiz and other members of the special committee spoke with Mr. Larrea regarding valuation issues. On July 20, Mr. Ruiz updated the members of the special committee and its advisors regarding these discussions in advance of a regularly scheduled meeting of our board of directors on July 21, 2004. At the July 20 special committee meeting, Goldman Sachs updated the members of the special committee regarding their recent valuation discussions with UBS. After discussion with its legal and financial advisors,

the special committee decided to request that Grupo México submit a new proposal to the special committee that addressed its concerns relating

to valuation and corporate governance matters. At the subsequent July 21 board meeting, Mr. Ruiz updated the members of our board of directors on the status of discussions with Grupo México.

During late July and early August, representatives of Goldman Sachs and UBS spoke on several occasions to discuss the respective views of the special committee and Grupo México with respect to valuation issues. During these discussions, UBS indicated that, based on additional operational cost information relating to Minera México after consideration of the debt reduction that was occurring at Minera México, Grupo México believed the number of shares of our Common Stock to be issued as consideration for the acquisition of Minera México should be in excess of 80 million shares.

The special committee met on August 5 to discuss the substantial gap that remained between the exchange ratio for Minera México proposed by Grupo México and the special committee's views of an appropriate exchange ratio. Representatives of Goldman Sachs updated the members of the special committee on their recent discussions with UBS. After discussing alternative ways to reach agreement, the special committee decided that Mr. Ruiz would inform Mr. Larrea that the special committee had instructed Latham & Watkins and Goldman Sachs to negotiate with Grupo México's advisors over the next two weeks in an attempt to determine if the parties could reach agreement relating to Grupo México's proposal.

On August 21, Grupo México delivered a revised term sheet to the special committee. The August 21 term sheet proposed that we issue 67 million shares of our Common Stock as consideration for Grupo México's equity ownership of Minera México and responded to the special committee's corporate governance proposals. In the term sheet, Grupo México stated its proposal that 67 million shares be issued was made following several discussions between UBS and Goldman Sachs and "after an extraordinary effort to come to an agreement." The term sheet also provided that:

- there would be no more than six independent directors to represent our minority stockholders;
- the special nominating committee would be comprised of three directors, only one of whom would be an independent director;
- we would remain listed on the New York Stock Exchange or another major stock exchange; and
- the audit committee of our board of directors would have after-the-fact review (but not approval authority) of any related party transactions.

The August 21 term sheet indicated that, in order to increase the liquidity of our Common Stock, Grupo México would support our offering Cerro and Phelps Dodge Corporation the opportunity to participate in a registered offering of our Common Stock following the completion of the proposed transaction. Representatives of Goldman Sachs and Latham & Watkins spoke with their counterparts at UBS and Milbank Tweed on several occasions over the next few days regarding the August 21 term sheet.

The special committee met by telephone with Goldman Sachs, Latham & Watkins and Mijares on August 25. During this meeting, representatives of Goldman Sachs updated the special committee on their discussions with representatives of UBS regarding the August 21 term sheet, including valuation methodologies and exchange ratio mechanisms. Representatives of Goldman Sachs reported that Grupo México accepted the view of the special committee that the consideration to be issued to Grupo México in the proposed transaction would be based on a fixed number of shares of our Common Stock. Representatives of Goldman Sachs also discussed with the members of the special committee that UBS had provided additional operational and cost information relating to Minera México and our company and new information indicating a reduced level of indebtedness at Minera México. The additional operational and cost information and the revised level of indebtedness at Minera México indicated an increased relative valuation for Minera México. The members of the special committee

discussed with representatives of Goldman Sachs how the parties might be able to reach agreement based upon the revised valuation for Minera México.

Representatives of Latham & Watkins updated the special committee on their discussions with representatives of Milbank Tweed regarding the corporate governance proposals contained in the August 21 term sheet. The advisors to the special committee also reported on aspects of the ongoing diligence and discussed with members of the special committee how certain issues raised by due diligence might be dealt with in any transaction.

Also at that meeting, the special committee discussed the registration rights provisions in the August 21 term sheet and again decided that the special committee would inform Grupo México that it wanted to be kept informed of any discussions between Grupo México, on the one hand, and Cerro and Phelps Dodge, on the other hand, but that the special committee would not participate in the negotiations regarding proposed registration rights. The special committee decided to request that Grupo México discuss these issues directly with Cerro and Phelps Dodge.

On August 27, Mr. Ruiz received a letter from Phelps Dodge Corporation, an affiliate of our stockholder, Phelps Dodge Overseas, expressing its concerns with the proposed transaction and raising various issues regarding the quality of Minera México's assets and potential disadvantages to us that might result from the proposed transaction. On September 3, representatives of Goldman Sachs, Anderson & Schwab, Latham & Watkins and Mijares spoke with Phelps Dodge Corporation and its legal advisors concerning the issues raised in the Phelps Dodge Corporation letter in order to provide Phelps Dodge Corporation with an opportunity to fully explain its concerns so that the special committee could give appropriate consideration to Phelps Dodge's concerns.

On September 7, Milbank Tweed distributed a draft Agreement and Plan of Merger to Latham & Watkins.

On September 14, Mr. Ruiz and certain other members of the special committee, representatives of Goldman Sachs, Anderson & Schwab, Latham & Watkins and Mijares spoke with representatives of Phelps Dodge Corporation and its legal advisors to provide Phelps Dodge Corporation with an opportunity to address its concerns directly to the members of the special committee.

On September 15, the special committee met in Dallas, Texas to discuss the most significant business and legal issues raised by the draft Agreement and Plan of Merger, including:

- which Grupo México entities would be a party to the Agreement and Plan of Merger;
- the steps that would be required for the proposed transaction to qualify as a tax-free reorganization for Mexican tax purposes;
- the terms of the proposed refinancing of Minera México debt;
- the scope of Minera México's representations and warranties and the restrictions imposed on Minera México's operations prior to closing;
- whether the transaction would be subject to approval by a super-majority vote of our stockholders;
- the lack of any post-closing indemnities to be provided by Grupo México or its affiliates with respect to breaches of representations, warranties and covenants and other matters; and
- post-closing corporate governance protections.

During the meeting, the members of the special committee also discussed the number of shares of our Common Stock to be issued as consideration for the acquisition of Minera México and whether the Agreement and Plan of Merger should include provisions that would protect against fluctuations in the relative values of our company and Minera México.

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On September 23, the special committee met with Latham & Watkins, Mijares and Goldman Sachs to review a revised draft of the Agreement and Plan of Merger and a term sheet that Latham & Watkins would provide to Milbank Tweed. Following this meeting, Latham & Watkins distributed a revised draft of the Agreement and Plan of Merger and a term sheet to Grupo México's advisors. The revised Agreement and Plan of Merger and term sheet proposed, among other things:

- that we issue to Grupo México 64 million shares of our Common Stock as consideration in the transaction;
- that Grupo México and its affiliates provide post-closing indemnification to us with respect to breaches of certain representations, warranties, covenants and other matters (including with respect to pre-closing environmental matters);
- that, in accordance with the August 21 term sheet, the aggregate amount of net debt at Minera México (plus minority interests) would not exceed $1.105 billion as of the closing of the transaction;
- that Grupo México would use its best efforts to cause our company to continue to pay dividends to our stockholders in the ordinary course of business until the closing of the transaction;
- post-closing corporate governance protections for our company that would require, among other things:
  - the formation of a special nominating committee to nominate a proportional number of independent directors based on our minority stockholders' ownership in our Common Stock, with such committee being comprised of three directors, two of whom would be independent;
  - a board committee (which could be the audit committee), with a minimum of three members, comprised solely of independent directors would evaluate and review all related party transactions above a certain threshold prior to their consummation;
- that completion of the transaction be conditioned on approval by the majority of our minority stockholders (without giving effect to any super-majority voting rights); and
- that either Grupo México or our company would be entitled to terminate the agreement if the price of our Common Stock increased or decreased by more than 20% in the 20-day period prior to the third day prior to the meeting of our stockholders.

Over the next two weeks, the financial and legal advisors to the special committee and Grupo México continued to discuss significant business and legal issues that remained unresolved with respect to the proposed transaction and the legal advisors exchanged several drafts of the Agreement and Plan of Merger. The special committee met with Goldman Sachs, Latham & Watkins and Mijares on September 30 and October 1 to discuss the progress that had been made in resolving the outstanding issues and to discuss Grupo México's counterproposal that was delivered to the special committee's advisors. Some of the important issues that were conceptually resolved in the negotiations up to this point were:

- a special nominating committee would be formed to nominate a proportional number of independent directors (not to exceed 6 nor to be less than 2), with such committee being comprised of three directors, two of whom would be independent;
- the audit committee would evaluate and review in advance all related party transactions, above a certain threshold to be negotiated; and
- a concession by Grupo México that the aggregate amount of net debt at Minera México (plus minority interests) would not exceed $1.0 billion as of the closing of the transaction, which

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represented an increase in value to our stockholders from the special committee's proposal that Minera México's net debt be capped at $1.105 billion.

On October 5, members of the special committee met with Mr. Larrea to discuss the remaining outstanding issues in the transaction, which included, among other things:

- the number of shares of our Common Stock to be issued to Grupo México in the transaction;
- the scope of the indemnity to be granted by AMC, the holding company for Grupo México's equity interest in Minera México, for pre-closing environmental matters;
- the vote of our stockholders that would be required to approve the transaction;
- limitations on AMC's post-closing indemnification obligations, including the amount of any deductible and the amount of the total indemnification obligation; and
- whether Grupo México would consent to use its best efforts to cause our company not to change its dividend policy until the closing of the transaction.

At this meeting, the special committee agreed with Grupo México's proposal that we would issue to Grupo México 67 million shares of our Common Stock as consideration in the transaction due to the fact that Grupo México agreed to make certain valuation concessions. These concessions included the previous agreement by Grupo México that the aggregate amount of net debt of Minera México (plus minority interests) that would be outstanding at the closing would not exceed $1.0 billion and a new agreement by Grupo México that we would pay a transaction dividend to our stockholders of $100 million dollars in the aggregate prior to the closing of the transaction (of which approximately 45.8% will be received by stockholders other than Grupo México), in addition to the regular quarterly dividend for the third quarter. Grupo México also agreed that AMC would indemnify us for certain pre-closing environmental matters and conditions of Minera México. During the meeting, Grupo México and Cerro agreed that, if the parties reached agreement with respect to the terms of the proposed transaction, both Grupo México and Cerro would indicate their intention to vote in favor of the transaction in the proxy statement to be sent to our stockholders.

However, a number of issues were not resolved at this meeting, including the minimum vote of disinterested shares that would be required to approve the transaction and the amount of any deductible and the overall limit of AMC's indemnification obligation.

On October 8, representatives of Latham & Watkins, Milbank Tweed and Grupo México met in New York to continue negotiating the provisions of the draft Agreement and Plan of Merger. Latham & Watkins consulted with the members of the special committee on numerous occasions during this meeting. At the meeting, the parties agreed that a vote of holders of $66^{2}/_{3}\%$ of our Class A Common Stock and Common Stock (including Grupo México and with each share having one vote) in favor of the transaction would be required to approve the acquisition of Minera México and that the indemnification for pre-closing environmental matters would survive for five years after the closing. During the following week, Milbank Tweed and Latham & Watkins continued to negotiate the terms of the proposed corporate governance provisions and the language of certain provisions in the Agreement and Plan of Merger and the advisors exchanged drafts of disclosure schedules to the Agreement and Plan of Merger.

During the week of October 11, the special committee met with its legal and financial advisors several times to discuss the progress of negotiations. At a meeting on October 14, the members of the special committee also discussed with Goldman Sachs, Latham & Watkins, Mijares and Anderson & Schwab each of the issues raised by the August 27 Phelps Dodge Corporation letter. Following discussion with its advisors, the special committee concluded that the issues raised by Phelps Dodge Corporation had been considered in the valuation of Minera México or had been appropriately

addressed through due diligence or provisions in the transaction documentation relating to the proposed acquisition of Minera México.

On October 13, Grupo México advised the special committee that the term sheets provided to the special committee inaccurately indicated that Grupo México indirectly owned 98.84% of Minera México, whereas Grupo México actually indirectly owned 99.15% of Minera México. Following discussions with its legal and financial advisors, the special committee agreed to a proportionate increase in the number of shares of our Common Stock to be issued, from 67 million shares to 67.2 million shares to account for the increase in the equity of Minera México to be acquired by our company in this transaction. Grupo México also requested a proportionate increase in the number of shares to be issued to it as consideration if, between signing of the Agreement and Plan of Merger and closing of the transaction, Grupo México acquired any of the outstanding 0.85% minority interests in Minera México. The special committee did not agree to this request.

On October 18, the special committee met by telephone with Goldman Sachs, Latham & Watkins and Mijares to discuss the remaining open issues, which included the amount of the deductible and overall limit for AMC's post-closing indemnity and certain matters described in the Agreement and Plan of Merger disclosure schedules. Later that day, Mr. Ruiz met with Mr. Larrea and they agreed the amount of the indemnity deductible would be $100 million and the limit on AMC's indemnity obligations would be $600 million.

During the October 18 meeting, Mr. Handelsman informed the other members of the special committee that Cerro had received a letter from Grupo México indicating that we would be willing to provide registration rights to Cerro on certain terms and conditions, including Cerro's agreement to vote in favor of the proposed acquisition of Minera México. Mr. Handelsman provided a copy of the letter to the other members of the special committee and Latham & Watkins. On October 19, 2004, Cerro sent a draft of the letter agreement to Grupo México. On October 20, Mr. Ruiz and Mr. Larrea discussed whether Grupo México would be willing to include a provision in the Cerro agreement that Cerro would vote in accordance with the special committee's recommendation. It was agreed that Grupo México would be willing to amend the provisions of the draft Cerro agreement to reflect this understanding.

On October 21, the special committee met with its legal and financial advisors to consider the final terms of the Agreement and Plan of Merger and related documents. The special committee and its advisors discussed the results of negotiations between members of the special committee and the special committee's advisors and Grupo México's advisors that had occurred since the last meeting of the special committee on October 18. After discussion among the members of the special committee, Goldman Sachs, and Latham & Watkins, Cerro agreed that it would include a provision in the Cerro letter agreement that Cerro would vote in accordance with the special committee's recommendation. Thereafter, Cerro and Grupo México finalized the terms of, and executed, the letter agreement on October 21, 2004. For a more complete discussion of the material terms of the letter agreement, see *"Special Meeting Information Arrangements With Respect to the Vote"* on page [ ] of this document.

Representatives of Latham & Watkins gave a detailed presentation on the fiduciary duties of the special committee in connection with the proposed acquisition of Minera México and then reviewed the terms and conditions of the Agreement and Plan of Merger and related ancillary documents, copies of which had been provided to the members of the special committee in advance. Representatives of Goldman Sachs provided the special committee with a financial analysis of the proposed transaction and delivered to the special committee its oral opinion, which was subsequently confirmed in writing, that, as of October 21, 2004, and subject to the factors and assumptions contained in the written opinion of Goldman Sachs, the exchange of 67,207,640 newly-issued shares of our Common Stock for 99.1463% of the outstanding shares of Minera México owned by AMC, our controlling stockholder, pursuant to the Agreement and Plan of Merger, was fair from a financial point of view to our company.

