

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

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

**SOUTHERN PERU COPPER CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No Filing Fee Required.
- 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

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

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  - (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\*

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\*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.

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

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(5) Total fee paid: \$124,515.70

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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:

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2. Form, Schedule or Registration Statement No.:

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3. Filing Party:

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4. Date Filed:

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**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

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Armando Ortega Gómez,  
Secretary

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**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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TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF THE ACQUISITION	1
Summary of the Merger	2
Vote Requirements	3
Federal Tax Treatment	3
Accounting Treatment	4
Conditions to the Merger	4
Possible Termination of the Transaction	4
Completion of the Merger	5
The Special Committee	5
Opinion of the Special Committee's Financial Advisor Goldman, Sachs & Co.	5
Risk Factors	6
A WARNING ABOUT FORWARD-LOOKING INFORMATION	7
SPECIAL MEETING INFORMATION	8
General	8
Revocability of Proxies	8
Solicitation of Proxies	8
Record Date	8
Vote Required	9
Arrangements With Respect to the Vote	10
Householding of Special Meeting Materials	12
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	12
General	12
Purpose and Effect of the Amendment	12
PROPOSAL NO. 2: APPROVAL OF THE ISSUANCE OF COMMON STOCK IN THE MERGER	13
General	13
New York Stock Exchange Stockholder Approval Requirement	13
PROPOSAL NO. 3: AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION TO CHANGE THE COMPOSITION AND RESPONSIBILITIES OF CERTAIN COMMITTEES OF THE BOARD OF DIRECTORS	14
General	14
Special Independent Directors/Special Nominating Committee	14
Affiliate Transaction Committee	15
THE MERGER	16
Background of the Merger	16
Factors Considered by the Special Committee	27
Opinion of the Special Committee's Financial Advisor Goldman, Sachs & Co.	30
DESCRIPTION OF THE AGREEMENT AND PLAN OF MERGER	39
General	39
Effective Time	39
Merger Consideration	39
Representations and Warranties	39
Conditions to the Merger	41
Termination of the Transaction	42
Conduct of Business Prior to Completion of the Merger	43

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Other Covenants and Agreements	44
Indemnification	45
Appraisal Rights	46
Accounting Treatment	46
Material United States Federal Income Tax Consequences	46
Regulatory Approvals	49
Completion of the Merger	49
Rights of Stockholders	49
RISK FACTORS	50
Certain Risks Associated with the Merger	50
Certain Risks Associated with Minera México's Business and Doing Business In Mexico	50
OUR SELECTED FINANCIAL DATA	54
MATERIAL RECENT DEVELOPMENTS	55
SELECTED FINANCIAL DATA FOR MINERA MÉXICO	55
UNAUDITED PRO FORMA COMBINED CONDENSED SELECTED FINANCIAL DATA	58
HISTORICAL AND PRO FORMA PER SHARE DATA	61
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	63
STOCKHOLDER PROPOSALS	66
INCORPORATION OF CERTAIN INFORMATION BY REFERENCE	66
AVAILABLE INFORMATION	67
INDEPENDENT AUDITORS	67
OTHER MATTERS	68
Annex A Agreement and Plan of Merger	
Annex B Fairness Opinion	
Annex C Proposed Charter Amendments	
Annex D Unaudited Pro Forma Combined Condensed Financial Information	

**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](http://www.southernperu.com). We have made available free of charge on [www.southernperu.com](http://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

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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.

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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.*"



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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.



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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;

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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 oper