The members of the special committee then met in executive session without the representatives of Latham & Watkins, Mijares and Goldman Sachs. At that time, Mr. Handelsman informed the other members of the special committee that he would initially abstain from voting on the special committee's recommendation to alleviate any issue of an appearance of a conflict of interest as a result of the registration rights anticipated to be granted to Cerro in connection with the transaction. The members of the special committee (other than Mr. Handelsman) then voted to recommend that our board of directors approve the Agreement and Plan of Merger and related transaction documents and determine that the transaction was advisable, fair and in the best interests of our stockholders. Mr. Handelsman then stated that he agreed with the special committee's recommendation and all of the members of the special committee voted unanimously to recommend that our board of directors approve the Agreement and Plan of Merger and related transaction documents and determine that the transaction was advisable, fair and in the best interests of our stockholders.

After the special committee meeting, the special committee, with its legal and financial advisors participating, met with members of our audit committee and reported its review of the proposed acquisition, findings and recommendation to the audit committee of our board of directors. Latham & Watkins and Goldman Sachs also made a presentation.

Immediately after the audit committee meeting, the special committee, with its legal and financial advisors participating, met with the board of directors and reported its review of the proposed acquisition, findings and recommendation to our board of directors. Latham & Watkins and Goldman Sachs also made a presentation. Our board of directors reviewed the terms of the Agreement and Plan of Merger and related transaction documents and considered, among other things, the report of the special committee and the presentations by Latham & Watkins and Goldman Sachs and resolved:

- that the Agreement and Plan of Merger and the related transaction documents are advisable, fair and in the best interests of our stockholders;

- to recommend that our stockholders approve an amendment to our restated certificate of incorporation to (i) increase the aggregate number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) designate such newly-authorized shares to be classified as shares of Common Stock;

- to recommend that our stockholder approve the issuance of the 67,207,640 shares of our Common Stock in connection with the merger; and

- to recommend that our stockholders approve an amendment to our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors.

Following the meeting of our board of directors, representatives from Latham & Watkins and Milbank Tweed met and the Agreement and Plan of Merger was finalized and executed.

On October 21, 2004, we and Grupo México jointly issued a press release announcing the execution of the Agreement and Plan of Merger.

On December 22, 2004, AMC and Phelps Dodge Corporation executed a letter agreement similar to the October 21st letter agreement between Cerro and AMC. For a more complete discussion of the material terms of the letter agreement, see *"Special Meeting Information Arrangements With Respect to the Vote"* on page [ ] of this document.

Factors Considered by the Special Committee

On October 21, 2004, the special committee, after an extensive review and thorough discussion of all facts and issues it considered relevant with respect to the proposed acquisition of Minera México, concluded unanimously to recommend that our board of directors approve the Agreement and Plan of

Merger and related transaction documents and to determine that the transaction was advisable, fair and in the best interests of our stockholders.

In reaching their conclusion and making their recommendation, the members of the special committee relied on their personal knowledge of our company and the industry in which it is involved and on the advice of its legal and financial advisors and mining consultants. The special committee also reviewed the information provided by Grupo México, our company and its advisors.

The special committee considered numerous factors to be in favor of the acquisition, including, among other things, the following:

- the current economic, industry and market trends affecting each of our company and Minera México in their respective markets, including those which favor the consolidation of copper mining businesses in the hands of a relatively small number of large companies;

- the transaction's potential enhancement in our relative cost position resulting from commodity diversification into zinc and precious metals and a decrease in our volatility of earnings after the acquisition of Minera México due to a relatively lower exposure to molybdenum;

- the relative production profiles of Minera México and our company (including an anticipated decline in our ore grades) and the expected improvement in our production profile as a result of the acquisition of Minera México;

- the fact that Grupo México and its affiliates effectively control our company at the present time and that the governance arrangements and minority protections to be put in place at the closing are at least as favorable to our minority stockholders as those currently in place;

- the statements by Mr. Larrea to the effect that Grupo México is supportive of this transaction, and that Grupo México was not considering selling its interests in our company to any third party;

- the fact that, in connection with the proposed transaction, all of our stockholders will receive a transaction dividend in the aggregate amount of $100.0 million, approximately 45.8% of which would be paid to our minority stockholders;

- the fact that we would become more geographically diversified and less exposed to "country risk" as we would have mining operations in both Peru and Mexico, making us less susceptible to volatility based on political and economic developments than we are at the present time;

- potential opportunities for the combined company to realize synergies resulting from the transaction, estimated by the management of Minera México to be in the amount of approximately $400 million;

- the expectation that the transaction would be earnings accretive to our stockholders on a per share-basis;

- the current and historical trading prices of our Common Stock;

- Grupo México and its affiliates will not be able to unilaterally approve this transaction, since the Agreement and Plan of Merger requires that holders of $66^{2}/_{3}\%$ of our Class A Common Stock and Common Stock (calculated without giving effect to any super majority voting rights of the holders of our Class A Common Stock) approve the adoption of an amendment to our restated certificate of incorporation to increase the number of authorized shares of Common Stock required to be issued to Grupo México as part of this transaction;

Cerro has agreed to not vote in favor of the transaction in the event that the special committee withdraws its recommendation of the transaction;

the transaction would be a tax-free reorganization for both United States and Mexican tax purposes;

AMC has agreed to indemnify us for losses that we may suffer post-closing with respect to breaches of certain representations, warranties and covenants made in the Agreement and Plan of Merger and other matters (including with respect to certain of Minera México's pre-closing environmental matters); and

the fairness opinion rendered by Goldman Sachs to the special committee to the effect that, as of October 21, 2004, and subject to the factors and assumptions contained in the written opinion of Goldman Sachs, the exchange of 67,207,640 newly-issued shares of our Common Stock for 99.1463% of the outstanding shares of Minera México owned by AMC, our controlling stockholder, pursuant to the Agreement and Plan of Merger was fair from a financial point of view to our company.

The special committee also considered a variety of risks and other potentially negative factors concerning the transaction, including the following:

that, as a result of the transaction, Grupo México and its affiliates will increase their overall ownership of our capital stock from approximately 54.2% to approximately 75.1% and that, as a result of this transaction, Grupo México and its affiliates will increase their overall voting power in our company from 63.08% to 75.1% (in the event that all of the Class A Common Stock is converted into Common Stock);

after the transaction, our stockholders (other than Grupo México and its affiliates) will have a reduced ownership stake in our company with a diminished participation in the future earnings of our company;

although Grupo México has stated its current intention to vote in favor of the transaction, Grupo México and its affiliates can unilaterally vote against the transaction thereby preventing us from consummating the transaction even if all our other stockholders vote in favor of this transaction;

the historical performance of Minera México (including the third quarter of 2004), including a number of factors that have resulted in lower than expected mineral production at Minera México;

the risk that the estimated pre-tax cost savings will not be achieved;

the risks posed by the increase in the aggregate amount of indebtedness of the combined company that would be required to be serviced as a result of the consummation of the transaction, and the effect such additional indebtedness could have on our company in the event of any downturn in its mining businesses, due to, among other things, a decrease in prices for copper and molybdenum; and

we may incur significant risks and costs if the transaction is not completed for any reason.

This discussion of the information and factors considered by the special committee is not intended to be exhaustive, but addresses the major information and factors considered by the special committee in its consideration of the transaction. In reaching its conclusion, the special committee did not find it practical to assign, and did not assign, any relative or specific weight to the different factors that were considered, and individual members of the special committee may have given different weight to different factors.

Opinion of the Special Committee's Financial Advisor-Goldman, Sachs & Co.

Goldman Sachs delivered an oral opinion to the special committee, subsequently confirmed in writing, to the effect that, as of October 21, 2004, and based upon and subject to the factors and assumptions set forth in the opinion, the exchange of 67,207,640 newly-issued shares of our Common Stock for 99.1463% of the outstanding shares of Minera México currently owned by AMC, our controlling stockholder, pursuant to the Agreement and Plan of Merger was fair from a financial point of view to our company.

The full text of the written opinion of Goldman Sachs, dated October 21, 2004, which sets forth the assumptions made, procedures followed, matters considered, and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Goldman Sachs provided its opinion for the information and assistance of the special committee in connection with its consideration of the merger. Goldman Sachs' opinion is not a recommendation as to how any holder of our Common Stock or Class A Common Stock should vote with respect to the merger.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the Agreement and Plan of Merger;

our Annual Reports to stockholders and our Annual Reports on Form 10-K for the five years ended December 31, 2003;

Annual Reports on Form 20-F of Minera México for the five years ended December 31, 2003;

Annual Reports to stockholders of Grupo México for the five years ended December 31, 2003;

interim reports to our stockholders and our Quarterly Reports on Form 10-Q;

interim reports to security holders of Minera México and interim reports to stockholders of Grupo México;

other communications from our company, Minera México and Grupo México to each of our respective security holders;

a Life-of-Mine Production Plan for Minera México's La Caridad mine, dated January 2004, prepared by Winters, Dorsey & Company, LLC for Minera México, a Long Term Plan for Minera México's Mexicana de Cananea mine, dated March 2004, prepared by Mintec, inc. for Grupo México, and a Long Term Mining Plan Alternative 3 Life of Mine Schedule for Minera México's Mexicana de Cananea mine, dated May 2004, prepared by Mintec, inc. for Grupo México (or collectively referred to as the Mine Plans);

analyses and recommendations provided to the special committee by Anderson & Schwab, an independent mining consultant retained by the special committee;

internal financial analyses and forecasts for Minera México prepared by its management and internal financial analyses and forecasts for our company prepared by our management (we refer to these internal financial forecasts and an analyses, collectively, as the Management Forecasts);

the Management Forecasts, as adjusted to reflect the average price forecasts for copper and molybdenum, published by research analysts and modifications recommended to the special committee by Anderson & Schwab, which adjustments were reviewed and approved by the special committee (we refer to these adjusted forecasts as the Forecasts); and

tax savings estimated by the management of Minera México and Grupo México to result from the use of certain existing and anticipated tax loss carry-forwards and recoverable asset taxes of

Minera México and its subsidiaries identified to the special committee by the managements of Minera México and Grupo México (we refer to these estimates as the Tax Savings Estimates).

Goldman Sachs also held discussions with members of our senior management and that of Minera México and Grupo México regarding their assessment of the strategic rationale for, and the potential benefits of, the merger and the past and current business operations, financial condition and future prospects of our company and Minera México.

In addition, Goldman Sachs:

- reviewed the reported price and trading activity for our Common Stock;
- compared various financial and stock market information of our company and financial information for Minera México with similar financial and stock market information for various other companies the securities of which are publicly traded;
- reviewed the financial terms of various recent business combinations; and
- performed such other studies and analyses, and considered other factors, as Goldman Sachs considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering its opinion. In that regard, Goldman Sachs assumed with the special committee's consent that:

- except to the extent adjusted with the approval of the special committee, the Management Forecasts have been reasonably prepared and reflect the best currently available estimates and judgments of our management or Minera México's management, as applicable;
- the modifications to the Management Forecasts recommended to the special committee by Anderson & Schwab have been reasonably prepared and reflect the best currently available estimates and judgments of Anderson & Schwab; and
- the Tax Savings Estimates have been reasonably prepared and reflect the best currently available estimates and judgments of Minera México and Grupo México.

Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) or the mineral reserves of our company or Minera México or either of our respective subsidiaries, and except for the Mine Plans, Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs did not make an analysis of, nor has Goldman Sachs expressed any view with respect to, the level of mineral reserves of Minera México and our company or any environmental matters relating to us, Minera México or either of our respective former or present subsidiaries.

In addition, Goldman Sachs assumed, with the special committee's consent, that:

- all governmental, regulatory or other consents, permits and approvals necessary for the consummation of the merger, and all governmental, regulatory or other consents, permits and approvals that are necessary for the operation of the businesses of our company and Minera México and material to Goldman Sachs' opinion, had been and will be obtained without any adverse effect on us or Minera México or on the expected benefits of the merger in any way meaningful to Goldman Sachs' analysis, and
- the merger will be consummated in accordance with the terms of the Agreement and Plan of Merger, without the waiver of any material conditions.

Goldman Sachs also relied upon the advice that the special committee received from its legal and tax advisors as to all legal and tax matters in connection with the Agreement and Plan of Merger. Goldman Sachs' opinion did not address the underlying business decision of our company to engage in the merger, nor did Goldman Sachs express any opinion as to the prices at which shares of our Common Stock will trade at any time. In addition, Goldman Sachs' opinion did not take into account, and Goldman Sachs did not opine on, the contractual and governance terms contained in the Agreement and Plan of Merger and the corporate governance amendments referred to in the Agreement and Plan of Merger or any related agreements.

The following is a summary of the material financial analyses presented by Goldman Sachs to the special committee in connection with rendering its opinion. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs. The order of analyses described does not represent the relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 18, 2004, and is not necessarily indicative of current market conditions.

Copper Reserves Analyses

Goldman Sachs derived illustrative implied prices per pound of the copper reserves of our company and Minera México based on copper reserve amounts provided by our respective managements and illustrative implied enterprise values that Goldman Sachs calculated for each of the two companies. The copper reserve amounts for Minera México excluded copper reserves of Minera México's Immsa Unit due to the predominance of zinc, rather than copper, reserves in that unit.

For purposes of this analysis, Goldman Sachs calculated an illustrative implied enterprise value for our company by multiplying our closing stock price of $46.41 as of October 18, 2004 by the number of fully diluted shares of our Common Stock outstanding based on the most recent information publicly disclosed by us and adding to the result a net cash amount of $15 million. The $15 million amount reflected our management's estimate of the amount by which our company's cash will exceed our indebtedness as of December 31, 2004, including the book value of our minority interests, after taking into account the payment by us of the aggregate $100 million transaction dividend contemplated by the merger and regular quarterly dividends in respect of the third and fourth quarters of 2004. Goldman Sachs derived an illustrative implied price per pound of our copper reserves of $0.11 by dividing the illustrative implied enterprise value it calculated for our company by our management's estimate of our copper reserves.

Goldman Sachs also calculated an illustrative implied pre-tax saving enterprise value for Minera México by (1) multiplying our closing stock price of $46.41 as of October 18, 2004 by 67,207,640, the number of new shares of our Common Stock to be issued under the Agreement and Plan of Merger, (2) dividing the result by 99.1463%, the percentage of the outstanding shares of Minera México being acquired by us pursuant to the proposed merger, and (3) adding to the result of these calculations $1 billion, the maximum amount of the net debt of Minera México and the book value of the minority interests in Minera México that will be outstanding as of the closing of the merger under the terms of the Agreement and Plan of Merger. Based on this illustrative implied pre-tax saving enterprise value, Goldman Sachs calculated three illustrative implied enterprise values for Minera México by adding to the illustrative implied pre-tax saving enterprise value hypothetical values for the Tax Savings Estimates that were 100%, 50% and 0% of the illustrative implied present value calculated for the Tax Savings Estimates using a discount rate in real terms of 8.5%. A discount rate in real terms means a discount rate that has been adjusted to exclude the effects of inflation. Using each of these three illustrative implied enterprise values for Minera México, Goldman Sachs derived illustrative implied prices per

pound of Minera México copper reserves (excluding the copper reserves of Minera México's Immsa Unit) by dividing (1) the illustrative implied enterprise value (reduced by an implied value of the Immsa Unit calculated based on the Forecasts for Minera México) by (2) the amount of Minera México's copper reserves (excluding the copper reserves of Minera México's Immsa Unit) provided by Minera México management. Goldman Sachs compared these illustrative implied prices per pound of Minera México's reserves, which are presented below, to the $0.11 implied price per pound of our copper reserves.

	Illustrative Implied Prices Per Pound of Copper Reserves Derived Assuming Specified Percentage of the Illustrative Implied Value of Tax Savings Estimates		
	100%	50%	0%
Minera México Copper Reserves	$ 0.05	$ 0.05	$ 0.06

Comparison of Selected Companies

Goldman Sachs compared selected publicly available financial information, ratios and multiples for our company and the following selected copper mining companies: Antofagasta Holdings plc, Freeport-McMoRan Copper & Gold Inc., Phelps Dodge Corporation and Grupo México. Although none of the selected companies are directly comparable to our company, the companies included were chosen by Goldman Sachs because they are publicly traded companies with operations that for purposes of analysis may be considered similar to our company.

The equity market capitalization for our company and each of the selected companies used by Goldman Sachs was calculated by multiplying each company's closing stock price as of October 18, 2004 by the number of fully diluted shares of such company based on the most recent information publicly disclosed by such company. The enterprise value for each company was calculated by adding to its equity market capitalization the amount of such company's net debt and book value of such company's minority interest based on the most recent publicly disclosed information, except that, in the case of Grupo México, the minority interest in our company, was valued based on our equity market capitalization as of October 18, 2004. Historical financial results used by Goldman Sachs for purposes of this analysis were based upon information contained in the applicable company's latest publicly available financial statements. Estimates of future results used by Goldman Sachs in this analysis were based on median estimates published by the Institutional Brokers Estimate System, or IBES, except that in the case of Grupo México and our company, they were based on estimates contained in selected Wall Street research reports. Goldman Sachs compared the following results for our company and the selected companies:

- the October 18, 2004 closing stock price as a percentage of the 52-week high stock price;

- enterprise value as a multiple of (1) sales for the latest twelve months, or LTM, for which sales information was publicly reported, (2) estimated sales for the years ended December 31, 2004 and 2005, (3) earnings before interest, taxes, depreciation and amortization, or EBITDA, for the LTM for which the information necessary to calculate EBITDA was most recently publicly reported, (4) estimated EBITDA for the years ending December 31, 2004 and 2005, and (5) earnings before interest and taxes, or EBIT, for the LTM for which the information necessary to calculate EBIT was most recently publicly reported; and

- EBITDA and EBIT as a percentage of sales, or the EBITDA or EBIT margins, for the LTM for which the information necessary to calculate these margins were most recently publicly reported.

The following table compares the multiples and percentages referred to above calculated for the selected companies with comparable information derived by Goldman Sachs with respect to our company based on our closing stock price as of October 18, 2004:

	Low/High Range	Mean/ Median	Southern Peru Copper Corporation	Grupo México	Anto-fagasta	Freeport-McMoRan	Phelps Dodge Corp.
October 18, 2004 closing stock price as a percentage of the 52-week high stock price	78%/87%	84%/85%	85%	95%	85%	78%	87%
Enterprise value to LTM Sales	1.7x/4.9x	3.1x/3.2x	3.3x	2.3x	3.2x	4.9x	1.7x
Enterprise value to estimated 2004 Sales	1.4x/4.2x	2.5x/2.3x	2.7x	1.9x	NA	4.2x	1.4x
Enterprise value to estimated 2005 Sales	1.4x/2.9x	2.3x/2.4x	2.9x	1.9x	NA	2.9x	1.4x
Enterprise value to LTM EBITDA	5.5x/14.5x	7.9x/6.7x	6.7x	5.8x	5.5x	14.5x	7.0x
Enterprise value to estimated 2004 EBITDA	4.2x/11.3x	5.9x/4.5x	4.8x	4.2x	4.5x	11.3x	4.5x
Enterprise value to estimated 2005 EBITDA	4.0x/5.5x	4.8x/4.8x	5.5x	4.4x	5.4x	4.8x	4.0x
Enterprise value to LTM EBIT	6.7x/19.3x	10.4x/7.8x	7.8x	7.4x	6.7x	19.3x	10.8x
LTM EBITDA Margin	24.3%/57.8%	40.8%/39.2%	49.0%	39.2%	57.8%	33.7%	24.3%
LTM EBIT Margin	15.8%/47.7%	32.4%/30.9%	42.3%	30.9%	47.7%	25.3%	15.8%

Discounted Cash Flow Analyses

Goldman Sachs performed discounted cash flow analyses with respect to each of Minera México and our company. The analyses were performed by discounting to December 31, 2004 the expected stream of Minera México and our company's future unlevered free cash flows based on the Forecasts adjusted as described below. The Forecasts reflected per pound copper prices of $1.20 in 2005, $1.08 in 2006, $1.00 in 2007 and $.90 thereafter and per pound molybdenum prices of $5.50 in 2005 and $3.50 thereafter, based on average forecasts published by selected Wall Street research analysts. For purposes of its discounted cash flow analyses, Goldman Sachs used future unlevered free cash flow estimates based on the Forecasts that were adjusted to reflect copper prices ranging from $0.80 to $1.00 per pound for the period after 2007. This range reflected the range of long-term price forecasts for copper published by selected Wall Street research analysts. Goldman Sachs used discount rates in real terms ranging from 7.5% to 9.5% with respect to Minera México. Goldman Sachs used ranges of discount rates in real terms with respect to our company that were 0.5%, 1.0% and 1.5% higher than those used with respect to Minera México in order to reflect the greater market and country risk of Peru (where our mines are located), as opposed to México (where Minera México's mines are located).

The Forecasts for Minera México reflected Minera México management's estimates of Mexican statutory tax rates of 33% for 2004 and 32% thereafter and a Mexican statutory workers profit tax rate of 10%. The Forecasts for our company reflected our management's estimates of an effective income tax rate of 35%, Peruvian investment share participation of 0.7% and a Peruvian statutory workers participation rate of 8%. The Forecasts did not reflect any potential synergies that may result from the merger.

For purposes of its analyses, Goldman Sachs calculated illustrative implied pre-tax saving enterprise values for Minera México by discounting to December 31, 2004 the expected stream of Minera México's future cash flows based on the Forecasts for Minera México described above, which excluded the effect of Tax Savings Estimates. Goldman Sachs calculated illustrative implied enterprise values for Minera México by separately adding to these illustrative implied enterprise values hypothetical values for the Tax Savings Estimates that were 100%, 50% and 0% of the illustrative implied present value calculated for the Tax Savings Estimates using a discount rate in real terms of 8.5%. Goldman Sachs calculated illustrative implied equity values as of December 31, 2004 for the shares of Minera México that we will acquire pursuant to the merger by deducting from the implied enterprise values for Minera México $1 billion, the maximum sum of the net debt of Minera México, including the book value of the minority interests in Minera México that will be outstanding as of the closing of the merger under the terms of the Agreement and Plan of Merger, and multiplying the result by 99.1463%, the percentage of the outstanding Minera México shares we are acquiring in the merger.

Goldman Sachs also calculated illustrative implied enterprise values for our company by discounting to December 31, 2004 the expected stream of our future unlevered free cash flows based on the Forecasts for our company. Although the Forecasts reflect our management's estimate that we will be required to pay royalty taxes to the Peruvian government beginning in 2005 at rates of 2% of our net sales, because the rate of the royalty tax has not yet been implemented by the Peruvian government, Goldman Sachs separately calculated illustrative implied enterprise values for our company using the Forecasts for our company adjusted to reflect the payment of royalty taxes at rates of 1% and 3% of our net sales in addition to the 2%. As noted above, Goldman Sachs also calculated illustrative implied enterprise values for our company separately using discount rates in real terms that were 0.5%, 1.0% and 1.5% higher than the range of discount rates in real terms utilized for Minera México. Goldman Sachs calculated illustrative implied equity values for our company as of December 31, 2004 by adding a net cash amount of $15 million to the illustrative implied enterprise values calculated for our company. The $15 million amount reflected our management's estimate of the amount by which our company's cash will exceed our indebtedness as of December 31, 2004, including the book value of minority interests, after taking into account our payment of the aggregate $100 million transaction dividend contemplated by the merger and regular quarterly dividends in respect of the third and fourth quarters of 2004.

Using the illustrative implied equity values for both companies as of December 31, 2004, Goldman Sachs calculated illustrative implied numbers of our Common Stock to be issued corresponding to the respective illustrative implied equity values of 99.1463% of the outstanding Minera México shares as of December 31, 2004. The table below sets forth the illustrative implied numbers of our shares of Common Stock to be issued assuming (i) royalty tax rates of 1%, 2% and 3% will apply to us, (ii) hypothetical values for the Tax Savings Estimates that were 100%, 50% and 0% of the implied present value of the Tax Savings Estimates, (iii) copper prices ranging from $0.80 to $1.00 per pound for the period after 2007, (iv) with respect to Minera México, discount rates in real terms ranging from 7.5% to 9.5% and (v) with respect to us, discount rates in real terms that were .5%, 1.0% and 1.5% higher than those used with respect to Minera México:

Illustrative Numbers of Our Shares to be Issued (in Millions) Based on Implied Minera México Equity Values Derived Assuming Specified Percentage of Illustrative Implied Value of Tax Savings Estimates

	100%			**50%**			**0%**		
	Our Discount Rate Higher Than Minera México By:			**Our Discount Rate Higher Than Minera México By:**			**Our Discount Rate Higher Than Minera México By:**		
Royalty Tax Rate	**0.5% low/high**	**1.0% low/high**	**1.5% low/high**	**0.5% low/high**	**1.0% low/high**	**1.5% low/high**	**0.5% low/high**	**1.0% low/high**	**1.5% low/high**
1% of Net Sales	55.4-74.5	57.8-78.4	60.2-82.4	51.3-72.3	53.5-76.1	55.8-79.9	47.2-70.1	49.2-73.7	51.3-77.4
2% of Net Sales	57.7-76.9	60.3-80.9	62.8-85.0	53.5-74.6	55.8-78.5	58.2-82.5	49.2-72.3	51.4-76.1	53.5-79.9
3% of Net Sales	60.3-79.4	63.0-83.6	65.7-87.8	55.8-77.0	58.3-81.1	60.8-85.2	51.4-74.6	53.7-78.6	56.0-82.5

Contribution Analysis

Based on varying EBITDA scenarios and illustrative implied EBITDA multiples of our company for each of those scenarios, Goldman Sachs performed a contribution analysis to derive various illustrative implied numbers of shares of our Common Stock issuable by us in exchange for our acquisition of 99.1463% of the shares of Minera México by applying the illustrative implied EBITDA multiples of our company to corresponding EBITDA estimates for Minera México. Using the October 18, 2004 closing price of $46.41 per share of our Common Stock and the number of fully diluted outstanding shares of our Common Stock based on the most recent information publicly disclosed by us, Goldman Sachs derived the equity market value of our company as of October 18, 2004 and calculated illustrative implied enterprise values for our company by deducting a $15 million net cash amount from our company's equity market value. As noted above, the $15 million amount reflected our management's estimate of the amount by which our cash will exceed our indebtedness including the book value of minority interests as of December 31, 2004, after taking into account our payment of the aggregate $100 million transaction dividend contemplated by the Agreement and Plan of Merger and regular quarterly dividends in respect of the third and fourth quarters of 2004 as provided by management. Based on the illustrative implied enterprise value calculated for us, Goldman Sachs calculated illustrative implied EBITDA multiples for our company based on each of the following estimates of our 2004 and 2005 EBITDA:

an estimate of 2004 EBITDA determined by annualizing our EBITDA for the nine months ended September 30, 2004 as reported in Grupo México's unaudited financial statements for that nine-month period;

Grupo México's estimate of our 2004 EBITDA;

the estimates of 2005 EBITDA reflected in the Forecasts for our company assuming that we will be required to pay royalty taxes to the Peruvian government beginning in 2005 at rates of 1%, 2% and 3% of our net sales, respectively;

the estimate of our 2005 EBITDA provided by our management; and

an estimate of our 2005 EBITDA based on an average of estimates published by selected Wall Street research analysts.

Goldman Sachs applied the implied EBITDA multiples for our company, using the estimates referred to above, to the corresponding estimates referred to below of Minera México's 2004 and 2005 EBITDA, none of which reflected the Tax Savings Estimates, to derive implied pre-tax-savings enterprise values for Minera México as of October 18, 2004:

an estimate of 2004 EBITDA determined by annualizing Minera México's EBITDA for the nine months ended September 30, 2004 as reported in Grupo México's unaudited financial statements for that nine-month period adjusted to give effect to a Mexican statutory workers profit tax rate of 10% and the use of Minera México's June results for July instead of actual July results to mitigate the impact of strikes at Minera México's facilities;

Grupo México's estimate of our 2004 EBITDA adjusted to give effect to Mexican statutory workers' profit tax rate;

the estimate of 2005 EBITDA reflected in the Forecasts for Minera México, as adjusted to give effect to a Mexican statutory workers' profit tax rate;

the estimate of Minera México's 2005 EBITDA as provided by its management, as adjusted to give effect to a Mexican statutory workers profit tax rate; and

the estimate of 2005 EBITDA reflected in the Forecasts for Minera México, as adjusted to give effect to a Mexican statutory workers profit tax rate.

For each of the EBIDTA estimates, Goldman Sachs derived an implied enterprise value for Minera México by separately adding to the implied pre-tax savings enterprise value calculated with

respect to that estimate hypothetical values for the Tax Savings Estimates that were 100%, 50% and 0% of the implied present value of the Tax Savings Estimates calculated using a discount rate of 8.5% in real terms. For each of the EBIDTA estimates, Goldman Sachs derived an implied equity value as of October 18, 2004 for the shares of Minera México that we will acquire pursuant to the merger by deducting from the implied enterprise value for Minera México $1 billion, the maximum amount of the net debt of Minera México and the book value of the minority interests in Minera México that will be outstanding as of the closing of the merger under the terms of the Agreement and Plan of Merger, and multiplying the result by 99.1463%, the percentage of the outstanding Minera México shares we are acquiring in the merger. Using the October 18, 2004 closing price of $46.41 for our Common Stock, Goldman Sachs calculated the implied number of shares of our Common Stock that reflected the implied equity value as of October 18, 2004 of 99.1463% of the outstanding Minera México shares derived using the various EBITDA estimates and our company's EBITDA multiples. The results of Goldman Sachs' calculations are presented in the table below:

	Illustrative Numbers of Our Shares to be Issued (in Millions) Based on Implied Minera México Equity Values Derived Assuming Specified Percentage of Illustrative Implied Value of Tax Savings Estimates		
EBITDA Estimates	**100%**	**50%**	**0%**
2004E Derived from Grupo México Annualized Results	45	43	42
2004E Based on Grupo México Estimates	56	54	53
2005E based on the Forecasts assuming for SPCC 1% of Sales Royalty Tax for us	64	63	62
2005E based on the Forecasts assuming for SPCC 2% of Sales Royalty Tax for us	66	65	63
2005E based on the Forecasts assuming for SPCC 3% of Sales Royalty Tax for us	68	66	65
Minera México and our company's Management Estimates	73	72	70
Our company's Wall Street Research and Forecasts for Minera México	55	54	53

Pro Forma EPS Analysis

Goldman Sachs analyzed the pro forma impact of the merger on the estimated earnings per share, or EPS, of our company for the years 2005 and 2006 based on the Forecasts for us and both the Forecasts for Minera México adjusted to reflect the Tax Savings Estimates and Forecasts for Minera México, without adjustment to reflect the Tax Savings Estimates. As noted above under " Discounted Cash Flow Analyses," the Forecasts for our company and Minera México (absent adjustment to reflect the Tax Savings Estimates) reflected the Peruvian and Mexican statutory tax rates and workers profit and participation rates. Although the Forecasts for our company reflect our management's assumption that we will be required to pay royalty taxes to the Peruvian government beginning in 2005 at rates of 2% of our net sales, because the rate and applicability of the royalty tax has not yet been implemented by the Peruvian government, Goldman Sachs separately analyzed the pro forma impact of the merger using the Forecasts for our company adjusted to reflect the payment of royalty taxes at rates of 1% and 3% of our net sales. Goldman Sachs also analyzed the pro forma impact of the merger on our estimated EPS for 2005 based on an average of 2005 EPS estimates for our company published by selected Wall Street research analysts and the Forecasts for Minera México, as adjusted to reflect the Tax Savings Estimates. Goldman Sachs performed all of the foregoing analyses based on our acquisition of 99.1463% of the outstanding Minera México shares.

Based on the foregoing analyses, Goldman Sachs calculated that the proposed merger would be accretive to our estimated EPS for 2005 and 2006, without giving effect to any synergies that may result from the merger.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all the analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all the analyses. No company or transaction used in the above analyses as a comparison is directly comparable to our company, Minera México or the proposed merger.

Goldman Sachs prepared these analyses for purposes of providing its opinion to our special committee as to the fairness from a financial point of view to our company of the exchange of 67,207,640 newly-issued shares of our Common Stock for 99.1463% of the outstanding shares of Minera México currently owned by AMC, our controlling stockholder, pursuant to the Agreement and Plan of Merger. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, neither our company, Minera México, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast. As described above, Goldman Sachs' opinion to the special committee was one of many factors taken into consideration by the special committee in making its recommendation to our board of directors to approve the Agreement and Plan of Merger.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to the special committee in connection with, and has participated in certain of the negotiations leading to, the proposed merger.

In addition, Goldman Sachs has provided certain investment banking services to affiliates of Cerro, a significant stockholder of our company, including acting as lead manager in connection with a bank loan in the aggregate principal amount of $70 million to Reliant Pharmaceuticals LLC, an affiliate of Cerro, in September 2004. Goldman Sachs may also provide investment banking services to us, Minera México, Grupo México, Cerro and Phelps Dodge Overseas Capital Corporation, another significant stockholder of our company, and their affiliates in the future. In connection with the above-described services, Goldman Sachs has received, and may receive, compensation.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may provide such services to us, Minera México, Grupo México, Cerro and Phelps Dodge Corporation, and their affiliates and may actively trade the debt and equity securities (or related derivative securities) of our company, Minera México, Grupo México and their affiliates and of affiliates of Cerro and Phelps Dodge Corporation for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

Our special committee selected Goldman Sachs as its financial advisor because Goldman Sachs is an internationally recognized investment banking firm that has substantial experience in transactions

similar to the merger. Pursuant to a letter agreement between our company and Goldman Sachs, dated as of March 5, 2004, as amended, Goldman Sachs is entitled to receive an aggregate fee of $2.6 million for its services to the special committee, $1.4 million of which has been paid to Goldman Sachs for its services through July 15, 2004. The remaining $1.2 million, which was agreed to by Goldman Sachs and the special committee on October 19, 2004, is payable to Goldman Sachs for its services from July 15, 2004 through the closing of the merger. Goldman Sachs' fees for its services to the special committee are payable regardless of whether the merger is consummated. We have also agreed to reimburse Goldman Sachs for its reasonable out-of-pocket expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs against various liabilities, including various liabilities under the federal securities laws.

DESCRIPTION OF THE AGREEMENT AND PLAN OF MERGER

The following is a summary of the material terms of the Agreement and Plan of Merger. This summary does not purport to describe all of the terms of the Agreement and Plan of Merger and is qualified in its entirety by reference to the complete Agreement and Plan of Merger which is included as Annex A to this proxy statement and which we filed on Form 8-K on October 22, 2004 and is incorporated by reference herein. You are urged to read the entire Agreement and Plan of Merger carefully.

General

Under the Agreement and Plan of Merger, after the satisfaction or waiver of the conditions to the merger, SPCC Merger Sub will merge with and into ASC, with ASC being the surviving corporation. At the time of the merger, the certificate of incorporation and bylaws of SPCC Merger Sub will become the certificate of incorporation and the bylaws of ASC. As a result of the merger, ASC will become our wholly-owned subsidiary, and Minera México will become our 99.15% indirect subsidiary through ASC. The directors and officers of ASC will be the directors and officers of the surviving corporation and continue in such capacities until they resign or until their respective successors are duly elected and qualified.

Effective Time

The merger is expected to take place on a date that is not later than the third business day after the conditions contained in the Agreement and Plan of Merger are satisfied or waived, or at such other time as we and ASC agree. See "*Conditions to the Merger"* below for a more detailed description of the conditions that must be satisfied or waived before the completion of the merger. The merger will become effective upon the filing of a Certificate of Merger with the Secretary of State of the State of Delaware. The effective time of the merger is referred to in this proxy statement as the effective time.

Merger Consideration

At the effective time of the merger, we will receive all of the outstanding shares of ASC and ASC's stockholder, AMC, will be issued 67,207,640 shares of our Common Stock. As a result of the merger, AMC's ownership in us will increase from approximately 54.2% to approximately 75.1%.

Representations and Warranties

The Agreement and Plan of Merger contains various representations and warranties made by us and SPCC Merger Sub, as applicable, to AMC, ASC and Minera México, including, among other things, representations and warranties relating to:

- organization, existence and good standing;
- corporate power and authority to enter into the Agreement and Plan of Merger;
- certain actions by our special committee and board of directors;

required consents and approvals;

capitalization;

compliance with our organizational documents, agreements and laws;

the accuracy of the information supplied by us for inclusion in this proxy statement;

filings with the Securities and Exchange Commission;

the inapplicability of certain state takeover laws;

the acquisition of Minera México shares for investment purposes;

the absence of certain finders' fees and commissions; and

the receipt of a fairness opinion from Goldman, Sachs & Co.

None of the foregoing representations and warranties survive the closing of the merger, except for those representations and warranties relating organization, valid existence and good standing, corporate power and authority to enter into the Agreement and Plan of Merger and capitalization, which survive through the applicable statute of limitations, including any extensions thereof, plus 60 days.

The Agreement and Plan of Merger also contains various representations and warranties made by AMC, ASC and Minera México, as applicable, to us and SPCC Merger Sub, including among other things, representations and warranties relating to:

organization, existence and good standing;

capitalization;

requisite corporate power and authority to enter into the Agreement and Plan of Merger;

filings with the Securities and Exchange Commission and certifications required by the Sarbanes-Oxley Act of 2002;

required consents and approvals;

compliance with organizational documents, agreements and laws;

the absence of any undisclosed liabilities;

the activities, assets and liabilities of ASC;

compliance with applicable laws;

certain employee benefit, labor, intellectual property, tax and environmental matters;

the net operating losses and recoverable asset tax balances of Minera México and its subsidiaries;

the absence of any litigation;

material contracts;

the validity of title to certain assets owned by Minera México and its subsidiaries;

the absence of certain finders' fees and commissions;

the accuracy of the information supplied for inclusion in this proxy statement; and

affiliate transactions.

None of the representations and warranties of AMC, ASC or Minera México survive the closing of the merger, except for representations and warranties relating to (i) organization, existence and good standing, capitalization, corporate power and authority to enter into the Agreement and Plan of Merger and the activities, assets and liabilities of ASC, which survive through the applicable statute of limitations, including any extensions thereof, plus 60 days, (ii) the certifications required by the Sarbanes-Oxley Act of 2002, the net operating losses and recoverable asset tax balances of Minera México and its subsidiaries and affiliate transactions, which will survive (a) through the completion of an audit of our consolidated financial statements for the period ending December 31, 2005 plus 60 days, in the event the closing of the merger occurs prior to July 1, 2005 or (b) through the completion of an audit of such financial statements for the period ending December 31, 2006 plus 60 days, in the event that the closing of the merger occurs on or after July 1, 2005.

Conditions to the Merger

The completion of the merger depends upon the satisfaction of a number of conditions, including those set forth below.

The obligation of ASC and our company to consummate the merger is subject to the satisfaction or waiver, on or before the intended closing date, of many conditions, including the following:

- Approval by our stockholders of Proposal No. 1 authorizing an amendment to our restated certificate of incorporation to (i) increase the number of shares of capital stock which we are authorized to issue from 100,000,000 shares to 167,207,640 shares and (ii) designate such newly-authorized shares as shares of Common Stock;

- Approval by our stockholders of Proposal No. 2 authorizing the issuance of the 67,207,640 newly-authorized shares of our Common Stock in the merger;

- Approval by our stockholders of Proposal No. 3 authorizing an amendment to our restated certificate of incorporation to change the composition and responsibilities of certain committees of our board of directors;

- Absence of any law or injunction or prohibition against the merger issued by a court or government agency; and

- Receipt of any necessary approvals from governmental entities in connection with the merger.

Our obligation to consummate the merger is also subject to the fulfillment of other conditions, including the following:

- The representations and warranties of AMC, ASC and Minera México contained in the Agreement and Plan of Merger (without giving effect to any materiality qualifiers) must be true and correct, with only such exceptions as would not have a material adverse effect on ASC, and Minera México and its subsidiaries taken as a whole;

- AMC, ASC and Minera México must have performed and complied with in all material respects all of their obligations, agreements and covenants contained in the Agreement and Plan of Merger;

- Minera México and its subsidiaries' net indebtedness (plus minority interests) cannot exceed $1,000,000,000;

- A cash transaction dividend in the aggregate amount of $100 million to the holders of our Common Stock and Class A Common Stock was declared on January 31, 2005 to be paid on March 1, 2005, prior to the closing.

- AMC must have contributed all of its ownership interest in Minera México to ASC, which was effected as of on October 18, 2004;

- Minera México must have refinanced its $600,000,000 debt obligation, which occurred on October 29, 2004;

- We must have received a copy of the notice required by Mexican tax law regarding the appointment of AMC's tax representative;

- We must have received a letter from AMC's tax representative stating that he will, on AMC's behalf, (i) pay any Mexican income taxes, if any, relating to the contribution of the Minera México shares to ASC, which was completed on October 29, 2004 and (ii) have an independent accountant submit a report on such tax;

We must have received certification by ASC as to the accuracy of its representations and warranties, performance and compliance with its covenants and including the requirement that Minera México and its subsidiaries' net indebtedness (plus minority interests) cannot exceed $1,000,000,000; and

The shares of Common Stock to be issued in the merger must have been approved for listing on the New York Stock Exchange subject to official notice of listing.

The obligation of ASC to consummate the merger is also subject to the fulfillment of other conditions, including the following:

The representations and warranties made by us and SPCC Merger Sub contained in the Agreement and Plan of Merger (without giving effect to any materiality qualifiers) must be true and correct, with only such exceptions as would not have a material adverse effect on us and our subsidiaries, taken as a whole;

We and SPCC Merger Sub must have performed and complied with in all material respects all of our obligations, agreements and covenants contained in the Agreement and Plan of Merger; and

We must have provided certification to ASC as to the accuracy of our representations and warranties and the performance and compliance with all of our obligations, agreements and covenants.

Termination of the Transaction

Either ASC or we may call off the merger under certain circumstances, including if:

We both consent;

There is any law or final, non-appealable governmental injunction, order or decree that prevents completion of the merger;

The merger is not completed on or before June 21, 2005; or

Our stockholders have not approved each of Proposals 1, 2 and 3 at the special meeting;

We may call off the merger under certain circumstances, including if:

Any of AMC, ASC or Minera México breaches in a material manner any of their representations, obligations or agreements and such breach is not capable of being cured by June 21, 2005**,** or if curable, has not been cured within 20 business days after they receive written notice from us of such breach.

ASC may call of the merger under certain circumstances, including if:

We or SPCC Merger Sub breach in a material manner any of our representations, obligations or agreements and such breach is not capable of being cured by June 21, 2005, or if curable, has not been cured within 20 business days after we receive written notice from Minera México of such breach; or

If the special committee or our board of directors shall withdraw, modify, or change its recommendation with respect to the Agreement and Plan of Merger or the three proposals set forth in this proxy statement in a manner adverse to ASC.

In the event the Agreement and Plan of Merger is terminated, each party will pay its own expenses incurred in connection with the merger.

Conduct of Business Prior to Completion of the Merger

During the period from October 21, 2004 to the effective time of the merger, ASC cannot engage in any activities and is required to cause Minera México and its subsidiaries to each (i) operate its business in the usual and ordinary course of business, (ii) preserve intact its business organization and maintain its relationships with customers and suppliers and (iii) keep its properties and assets in good repair and condition. In addition during such period, without our prior written consent or unless contemplated by the Agreement and Plan of Merger, ASC cannot, and cannot permit Minera México or its subsidiaries to:

amend or propose to amend their respective certificates of incorporation or bylaws;

authorize for issuance, issue, sell, deliver, or agree or commit to issue, sell or deliver, dispose of, encumber or pledge any stock of any class or any securities, or amend any of the terms of any such securities or agreements outstanding;

split, combine or reclassify any shares capital stock, declare, set aside or pay any dividend or other distribution, or redeem or otherwise acquire any of Minera México's securities or any securities of Minera México's subsidiaries;

incur, assume or guarantee any indebtedness or issue any debt securities, other than in the ordinary course of business consistent with past practice;

pledge or otherwise encumber shares of capital stock of ASC, Minera México or any of Minera México's subsidiaries;

mortgage, pledge or otherwise encumber any material assets or create any material lien on such assets other than permitted liens in the ordinary course of business;

adopt a plan of liquidation or adopt resolutions providing for liquidation, dissolution, consolidation, merger, restructuring or recapitalization;

except as may be required by law or existing agreement, or in the ordinary course of business, pay, agree to pay, grant, issue or accelerate payments or benefits pursuant to any benefit plan in excess of the payments or benefits provided under such benefit plan;

except for increases in the ordinary course of business for employees other than officers or directors that do not result in a material expense to Minera México or as required under existing agreements or in the ordinary course of business, increase in any manner the salary or benefits of any director, officer, consultant or employee;

except as may be required by law or existing agreement, amend any benefit plan in a manner that would materially increase the cost to Minera México or its subsidiaries or enter into any new benefit plan;

acquire, sell, transfer, lease, encumber, fail to maintain or dispose of any material assets or property, outside the ordinary course of business;

enter into any material commitment or transaction, outside the ordinary course of business;

change any financial accounting principles or practices, except as may be required by Mexican law, Mexican generally accepted accounting principles, U.S. generally accepted accounting principles or the rules and regulations of the Securities and Exchange Commission;

(i) acquire any corporation, partnership or other business organization; (ii) enter into any material contract or agreement other than in the ordinary course of business; (iii) engage in any affiliate transaction, other than a transaction with a subsidiary, which, individually, exceeds

$5,000,000 or, in the aggregate, exceeds $15,000,000; or (iv) authorize any new capital expenditure except in the ordinary course of business;

make any material tax election, change any material method of tax accounting or settle or compromise any material tax liability or refund of Minera México or any of its subsidiaries;

except in the ordinary course of business, (i) terminate, amend or modify, or waive any material provision of, any material contract, or (ii) amend, modify or change any material policies governing product sales or returns or the treatment of accounts receivable; or

take, or agree in writing or otherwise to take, any of the foregoing actions.

The covenants in the Agreement and Plan of Merger relating to the conduct of ASC, Minera México, and Minera México's subsidiaries during the period from October 21, 2004 to the effective time of the merger are very detailed and the above description is only a summary. We urge you to read carefully and in its entirety the section of the Agreement and Plan of Merger entitled "Conduct of Business of the Company" in Appendix A.

Other Covenants and Agreements

The Agreement and Plan of Merger contains other covenants of the parties, including, but not limited to, the following covenants:

We agree to take all action reasonably necessary to hold a special meeting of stockholders in order to seek approval for the proposals set forth in this proxy statement;

We, AMC, ASC and Minera México agree to cooperate in the preparation and filing of this proxy statement;

We, SPCC Merger Sub, AMC, ASC and Minera México agree to give prompt notice to each other of (a) any circumstances arising which would be likely to cause any representation or warranty in the Agreement and Plan of Merger to be untrue or inaccurate, or any covenant, condition or agreement in the Agreement and Plan of Merger not to be complied with or satisfied or (b) any failure of any party to satisfy any covenant, condition or agreement in the Agreement or Plan of Merger;

AMC agreed to contribute all of its ownership in Minera México to ASC prior to the closing date of the merger, effective as of October 18, 2004;

We, SPCC Merger Sub, AMC, ASC and Minera México agree to consult with each other before issuing any press release or otherwise making any public statements with respect to the transaction;

We agree to (i) prepare and submit a listing application to the New York Stock Exchange covering the shares of Common Stock to be issued in the merger and (ii) use our reasonable efforts to obtain approval for the listing of such shares;

Except as otherwise required by law, the special committee and the board of directors agree not to withdraw or modify, or propose to withdraw or modify, in a manner adverse to AMC, ASC or Minera México their recommendation in favor of the three proposals discussed in this proxy statement;

We, SPCC Merger Sub, AMC, ASC and Minera México agree not to take any action that will prevent the merger from being treated as a tax-free reorganization pursuant to U.S. tax laws;

AMC's tax representative must deliver to us a copy of the notice required by Mexican tax law regarding his appointment;

AMC's tax representative must deliver a letter to us stating that he will, on AMC's behalf, (i) pay any Mexican taxes, if any, relating to the contribution of the Minera México shares to ASC and (ii) have an independent accountant submit a report on such tax;

AMC agrees to use its best efforts to cause our board of directors to declare, set aside and pay the quarterly cash dividend related to the third quarter of fiscal year 2004 to all of the holders of our of Common Stock and Class A Common Stock (which was declared on October 21, 2004 and paid on November 22, 2004); AMC also agrees to use its best efforts to cause our board of directors to declare and pay an aggregate $100 million transaction dividend to all of the holders of the Common Stock and Class A Common Stock prior to the closing date of the merger, which we delared on January 31, 2005 to be paid on March 1, 2005;

AMC, ASC and Minera México each agree that, prior to the date on which we receive approval from our stockholders for the three proposals set forth in this proxy statement, neither it nor any of its affiliates will acquire or agree to acquire any shares of our Common Stock or Class A Common Stock;

AMC agrees that, as of the closing date of the merger, the aggregate outstanding amount of net indebtedness (plus minority interests) of Minera México and its subsidiaries on a consolidated basis will not exceed $1,000,000,000;

We, AMC, ASC and Minera México each agree that any action to be taken by us prior to the closing to enforce our rights under the Agreement and Plan of Merger will be taken by and at the direction of the special committee;

We, AMC, ASC, and Minera México each agree that any action to be taken by us after the closing to enforce our rights (including indemnification rights) under the Agreement and Plan of Merger will be taken by and at the direction of a majority of the members of the board who are special independent directors;

AMC agreed to cause Minera México to refinance its $600,000,000 debt obligation, which occurred on October 29, 2004;

AMC, ASC and Minera México each agree to cause the audit of our consolidated financial statements for the fiscal year ending December 31, 2005 to be completed on or prior to March 31, 2006;

AMC agrees to not allow its consolidated net worth to fall below $500,000,000 at any time on or prior to the fifth anniversary of the closing date; provided, however, that such amount is allowed to be reduced each year by $25,000,000; and

For a period of five years after the closing, we and AMC agree to each use our reasonable best efforts to maintain the listing of our Common Stock on the New York Stock Exchange or other comparable internationally-recognized securities exchange or inter-dealer quotation system.

Indemnification

The Agreement and Plan of Merger provides that, under certain circumstances, AMC will indemnify us and our subsidiaries and each of our respective directors, officers, employees, stockholders, and other related parties from and against any and all damages incurred or suffered in connection with:

Any breach by AMC, ASC or Minera México of any representation or warranty relating to (i) its organization, qualification or subsidiaries, (ii) the capitalization of Minera México and its subsidiaries, (ii) its authority to enter into the Agreement and Plan of Merger, (iii) the certifications required by the Sarbanes-Oxley Act of 2002, (iv) the activities, assets or liabilities

of ASC, (v) the net operating losses and the recoverable asset tax balances of Minera México and its subsidiaries and (vi) affiliate transactions.

The non-performance or other breach of covenants relating to (i) post-closing deliveries, (ii) permits and (iii) certain Mexican tax matters;

pre-closing environmental matters, with such indemnification surviving until the fifth anniversary of the closing date; and

the enforcement of any rights to indemnification under the Agreement and Plan of Merger.

Indemnification under the Agreement and Plan of Merger is limited as follows:

AMC is required to provide full reimbursement with respect to claims associated with breaches of (i) representations and warranties relating to the capitalization of Minera México and its subsidiaries, the activities, assets or liabilities of ASC or the net operating losses and the recoverable asset tax balances of Minera México and its subsidiaries and (ii) the covenants relating to post-closing deliveries and certain Mexican tax matters;

For all other indemnification claims, the maximum amount recoverable is $600,000,000;

Except with respect to certain matters discussed below, AMC's indemnification obligation is further limited in that it is not required to provide indemnification until the total amount of damages sought exceeds $100,000,000 (the "deductible") and then only to the extent of the amount that exceeds the deductible; and

The deductible does not apply to breaches in respect of the following representations, warranties, covenants or agreements: (i) the capitalization of Minera México and its subsidiaries, (ii) the activities, assets or liabilities of ASC, (iii) the net operating losses and the recoverable asset tax balances of Minera México and its subsidiaries, (iv) post-closing deliveries, (v) obtaining certain permits, (vi) certain Mexican tax matters and (vii) certain scheduled pre-closing environmental matters.

Appraisal Rights

If you choose to vote against any of the proposals described in this proxy statement, Delaware General Corporation Law does not afford you any appraisal rights, as defined under Delaware law, because your shares are ineligible for such treatment pursuant to Section 262 of the Delaware General Corporation Law.

Accounting Treatment

Given that both we and Minera México have the same indirect controlling stockholder, Grupo México, the merger will be accounted for on a historical carryover basis in a manner similar to the "pooling-of-interests" method of accounting. Accordingly, all of Minera México's historical assets and liabilities will be combined with ours at historical cost. The difference in the value of the new shares issued in the merger to AMC and the net carrying value of Minera México will be recognized in equity.

Material United States Federal Income Tax Consequences

The following discussion is a summary of the material United States federal income tax consequences of the merger and our pre-closing distribution the of the $100 million transaction dividend, in aggregate, to holders of our Common Stock and Class A Common Stock. This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, applicable Treasury regulations, and administrative and judicial interpretations thereof, each as in effect as of the date of

this proxy statement, all of which may change, possibly with retroactive effect. This discussion does not address any state, local or foreign tax consequences of the merger or the distribution.

As used in this discussion, the term U.S. holder means a beneficial owner of our Common Stock or Class A Common Stock that is:

- an individual who is a citizen or resident of the United States;
- a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision of the United States, other than a partnership treated as foreign under U.S. Treasury Regulations;
- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust, in general, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust.

An individual may be treated as a resident of the United States in any calendar year for U.S. federal income tax purposes, instead of a nonresident, by, among other ways, being present in the United States for at least 31 days in that calendar year and for an aggregate of at least 183 days during a three year period ending in the current calendar year. For purposes of this calculation, you would count all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year. Residents are taxed for U.S. federal income tax purposes as if they were U.S. citizens.

For purposes of this discussion, a non-U.S. holder is any holder of our Common Stock or Class A Common Stock, other than a U.S. holder.

Tax Consequences of the Merger

The Agreement and Plan of Merger provides that it is the intention of the parties that the merger qualify as a "reorganization" within the meaning of Section 368(a) of the Code. Provided that the merger qualifies as a "reorganization," holders of outstanding stock of ASC will not recognize gain or loss for federal income tax purposes and the aggregate tax basis of the shares of Common Stock received by ASC's stockholders in the merger will equal the aggregate tax basis of those stockholders in their ASC stock immediately before the merger.

Tax Consequences of the Distribution of the Aggregate $100 Million Transaction Dividend

Taxation of U.S. Holders

Prior to closing the merger, we will distribute a transaction dividend, totaling $100 million, to the holders of our Common Stock and Class A Common Stock. Each U.S. holder's pro-rata share of this distribution will be includible in the gross income of the U.S. holder as ordinary dividend income to the extent paid out of our current or accumulated earnings and profits, as determined for United States federal income tax purposes. We expect that we will have sufficient earnings and profits so that the entire $100 million distribution will be treated as a dividend for United States federal income tax purposes. In the unlikely event that we do not have sufficient current or accumulated earnings and profits to qualify the entire distribution as a dividend, the portion of the distribution to a U.S. holder in excess of our current or accumulated earnings and profits will be treated as a return of the U.S. holder's tax basis in our Common Stock or Class A Common Stock, as the case may be, and then as gain from the sale or exchange of such stock. Under current law a maximum 15% U.S. federal income tax rate applies to any dividends that are properly included in a holder's income prior to January 1, 2009. Any portion of the distribution that is treated as a dividend and paid to a stockholder that is a

U.S. corporation will generally be eligible for the dividends received deduction, subject to applicable limitations.

Special Rule for Extraordinary Distributions Paid to Corporate Stockholders

If any dividend paid to a holder that is a U.S. corporation is treated as an "extraordinary dividend," the non-taxed portion of the dividend (i.e. the portion of the dividend not included in income as a result of the dividends received deduction) will reduce the holder's tax basis in our Common Stock or Class A Common Stock, as the case may be. To the extent the reduction exceeds the holder's tax basis, the excess will be treated as gain from the sale or exchange of those shares. A dividend will generally be considered an "extraordinary dividend" if the amount of the dividend (and, in certain cases, the sum of all dividends received within a one year period) equals or exceeds 10 percent of the corporate holder's adjusted tax basis in their shares. The tax basis reduction discussed above will not apply to any extraordinary dividend paid with respect to our Common Stock or Class A Common Stock that was held by a corporation for more than 2 years before the "dividend announcement date". The "dividend announcement date" for the contemplated $100 million distribution will be the date on which we are treated as declaring, announcing or agreeing to the amount or payment of the dividend, whichever is earliest. It is not clear how to determine the dividend announcement date with respect to the $100 million distribution. It can be argued that the distribution is not declared, announced or agreed to until our board of directors agrees to make the distribution. However, one could also argue that the execution of the agreement and plan of merger or the filing of this proxy statement constitutes an agreement regarding the amount of the dividend, if paid. In light of this uncertainty, you are urged to consult your own tax advisors regarding the application of the extraordinary dividend rules to your particular situation.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividend payments in respect of our stock with respect to a non-corporate U.S. holders, and "backup withholding" at the rate of 28% will apply to such payments if the holder or beneficial owner fails to provide an accurate taxpayer identification number in the manner required by United Sates law and applicable regulations, if there has been notification from the Internal Revenue Service of a failure by the holder or beneficial owner to report all interest or dividends required to be shown on its federal income tax returns or, in certain circumstances, if the holder or beneficial owner fails to comply with applicable certification requirements. Certain corporations and persons that are not United States persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on an appropriate Internal Revenue Service form.

Amounts withheld under the backup withholding rules may be credited against a holder's tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service.

Taxation of Non-U.S. Holders

A non-U.S. holder's allocable portion of the $100 million transaction dividend distribution will be treated as a dividend to the extent paid out of our current or accumulated earnings and profits, as determined for United States federal income tax purposes. We expect that we will have sufficient earnings and profits so that the entire $100 million distribution will be treated as a dividend for United States federal income tax purposes. In the unlikely event that we do not have sufficient current or accumulated earnings and profits to qualify the entire distribution as a dividend, the portion of the distribution in excess of our current or accumulated earnings and profits will be treated as a return of the non-U.S. holder's tax basis in our Common Stock or Class A Common Stock, as the case may be, and then as gain from the sale or exchange of such stock.

Under current law, a corporation organized in the United States, like the Company, is required to withhold tax at a rate of 30%, or a lower rate under an applicable income tax treaty, from the gross amount of any distribution to a non-U.S. holder that is treated as a dividend, except to the extent the corporation meets certain requirements known as the "active foreign business requirements." We will meet the active foreign business requirements if we establish that at least 80 percent of our gross income for the three year period ending on the last day of the taxable year preceding the year that the dividend is paid is (i) from sources outside the United States and (ii) attributable to the active conduct of a trade or business in a foreign country. If we meet these requirements, we will be required to withhold United States federal withholding tax only with respect to that percentage of any dividend that equals the percentage that our United States source income bears to our total income. We expect that we will meet the active foreign business requirements with respect to the $100 million distribution. Moreover, we expect that substantially all if not all of our income for the relevant period will be from sources outside the United States and, accordingly, a very small percentage, if any, of United States federal withholding tax will be required with respect to dividends paid to non-U.S. holders. We can not assure you however that we will not have a somewhat greater percentage of United States source income and that a greater percentage of United States withholding tax will not be required.

The federal income tax discussion set forth above is included for general information only and is based upon present law. Due to the individual nature of tax consequences, you are urged to consult your tax advisors as to the specific tax consequences to you of the distribution and merger, including the effects of applicable state, local or other tax laws.

Regulatory Approvals

We are not aware of any regulatory approvals required to be obtained in connection with the consummation of the merger.

Completion of the Merger

The merger will become effective when we file a Certificate of Merger with the Secretary of State of the State of Delaware, which will occur as soon as practicable following the satisfaction or waiver of all of the conditions to the merger.

Rights of Stockholders

Your rights as a stockholder will not change following the merger. In addition, ASC's stockholder, AMC, will have the same rights as you do with respect to the new shares of Common Stock that it will receive in the merger. We currently anticipate that the merger will not result in any change in the two-class structure of our capital stock and both Common Stock and Class A Common Stock will remain outstanding.

RISK FACTORS

Certain Risks Associated with the Merger

In deciding whether to vote in favor of the three proposals discussed herein, you should read carefully this proxy statement and the documents to which we refer you. You should also carefully consider the following factors:

Benefits of the combination may not be realized

If we complete the proposed acquisition of Minera México, we will integrate two companies that have previously operated independently. This will involve integrating, among other operations:

mining operations; and

worldwide exploration and development activities.

We may not be able to integrate our operations and those of Minera México without encountering difficulties and anticipated cost and other synergies may not be realized. The diversion of the attention of management to the integration effort and any difficulties encountered in combining operations could adversely affect the combined company's businesses.

Fluctuations in the relative values of each of the companies could have an effect on the value and the parity of the merger consideration.

We are offering 67,207,640 shares of our Common Stock to AMC in exchange for all of the outstanding shares of ASC, which owns, through the Guaranty Trust and directly, approximately 99.1463% of the outstanding shares of Minera México in exchange for all of the outstanding shares of ASC. Fluctuations in the market price of our Common Stock or the value of Minera México could have an effect on the overall value or parity of the merger consideration.

Certain Risks Associated with Minera México's Business and Doing Business In Mexico

In addition to the risks discussed above, you should also carefully consider the following factors associated with Minera México's business and certain factors relating to Mexico and elsewhere, which may adversely affect Minera México's business, results of operations and financial condition:

Fluctuations in the market price of the metals that Minera México produces may significantly affect its financial performance

The financial performance of Minera México is significantly affected by the market prices of the metals that it produces and, in particular, market prices of copper, zinc and silver. These prices have historically been subject to wide fluctuations and are affected by numerous factors beyond Minera México's control, including international economic and political conditions, levels of supply and demand, expectation of inflation, actions of commodity market participants, consumption and demand patterns, the availability and cost of substitutes, inventory levels maintained by producers and others and, to a lesser degree, inventory carrying costs and currency exchange rates. In addition, the market prices of certain metals have on occasion been subject to rapid short-term changes due to speculative activities. For information on copper, zinc and silver prices for each of the years in the five-year period ended December 31, 2003, see Item 4 "Information on the Company Metals Prices" of Minera México's Annual Report filed on Form 20-F for the year ended December 31, 2003, which is incorporated herein by reference.

Minera México's results were adversely affected in 2001 and 2002 by decreases in copper prices. Copper prices averaged $1.29 per pound during 2004 as compared to $0.81 per pound during 2003, $0.72 per pound during 2002 and $0.73 per pound during 2001. The price of copper was $1.49 per pound on December 30, 2004, and the lowest price of copper during 2004 was $1.06 per pound on January 7, 2004. The price of copper was $1.43 per pound on February 2, 2005. In the event of a substantial and sustained decline in the price of copper, negative trends in operating results may occur,

and Minera México might, in very adverse market conditions, consider curtailing or modifying certain of its mining and processing operations.

Despite the refinancing of Minera México's indebtedness, its financial condition and liquidity may not improve

Under pressure due to low metals prices and the resulting drop in liquidity, Minera México restructured its debt to financial institutions in 2003 because of its failure to make scheduled payments and its noncompliance with certain financial covenants contained in its credit agreements. Minera México refinanced this restructured debt on October 29, 2004.

The terms of the refinancing impose financial and other restrictions on Minera México and its subsidiaries, including limitations on the incurrence of additional debt and liens and on its ability to dispose of assets. These restrictions may reduce Minera México's flexibility in responding to changing business or economic conditions. In addition, this indebtedness is secured by shares representing common stock of Minera México and assets of its two main subsidiaries (Mexicana de Cobre, S.A. de C.V. and Mexicana de Cananea, S.A. de C.V.), including their concession rights. Failure by Minera México to comply with the provisions of this indebtedness will give the relevant lenders the right to retain the proceeds of the collateral, to declare the indebtedness to be in default, to accelerate the maturity of the indebtedness or to take other enforcement action against Minera México. Any such enforcement action would have an adverse effect on Minera México's financial position. Minera México continues to be exposed to the other risks enumerated in these "Risk Factors" even after the restructuring. There can be no assurance that it will be able to comply with the terms of its indebtedness or that it will not be in payment default in the future.

Minera México may be adversely affected by the imposition of more stringent environmental regulations that would require it to spend additional funds

The mining and processing industries in Mexico are subject to federal and state laws and regulations (including certain industry technical standards) governing protection and remediation of the environment, mining operations, occupational health and safety and other matters. Mexican environmental regulations have become increasingly stringent over the last decade. This trend is likely to continue and may be influenced by the environmental agreement entered into by Mexico, the United States and Canada in connection with the North American Free Trade Agreement. Accordingly, although Minera México believes that all of its facilities are in material compliance with currently applicable environmental, mining and other laws and regulations, there can be no assurance that more stringent enforcement of existing laws and regulations or the adoption of additional laws and regulations would not have an adverse effect on Minera México's business, properties, results of operations, financial condition or prospects.

Due to the location of certain of Minera México's facilities near urban areas, environmental or other regulatory authorities may adopt measures that may restrict the operation of such facilities. These measures could have an adverse effect on Minera México's financial position and results of operations.

Minera México's actual reserves may not conform to current expectations

The proven and probable ore reserve data included in Minera México's Annual Report filed on Form 20-F for the year ended December 21, 2003, which is incorporated herein by reference, are estimates based on standard evaluation methods generally used in the international mining industry. Reserve estimates may require revision based on actual production experience. There can be no assurance that actual reserves will conform to geological, metallurgical or other expectations or that the estimated volume and grade of ore will be recovered. Lower market prices, increased production costs, reduced recovery rates, short-term operating factors and other factors may render proven and probable reserves uneconomic to exploit and may result in revision of reserve data from time to time. Reserve data are not indicative of future results of operations.

Metals exploration efforts are highly speculative in nature and may be unsuccessful

Metals exploration is highly speculative in nature, involves many risks and frequently is unsuccessful. Once mineralization is discovered, it may take a number of years from the initial phases of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable ore reserves through drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. As a result of the foregoing uncertainties, no assurance can be given that the exploration programs of Minera México will result in the expansion or replacement of current production with new proven and probable ore reserves.

Development projects have no operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Such estimates are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of the mineral from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual over expected prices may mean reserves, once found, will be uneconomical to produce. It is not unusual in new mining operations to experience unexpected problems during the start-up phase.

There is uncertainty as to the termination and renewal of Minera México's concessions

Under Mexican law, mineral resources belong to the Mexican state and a concession from the Mexican federal government is required to explore for or exploit mineral reserves. Minera México's mineral rights derive from concessions granted by the Secretaría de Economía, formerly known as Secretaría de Comercio y Fomento Industrial or the Secretary of Economy pursuant to the Ley Minera (the mining law) and regulations thereunder.

Mining concessions may be terminated if the obligations of the concessionaire are not satisfied. A concessionaire of a mining concession is obligated, among other things, to explore or exploit the relevant concession, to pay any relevant fees, to comply with all environmental and safety standards, and to provide information to the Secretary of Economy and permit inspections by the Secretary of Economy.

Mexican economic and political conditions may have an adverse impact on Minera México's business

In the past, Mexico has experienced both prolonged periods of weak economic conditions and dramatic deterioration in economic conditions, characterized by exchange rate instability and significant devaluation of the peso, increased inflation, high domestic interest rates, a substantial outflow of capital, negative economic growth, reduced consumer purchasing power and high unemployment. An economic crisis occurred in 1995 in the context of a series of internal disruptions and political events including a large current account deficit, civil unrest in the southern state of Chiapas, the assassination of two prominent political figures, a substantial outflow of capital and a significant devaluation of the peso. There can be no assurance that such conditions will not recur or that such conditions will not have a material adverse effect on Minera México's financial condition and results of operations.

The annual inflation rate in Mexico was 12.8% in 1999, 9.0% in 2000, 4.4% in 2001, 5.7% in 2002, 4.0% in 2003 and 5.2% in 2004. The Mexican government has publicly announced that it does not expect inflation to exceed 4.0% in 2005. Interest rates on 28-day *Certificados de la Tesorería* (Cetes or Mexican treasury bills) were an average of 16.25% per annum in 1999, 15.24% per annum in 2000, 11.26% per annum in 2001, 7.09% per annum in 2002, 6.24% per annum in 2003 and 6.84% per annum in 2004. On February 2, 2005, the 28-day Cetes rate was 8.70% per annum. Mexico's gross domestic product increased at an annual rate of 3.7% in 1999 and 6.9% in 2000, decreased 0.3% in

2001 and increased .09% in 2002 and 1.3% in 2003. Gross domestic product increased at an annualized rate of 4.4% in the period ended September 30, 2004. International reserves were $30.7 billion at December 31, 1999, $33.6 billion at December 31, 2000, $40.9 billion at December 31, 2001, $48.0 billion at December 31, 2002, $57.4 billion at December 31, 2003 and $61.5 billion at December 31, 2004.

On July 2, 2000, Vicente Fox of the Partido Acción Nacional, or PAN, was elected president. Although his election ended more than 70 years of presidential rule by the Partido Revolucionario Institucional, or PRI, neither the PAN nor the PRI succeeded in securing a majority in the Mexican congress. The resulting legislative gridlock has impeded the progress of reforms in Mexico, which could adversely affect economic conditions in Mexico or Minera México's results of operations. Furthermore, economic plans of the Mexican government in the past have not, in certain respects, fully achieved their objectives, and there can be no assurance that these and other economic plans of the Mexican government will achieve their stated goals. Future Mexican governmental actions could have an adverse effect on market conditions, prices and returns on Mexican securities (including Minera México's securities) and Mexican companies (including Minera México, its business, results of operations, financial condition, ability to obtain financing and prospects).

Inflation, restrictive exchange control policies and devaluation of the peso may adversely affect Minera México's financial condition and results of operations

The inflation rate in Mexico, as measured by the NCPI, was 12.3% in 1999, 9.0% in 2000, 4.4% in 2001, 5.7% in 2002, 4.0% in 2003 and 5.2% in 2004. At the same time, the peso has been subject in the past to significant devaluation, which may not have been proportionate to the inflation rate and may not be proportionate to the inflation rate in the future. The value of the peso declined by 4.2% in 1999 and 0.81% in 2000, appreciated by 4.48% in 2001 and declined by 12.47% in 2002, 8.44% in 2003 and 0.26% in 2004.

Although all of Minera México's sales of metals are priced and invoiced in U.S. dollars, a substantial portion of its cost of sales (approximately 74% in 2003) is denominated in pesos. Accordingly, when inflation in Mexico increases without a corresponding devaluation of the peso, as it did in 2000, 2001 and 2002, Minera México's net income is adversely affected.

Minera México recorded net remeasurement gain of $19.7 million in 2003. The peso has been subject to significant devaluation in the past and has caused Minera México to suffer net remeasurement losses. There can be no assurance that such devaluation will not occur in the future or that it will not result in net remeasurement losses for Minera México.

The Mexican government has instituted restrictive exchange control policies in the past due to then current account balance of payment deficits and shortages in foreign exchange reserves. In the event of renewed shortages of foreign currency, no assurance can be given that the Mexican government will not institute restrictive exchange control policies in the future. The imposition of such policies in the future could impair Minera México's ability to obtain imported goods and to meet its U.S. dollar-denominated obligations (including its notes) and could have an adverse effect on its business and financial condition.

Developments in other emerging market countries and in the United States may adversely affect the market value of Minera México

The market value of securities of Mexican companies is, to varying degrees, affected by economic and market conditions in other emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any of these other countries may have an adverse effect on the market value of securities of Mexican issuers. In the past, economic crises in Asia, Russia, Brazil and other emerging market countries adversely affected the Mexican economy.

In addition, in recent years economic conditions in Mexico have increasingly become correlated to U.S. economic conditions. Therefore, adverse economic conditions in the United States could have a significant adverse effect on Mexican economic conditions. There can be no assurance that the market value of Minera México would not be adversely affected by events elsewhere, especially in emerging market countries.

OUR SELECTED FINANCIAL DATA

Our selected historical financial data presented below as of and for the five years ended December 31 2003, and for the nine months ended September 30, 2004 and 2003. The five years historical data ended December 31, 2003, includes certain information that has been derived from our consolidated financial statements. The financial information for the nine months ended September 30, 2004 and 2003 is unaudited and may not be indicative of results for the full fiscal year. The selected financial data should be read in conjunction with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures about Market Risk" and the consolidated financial statements and notes thereto contained in our Annual Report filed on Form 10-K for the year ended December 31, 2003, which have been audited by PricewaterhouseCoopers LLP (years 2003 and 1999), Deloitte & Touche LLP (2002) and Arthur Andersen LLP (years 2001 and 2000).

	As of and for the period ended September 30,		As of and for the year ended December 31,				
(in millions, except per share and employee data)	**2004**	**2003**	**2003**	**2002**	**2001**	**2000**	**1999**
Consolidated Statement of Earnings:							
Net sales	$ 1,091	$ 553	$ 798	$ 665	$ 658	$ 711	$ 585
Operating costs and expenses(1)	550	421	581	546	569	561	539
Operating income	540	132	217	119	89	150	46
Minority interest of investment shares in	3	1	1	1	1	2	
Cumulative effect of the change in accounting principle		2	2				
Net earnings	$ 339	$ 76	$ 119	$ 61	$ 47	$ 93	$ 29
Per Share Amounts:							
Net earnings basic and diluted	$ 4.25	$ 0.95	$ 1.49	$ 0.76	$ 0.58	$ 1.16	$ 0.37
Dividends paid	$ 1.57	$ 0.36	$ 0.57	$ 0.36	$ 0.36	$ 0.34	$ 0.15
Consolidated Balance Sheet:							
Total assets	$ 2,256	$ 1,930	$ 1,931	$ 1,752	$ 1,823	$ 1,771	$ 1,545
Cash and marketable securities	418.6	295.4	295	148	213	149	11
Total debt	294	349	349	299	396	347	223
Stockholders' equity	1,530	1,315	1,315	1,241	1,209	1,192	1,126
Consolidated Statement of Cash Flows:							
Cash provided from operating activities	$ 419	$ 117	$ 191	$ 130	$ 151	$ 161	$ 63
Dividends paid	125	27	45	21	29	27	12
Capital expenditures	110	34	50	77	114	109	223
Depreciation, amortization and depletion	58	55	74	68	76	77	74
Capital Stock:							
Common Stock outstanding	14.1	14.1	14.1	14.1	14.1	14.1	14.1
NYSE Price high	$ 54.10	$ 48.85	$ 48.85	$ 15.54	$ 15.10	$ 16.44	$ 18.06
low	$ 26.53	$ 14.42	$ 14.42	$ 10.82	$ 8.42	$ 11.00	$ 8.44
Class A Common Stock outstanding	65.9	65.9	65.9	65.9	65.9	65.9	65.9
Book value per share	$ 19.2	$ 16.4	$ 16.44	$ 15.51	$ 15.12	$ 14.90	$ 14.07
P/E ratio			31.65	20.67	26.07	12.84	38.03
Financial Ratios:							
Current assets to current liabilities	2.4	2.5	2.5	3.1	1.9	3.3	2.4
Debt as % of capitalization	16.1	20.9	20.9%	19.3%	24.5%	22.4%	16.3%
Employees (at year end)	3,531	3,568	3,566	3,575	3,726	3,682	3,844

Notes to five-year selected financial and statistical data

(1) Includes provision for workers' participation of $17.8 million, $8.5 million, $5.9 million, $12.1 million and $3.4 million in the years ended December 31, 2003, 2002, 2001, 2000 and 1999, respectively. Workers' participation is required under Peruvian law and is calculated at 8% of pre-tax earnings.

MATERIAL RECENT DEVELOPMENTS

We have received correspondence from the SEC regarding a review undertaken by the SEC of our Form 10-K filed with the SEC for the year ended 2003 and our Form 10-Q's filed with the SEC for the first and second quarters of 2004 and of the Form 20-F of Minera México filed with the SEC for the year ended 2003. Among other matters, the review questions the appropriateness of a number of accounting methodologies applied by us and Minera México in connection with the preparation of our and Minera México's historical financial statements. Responses have been submitted to the questions posed by the SEC in its correspondence. The SEC has suggested that in connection with certain of the matters addressed in its correspondence, a restatement of previously prepared historical financial statements could be required. While we believe that the financial statements have been properly prepared in accordance with U.S. generally accepted accounting principles and that no restatement of previously prepared financial information will be required, no assurance can be given that the SEC will agree with our point of view or that a restatement of previously reported financial information will not be required, which restatement could have an adverse effect on our or Minera México's previously reported financial position or results of operations. In addition, we have agreed in our responses to make certain changes in our accounting methodologies in future SEC filings, which changes could make it more difficult to conduct period to period comparisons.

Three purported class action derivative lawsuits have been filed in the Delaware Court of Chancery (New Castle County) relating to the proposed merger transaction. On January 31, 2005, the three actions *Lemon Bay, LLP v. Americas Mining Corporation, et al.,* Civil Action No. 961-N, *Therault Trust v. Luis Palomino Bonilla, et al., and Southern Peru Copper Corporation, et al.,* Civil Action No. 969-N, and *James Sousa v. Southern Peru Copper Corporation, et al.,* Civil Action No. 978-N were consolidated into one action titled *In re Southern Peru Copper Corporation Shareholder Derivative Litigation,* Consol. C.A. No. 961-N and the complaint filed in *Lemon Bay* was designated as the operative complaint in the consolidated lawsuit. The consolidated action purports to be brought on behalf of the company's common stockholders. The complaint alleges, among other things, that the proposed merger is the result of breaches of fiduciary duties by our directors and is not entirely fair to the company and its minority stockholders. The complaint seeks, among other things, a preliminarily and permanent injunction to enjoin the transaction, the award of damages to the class, the award of damages to the company and such other relief that the court deems equitable, including interest, attorneys' and experts' fees and costs. The company believes that the lawsuit is without merit and intends to vigorously defend against the action.

SELECTED FINANCIAL DATA FOR MINERA MÉXICO

The selected historical data for Minera México presented below as of and for the five years ended December 31, 2003, and for the nine months ended September 30, 2004 and 2003, includes certain information that has been derived from Minera México's consolidated financial statements, including the financial statements included elsewhere in Minera México's Annual Report filed on Form 20-F for the year ended December 31, 2003. The financial information for the nine months ended September 30, 2004 and 2003 is unaudited and may not be indicative of results for the full fiscal year. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, including the notes thereto, and Item 5 "Operating and Financial Review and Prospects" of Minera México's Annual Report filed on Form 20-F for the year ended December 31, 2003.

Minera México's financial statements are presented in U.S. dollars and in accordance with accounting principles generally accepted in the United States of America. Minera México is a majority-owned indirect subsidiary of Grupo México, an entity registered pursuant to Mexican law. Minera México comprises substantially all the assets and liabilities of Grupo México associated with its mining operations in México. For foreign exchange purposes and basis of presentation and measurement,

Minera México's functional currency is the U.S. dollar. Minera México maintains its books in Mexican Pesos. Foreign currency assets and liabilities are re-measured into U.S. dollars at current exchange rates except for inventory, property, plant and equipment and other non-monetary assets, which are re-measured at historical exchange rates. Revenues and expenses are generally translated at average exchange rates in effect during the period, except for those expenses related to balance sheet amounts that are remeasured at historical exchange rates.

For purposes of Minera México's Annual Report filed on Form 20-F for the year ended December 31, 2003, Minera México has restated the reconciliation of net income (loss) and stockholders' equity to U.S. generally accepted accounting principles as of and for the years ended December 31, 2002 and 2001 previously reported by its predecessor, Grupo Minero México, S.A. de C.V., to give effect to the identification of the U.S. dollar as the functional currency. The effect of the restatement is further discussed in Note 18 to the audited consolidated financial statements of Minera México's Annual Report filed on Form 20-F for the year ended December 31, 2003.

	As of and for the period ended September 30,		As of and for the year ended December 31,				
	2004	2003	1999	2000	2001	2002	2003(1)
	(millions of U.S. dollars, except ratios and per share data)						
Consolidated Statement of Operations:							
Net sales	$ 973.1	$ 526.9	$ 1,689.7	$ 1,128.0	$ 901.5	$ 723.8	$ 781.6
Operating costs and expenses(2)	576.2	483.8	1,522.4	998.9	894.6	708.1	691.6
Operating income	396.9	43.1	167.3	129.1	6.9	15.7	90.0
Income (loss) before extraordinary gain	276.6	(91.8)	59.9	(75.6)	(154.3)	84.4	(35.2)
Extraordinary gain, net of tax			2.2	1.2			
Net income (loss)	276.6	(91.8)	62.1	(74.4)	(154.3)	84.4	(35.2)
Per Share amounts:							
Earnings (loss) per share	0.36	(0.11)	0.10	(0.12)	(0.23)	0.13	(0.05)
Number of outstanding shares	769.604	769,604	630,000	659,463	659,463	659,463	769,604
Consolidated Balance Sheets:							
Total assets	2,590.4	2,564.5	7,329.6(3)	2,682.3	2,667.6	2,666.8	2,564.5
Cash and cash equivalents	45.8	56.1	94.6	25.2	47.6(4)	115.6(4)	56.1
Total debt	1,039.9	1,322.2	3,286.8	1,361.9	1,335.9	1,322.2	1,322.2
Stockholders' equity	982.7	707.8	1,810.7	710.5(5)	542.4	640.1	707.9
Consolidated Statement of Cash Flows:							
Cash provided from operating activities	325.1	(179.0)	369.4	76.7	160.3	86.4	(90.2)
Capital expenditures	40.1	12.3	918.8(6)	144.8	127.7	43.2	54.6
Depreciation, amortization and depletion	85.8	76.7	141.9	83.3	89.6	89.8	103.5
Dividends paid			30.5				
Capital Stock:							
Weighted average of shares outstanding	769,604	769,604	634,035	630,292	659,463	659,463	738,717
Book value per share	1.28	.92	2.85	1.13	0.82	0.97	0.96
BV/E ratio	3.56	(8.36)	28.5	(9.4)	(356.5)	746.2	(242.5)
Financial Ratios:							
Current assets to current liabilities	1.20	1.45	1.51	0.91	1.11	1.26	1.45
Debt as % of capitalization(7)	51.4	65.1	64.5	65.7	71.1	67.4	65.1
Employees (at year end)	9.259	9.111	12,279	11,344	10,594	9,139	9,147

(1) At the general Extraordinary Stockholders' Meeting held on May 28, 2003, the stockholders agreed to merge Grupo Minero México, S.A. de C.V., a wholly-owned subsidiary, into Minera México. As the companies were under common control, the merger was accounted for in a manner similar to a pooling-of-interests based on the accounting values of each of the combining entities included in the accounting records of Grupo México. The merger became effective as of October 1, 2003; as a result Minera México acquired all the assets, liabilities and capital of the merged company, which ceased to exist as a legal entity.

(2) Includes a provision for workers' participation for 1999, 2000, 2001, 2002 and 2003 of $33.4 million, $26.8 million, $6.5 million, $9.6 million and $2.3 million, respectively. Workers' participation is required under Mexican law and is calculated at 10% of the pre-tax earnings.

(3)

The consolidated financial statements as of December 31, 1999, reflect (in addition) the results of ASARCO Incorporated's operations for the period from November 18 through December 31, 1999, and also of Grupo Ferroviario Mexicano's (74% owned) operations for the year 1999.

(4)

As a result of the significant decline in the price of metals produced, Minera México was not in compliance with certain debt covenants during 2001 and 2002 and was in default on certain payment obligations. As a result, holders of Minera México' secured export notes retained export sales in collateral accounts in the amounts of $41.3 million in 2001 and $88.0 million in 2002.

(5)

As part of a corporate restructuring, Minera México's predecessor, Grupo México, S.A. de C.V., changed its name to Minera México, S.A. de C.V. and Minera México became the mining division of Grupo México in Mexico after the restructuring. Please see Item 4. "Information on the Company History and Development of the Company" in Minera México Annual Report filed on Form 20-F for the year ended December 31, 2003. This figure represents the carrying value of the net assets transferred in connection with the corporate restructuring.

(6)

Includes the purchase of ASARCO Incorporated shares for $514.9 million, less ASARCO Incorporated's cash and marketable securities, at the date of purchase of $229.3 million.

(7)

Debt as % of capitalization is the ratio of total debt to total debt plus stockholder's equity.

UNAUDITED PRO FORMA COMBINED CONDENSED SELECTED FINANCIAL DATA

The following unaudited pro forma combined condensed financial data is based on our historical consolidated financial statements as well as those of Minera México both of which are incorporated by reference in this proxy statement. The pro forma data gives effect to the merger described elsewhere in this proxy statement as well as other relevant events which have occurred subsequent to September 30, 2004 and which are not reflected in the historical financial statements of Minera México.

Since the merger will be accounted for as a reorganization of entities under common control and the resulting historical carryover basis combined financial information has not yet been reflected in our historical financial statements which have been published, the pro forma unaudited combined condensed income statements are being presented for all periods for which our historical income statements are required (except for the nine month period ended September 30, 2003). Such income statements reflect the merger as if it had occurred on January 1, 2001. All other pro forma adjustments not directly related to the merger have been prepared as if they had occurred on January 1, 2003 and January 1, 2004 in the accompanying unaudited combined condensed income statements for the year ended December 31, 2003 and nine months ended September 30, 2004, respectively. The unaudited pro forma combined condensed balance sheet as of September 30, 2004, assumes the merger and other relevant events had occurred on September 30, 2004.

The unaudited pro forma combined condensed selected financial data is presented for informational purposes only and do not purport to be indicative of the results of operations that actually would have been achieved had the merger or other pro forma events been consummated on the date or for the periods indicated and do not purport to be indicative of the results of operations as of any future date or any future period. You should read the Unaudited Pro Forma Combined Condensed Selected Financial Data together with the Unaudited Pro Forma Combined Condensed Financial Information and its accompanying notes included in annex D of this proxy statement, and our historical financial statements as well as those of Minera México.

The unaudited pro forma combined condensed selected data has been presented on a U.S. GAAP basis.

UNAUDITED PRO FORMA COMBINED CONDENSED

STATEMENTS OF EARNINGS

Stated in Thousands of U.S. Dollars, except per share data

	Nine months ended	Year ended		
	September 30, 2004	December 31, 2003	December 31, 2002	December 31, 2001
Net sales:				
Stockholders and affiliates	$ 53,141	$ 1,852	$ 9,137	$ 29,968
Others	2,003,132	1,579,211	1,381,601	1,531,320
Total net sales	2,056,273	1,581,063	1,390,738	1,561,288
Operating costs and expenses:				
Costs of sales (exclusive of depreciation, amortization and depletion separately shown below)	920,003	993,014	961,423	1,232,890
Administrative	51,661	63,597	69,351	70,174
Depreciation, amortization and depletion	141,949	175,171	157,608	165,901
Exploration	10,546	17,869	13,345	15,939
Total operating costs and expenses	1,124,159	1,249,651	1,201,727	1,484,904
Operating income	932,114	331,412	189,011	76,384
Interest income	5,280	5,198	4,097	23,194
Other income (expense), net	36,782	(4,174)	(4,208)	(435)
Interest expense	(86,267)	(117,290)	(121,527)	(161,641)
Earnings (loss) before taxes on income and minority interest	887,909	215,146	67,373	(62,498)
Provision (benefit) for income taxes	263,307	122,275	(87,681)	47,383
Minority interest of investment shares	2,828	1,158	8,845	(2,819)
Income (loss) from continuing operations	$ 621,774	$ 91,713	$ 146,209	$ (107,062)
Pro forma per common share amount	$ 4.22	$ .62	$ .99	$ (.73)
Pro forma weighted average common shares outstanding	147,224,415	147,224,415	147,216,640	147,211,640

UNAUDITED PRO FORMA COMBINED CONDENSED

BALANCE SHEET

Stated in Thousands of U.S. Dollars

As of September 30, 2004

A S S E T S		
Current Assets:		
Cash and cash equivalents	$	357,563
Accounts receivable, net		275,897
Inventories		376,264
Others current assets		67,613
Total current assets		1,077,337
Net property		3,035,913
Capitalized mine stripping, net		311,880
Leachable material, net		119,452
Intangible assets		123,981
Others assets		40,048
Total Assets	$	4,708,611
L I A B I L I T I E S		
Current liabilities:		
Current portion of long-term debt	$	26,504
Accounts payable		174,654
Accrued liabilities		455,263
Total current liabilities		656,421
Due to affiliates		49,228
Long-term debt		1,307,456
Deferred income tax		223,929
Other liabilities		20,545
Asset retirement obligation		38,263
Total non-current liabilities		1,639,421
MINORITY INTEREST		9,808
S T O C K H O L D E R S' E Q U I T Y		
Common stock		1,545
Retained earnings		1,678,166
Treasury stock		(4,672)
Additional paid-in capital		727,922
Total stockholders equity		2,402,961
Total liabilities, Minority Interest and Stockholders Equity	$	4,708,611

HISTORICAL AND PRO FORMA PER SHARE DATA
COMPARATIVE PER SHARE DATA

The following table sets forth (a) the historical net income and book value per share of our capital stock in comparison with the pro forma net income and book value per share after giving effect to the proposed merger with Minera México as reorganization of entities under common control; (b) the historical net income and book value per share of Minera México's common stock in comparison with the equivalent pro forma net income and book value per share attributable to 6.7/100ths of a share of our capital stock which will be received for each share of Minera México; and (c) the actual cash dividends per share compared in the case of Minera México with the equivalent pro forma of 6.7/100ths of the cash dividend paid on each share of our capital stock. The information presented in this table is only a summary and should be read in conjunction with the unaudited pro forma combined condensed financial information and the separate financial statements of the respective companies and the notes thereto appearing or incorporated by reference elsewhere here.

	September 2004	2003	December 2002	2001
Southern Peru Copper Corporation				
Net income:				
Historical (1)	$ 4.25	$ 1.49	$ 0.76	$ 0.58
Pro forma (2)	4.22	0.62	0.99	(0.73)
Dividends:				
Historical	1.57	0.57	0.36	0.36
Pro forma (3)	1.57	0.57	0.36	0.36
Book value:				
Historical (4)	19.12	16.44	15.51	15.12
Pro forma (5)	16.32			
Minera México				
Net income:				
Historical (1)	0.36	(0.05)	0.13	(0.23)
Equivalent pro forma (6)	0.28	0.04	0.07	(0.05)
Dividends:				
Historical	0	0	0	0
Equivalent pro forma (7)	0.11	0.04	0.02	0.02
Book value:				
Historical (4)	1.28	0.96	0.97	0.82
Equivalent pro forma (6)	1.09			

(1) Historical net income per share is computed by dividing net income by the weighted average number of shares for each period presented.

(2) Pro forma net income per share is computed by dividing net income by the weighted average number of shares had the merger been consummated on January 1, 2001.

	SPCC historical weighted average number of shares	New issuance of shares	SPCC pro forma weighted average number of shares
Nine-months ended September 30, 2004	80,016,775	67,207,640	147,224,415
Year ended December 31, 2003	80,016,775	67,207,640	147,224,415
Year ended December 31, 2002	80,009,000	67,207,640	147,216,640
Year ended December 31, 2001	80,004,000	67,207,640	147,211,640

(3)

Same as historical.

(4)

Historical book value per share is computed by dividing shareholders equity by the number of common shares outstanding at the end of each period.

(5)

Pro forma book value per share is computed by dividing pro forma shareholders equity by the number of common shares outstanding had the merger been consummated as September 30, 2004.

	SPCC historical outstanding number of shares	New issuance of shares	SPCC pro forma outstanding number of shares
As of September 30, 2004	80,016,775	67,207,640	147,224,415

(6)

Our pro forma amounts are multiplied by 6.7%

(7)

Our historical amounts are multiplied by 6.7%

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth below as to the shares of our Common Stock beneficially owned by the directors and executive officers and by all directors and officers as a group is stated as of January 31, 2005. None of our directors and executive officers beneficially own any shares of our Class A Common Stock.

	Southern Peru Copper Corporation	
	Shares of the Company's Common Stock Beneficially Owned (a)	**Percent of Outstanding Common Stock**
German Larrea Mota Velasco (c)	1,200	(b)
Xavier Garcia de Quevedo Topete	200	(b)
Oscar González Rocha	0	(b)
Juan Rebolledo Gout	400	(b)
Jaime Fernando Collazo Gonzalez	200	(b)
Emilio Carrillo Gamboa	400	(b)
Carlos Ruiz Sacristan	400	(b)
Harold Handelsman	600	(b)
Genaro Larrea Mota Velasco	200	(b)
Armando Ortega Gómez	600	(b)
Gilberto Perezalonso Cifuentes	800	(b)
Luis Miguel Palomino Bonilla	400	(b)
All, directors and officers as a group (17 individuals)	5,400	(b)

(a) Information with respect to beneficial ownership is based upon information furnished by each director or officer. Except as noted below, all directors and officers have sole voting and investment power over the shares beneficially owned by them.

(b) Less than 0.5%.

(c) Mr. Larrea disclaims beneficial ownership over the shares of Class A Common Stock owned by SPHC II Incorporated, which in turn is controlled by Grupo México.

Set forth below is certain information with respect to those persons who are known by us to have been, as of January 31, 2005, beneficial owners of more than five percent of our outstanding Common Stock or Class A Common Stock.

	Common Stock		Class A Common Stock			
	Shares of Common Stock Beneficially Owned	Percent of Outstanding Common Stock	Shares of Class A Common Stock Beneficially Owned	Percent of Outstanding Class A Common Stock	Percent of Outstanding Capital Stock	Voting Percentage (a)
SPHC II Incorporated (b) 2575 E. Camelback Road, Suite 500, Phoenix, AZ 85016			43,348,949	67.71%	55.48%	64.85%
Cerro Trading Company, Inc.(c) 225 West Washington Street Suite 1900 Chicago, IL 60606			9,498,088	14.84	12.16	14.20
Phelps Dodge Corporation(d) One North Central Avenue Phoenix, AZ 85004			11,173,796	17.45	14.30	16.72
Merrill Lynch & Co., Inc. World Financial Center, North Tower 250 Vesey Street New York, NY 10381 (e)	759,050	5.38%			0.97	0.23
Barclays Global Investors, N.A. 45 Fremont Street San Francisco, CA 94105(f)	874,464	6.19			1.12	0.26
Barclays Private Bank Limited 59/60 Grosvenor Street London, WIX 9DA England (f)	924,041	6.54			1.18	0.28
AFP Horizonte Av. Republica de Panama 3055, 5th Floor, San Isidro, Lima 27, Peru (g)	1,043,425	7.391			1.34	0.31
Integra AFP Canaval and Moreyra 522, San Isidro, Lima, Peru (h)	1,495,097	10.59			1.91	0.45
Profuturo AFP Francisco Masias 370 San Isidro, Lima 27, Peru (i)	742,736	5.26			0.95	0.22
AFP Union Vida Pasaje Los Delfines 159, Urb. Las Gardenias, Santiago de Surco, Lima Peru (j)	1,667,377	11.81			2.13	0.50

(a) Our restated certificate of incorporation provides that, except with respect to the election of directors or as required by law, our Common Stock and Class A Common Stock vote together as a single class, with each share of Common Stock entitled to one vote and each share of Class A Common Stock entitled to five votes.

(b) An indirect wholly-owned subsidiary of Grupo México. On March 31, 2003, SPHC sold all its stock in SPCC to AMC, the immediate parent of ASARCO Incorporated. Immediately after the transaction, the shares of Class A Common Stock were transferred to SPHC, a subsidiary of AMC, and were pledged to a group of financial institutions.

(c) A subsidiary of The Marmon Corporation. Pursuant to Amendment No. 5 to the Schedule 13D filed by Cerro Trading Company, Inc. on December 29, 2004, Cerro sold 1,880,000 shares of Class A Common Stock to SPC Investors, LLC.

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(d)

Pursuant to Amendment No. 1 to the Schedule 13D filed by Phelps Dodge Corporation on December 29, 2004. Of the 11,173,796 shares, 8,963,796 are held by Phelps Dodge Overseas and 2,210,000 shares are held by Climax Molybdenum B.V., both subsidiaries of Phelps Dodge Corporation.

(e)

As reported on a Schedule 13-G filed by Merrill Lynch & Co., Inc., on behalf of Merrill Lynch Investment Managers, on January 28, 2004, ownership is disclaimed. Certain of the shares reported may also be owned beneficially by others holders of more than 5% of our Common Stock.

(f)

As reported on a Schedule 13-G filed by Barclays Global Investors, NA on February 17, 2004. Barclays Global Investors reports sole voting and dispositive power over 705,482 shares. Barclays Private Bank Limited reports sole voting and dispositive power over 754,650 shares. Certain of the shares reported may also be owned beneficially by others holders of more than 5% of our Common Stock.

(g)

Information provided by AFP Horizonte as of December 31, 2004.

(h)

Information provided by Integra AFP as of December 31, 2004.

(i)

Information provided by Profuturo AFP as of December 31, 2004.

(j)

Information provided by AFP Union Vida as of December 31, 2004.

Our restated certificate of incorporation provides that each share of our Class A Common Stock automatically converts into one share of our Common Stock (voting share for share as a single class on all matters including election of directors), if at any time the number of shares of our Class A Common Stock and Common Stock owned by the holders of our Class A Common Stock (or affiliates thereof) is less than 35% of the outstanding shares of our Class A Common Stock and Common Stock. At such time the stockholders' agreement among our holders of Class A Common Stock would terminate. In addition, the rights and obligations of each holder of our Class A Common Stock under the stockholders' agreement terminate in the event such holder of Class A Common Stock (or its affiliates) ceases to own shares of our Class A Common Stock. Based on the letter agreements between AMC and Cerro and AMC and Phelps Dodge Corporation described under "*Special Meeting Information Arrangements With Respect to the Vote*", each of AMC and Cerro and Phelps Dodge Corporation expressed their current intent to take all action reasonably necessary to effect simultaneously with the closing of the merger the conversion of their shares of Class A Common Stock into a single class of Common Stock. The merger will not result in any change in the two class structure of our capital stock and both Common Stock and Class A Common Stock will remain outstanding. We understand that none of AMC, Cerro or Phelps Dodge Corporation will voluntarily convert their shares of Class A Common Stock unless all shares of Class A Common Stock are simultaneously converted.

In addition, the following information is provided in satisfaction of applicable rules of the Securities and Exchange Commission. Grupo México, S.A. de C.V. is a Mexican corporation with its principal executive offices located at Baja California 200, Colonia Roma Sur, 06760 Mexico City, Mexico. Grupo México is our largest stockholder. Through its wholly-owned subsidiaries, AMC and SPHC II Incorporated, it currently owns approximately 54.2% of our capital stock and approximately 65.8% of our Class A Common Stock. Grupo México's principal business is to act as a holding company for shares of other corporations engaged in the mining, processing, purchase and sale of minerals and other products and railway services. Grupo México shares are listed on the Mexican Stock Exchange.

You should be aware that some of our executive officers and directors have interests in the merger that may be in addition to or different from the interests of our stockholders generally. These interests relate primarily from, among other things, their ownership of shares in Grupo México. The largest stockholder of Grupo México is Empresarios Industriales de México, S.A. de C.V. or EIM, which is a Mexican corporation. The principal business of EIM is to act as a holding company for shares of other corporations engaged in a variety of businesses including mining, construction, real estate and drilling.

The Larrea family, directly controls the majority of the capital stock of EIM and directly and indirectly controls a majority of the votes of the capital stock of Grupo México.

Director/Officer	Beneficial Ownership
Xavier Garcia de Quevedo Topete	94,902
Genaro Larrea Mota-Velasco	9,411,000
Oscar Gonzalez Rocha(1)	163,139
Remigio Martinez Muller	16,176
Vidal Muhech Dip	6,049
Armando Ortega Gomez	22
Mario Vinageras Barroso	0
Juan Rebolledo Gout	13,012
Total	9,704,300

(1) Mr. Oscar Gonzalez Rocha has the right to acquire 38,523 additional shares of Grupo México under Grupo México's stock option plan.

Except as set forth above, and to our knowledge, none of our directors and executive officers beneficially own any equity security of Grupo México.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended to be presented at our 2005 annual meeting of stockholders must have been received by us at our principal executive office in the United States (2575 E. Camelback Rd. Suite 500, Phoenix, AZ 85016, USA) by November 30, 2004 in order to be considered for inclusion in our proxy statement and form of proxy.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents filed with the Securities and Exchange Commission by us pursuant to the Exchange Act of 1934 are incorporated by reference in this proxy statement:

(a) Our Annual Report on Form 10-K for the year ended December 31, 2003;

(b) Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004; and

(c) Our Current Reports on Form 8-K filed on January 7, 2004, January 30, 2004, February 4, 2004, February 13, 2004, February 18, 2004, March 22, 2004, April 21, 2004, April 30, 2004, July 23, 2004, August 18, 2004, August 31, 2004, September 13, 2004, September 24, 2004, October 22, 2004 and January 27, 2005.

The following documents filed with the Securities and Exchange Commission by Minera México pursuant to the Exchange Act of 1934 are incorporated by reference in this proxy statement.

(a) Minera México's Annual Report on Form 20-F for the year ended December 31, 2003; and

(b) Minera México's Current Reports on Form 6-K filed May 28, 2004 and November 26, 2004.

All documents and reports filed by us and Minera México pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934 subsequent to the date of this proxy statement and prior to the special meeting shall be deemed to be incorporated by reference in this proxy statement and to be a part hereof from the respective dates of the filing of such documents or reports. Any statement contained herein or in a

document incorporated by reference or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this proxy statement to

the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such earlier statement.

This proxy statement incorporates documents by reference which are not presented herein or delivered herewith, such documents (other than exhibits to such documents unless such exhibits are specifically incorporated by reference) are available, without charge, to any person whom this proxy statement is delivered, on written or oral request, in the case of documents relating to the Company, to Southern Peru Copper Corporation, 2575 East Camelback Road, Suite 500, Phoenix, Arizona 85016, (602) 977-6500, or, in the case of documents relating to Minera México, to Minera México, Baja California 200, Col. Roma Sur, 06760 Mexico City, Mexico, 011-52-55-5080-0050. In order to ensure timely delivery of the documents, any request should be made no later than five days prior to the date of the special meeting.

AVAILABLE INFORMATION

We are required to file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission under the Exchange Act of 1934. Minera México is required to file annual and special reports and other information with the Securities and Exchange Commission under the Exchange Act of 1934. You may read and copy this information in person at the following location of the Securities and Exchange Commission:

Public Reference Room
450 Fifth Street, N.W. Suite 1024
Washington, D.C. 20549

Copies of this information may also be obtained by mail from the Public Reference Room of the Securities and Exchange Commission, 450 Fifth Street, N.W., Suite 1024, Washington, D.C. 20549, at prescribed rates. Information on the operation of the Securities and Exchange Commission's public reference room can be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a website that contains reports, proxy statements and other information about issuers, like us and Minera México, that file electronically with the Securities and Exchange Commission. The address of that site is http://www.sec.gov.

INDEPENDENT AUDITORS

One or more representatives of PricewaterhouseCoopers S.C., our independent accountants, are expected to be present at the special meeting. They will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

OTHER MATTERS

We are not aware of any other matters to be considered at the special meeting. If any other matters properly come before the meeting, the persons named in the enclosed form of proxy are ratified to and will vote said proxy in accordance with their judgment on such matters.

Southern Peru Copper Corporation

/s/ Armando Ortega Gómez

Armando Ortega Gómez,
Secretary

February , 2005