

Green Plains Renewable Energy, Inc.
Form DEFA14A
March 23, 2012

SCHEDULE 14A INFORMATION

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

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GREEN PLAINS RENEWABLE ENERGY, INC.

(Name of Registrant as Specified In Its Charter)

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Green Plains Renewable Energy, Inc. Shareholder Meeting to be Held on May 2, 2012

Under Securities and Exchange Commission rules, you are receiving this notice that the proxy materials for the annual shareholders' meeting are available on the Internet. Follow the instructions below to view the materials and vote online or request a paper copy. The items to be voted on and location of the annual meeting are on the reverse side. Your vote is important!

This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting. The proxy statement and annual report to shareholders are available at:

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01FT3C

The 2012 Annual Meeting of Shareholders of Green Plains Renewable Energy, Inc. will be held at 10:00 a.m., Central Time, on Wednesday, May 2, 2012 at the Hilton Omaha located at 1001 Cass Street, Omaha, Nebraska.

Proposals to be voted on at the meeting are listed below along with the Board of Directors' recommendations.

The Board of Directors recommends a vote **FOR** all nominees listed in Proposal 1 and a vote **FOR** Proposal 2:

1. To elect four directors to serve three-year terms that expire at the 2015 annual meeting: Jim Barry, Todd Becker, Brian Peterson and Alain Treuer.
2. To approve an amendment to the Company's Articles of Incorporation authorizing the addition of 50,000,000 shares of preferred stock.

PLEASE NOTE YOU CANNOT VOTE BY RETURNING THIS NOTICE. To vote your shares you must vote online, by telephone or request a paper copy of the proxy materials to receive a proxy card. If you wish to attend and vote at the meeting, please bring this notice with you.

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To facilitate timely delivery, all requests for a paper copy of the proxy materials must be received by April 25, 2012.

01FT3C

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Statement of Earnings Data

2005

2004

2003

(dollars in millions)

Net sales

\$

4,112.6

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\$	3,096.7
\$	1,576.6
Cost of sales (exclusive of depreciation, amortization and depletion)	
)	(1,635.4)
)	(1,334.3)
)	(992.4)
)	
Selling, general and administrative	
)	(81.1)
)	(71.8)
)	(63.5)
)	
Depreciation, amortization and depletion	
)	(277.2)
)	(192.6)

	(108.9
)	
	(106.5
)	
	(117.0
)	
Interest capitalized	
	22.5
	10.7
	5.6
Interest income	
	30.8
	8.3
	5.2
Loss on debt prepayments	
	(10.6
)	
	(16.5
)	

	(5.8)
)	
Loss on derivative instruments	
	(22.3)
)	
	(1.4)
)	
Gain on disposal of properties	
	53.5
Other income (expense)	
	(3.7)
)	
	(9.7)
)	
	(4.2)
)	
Income taxes	

(589.7

)

(433.7

)

(120.1

)

Minority interest

(12.5

)

(4.7

)

(4.3

)

Cumulative effect of change in accounting Principle, net of income tax

(1.5

)

Net earnings

\$

1,400.1

\$

982.4

\$

83.5

The table below outlines the average published market metals prices (rounded to the nearest cent) for our metals for each of the years ended December 31, 2005, 2004 and 2003.

Average Market Metals Prices

	Year Ended December 31,			% Change	
	2005	2004	2003	2004 to 2005	2003 to 2004
Copper price (\$ per pound - LME)	\$ 1.67	\$ 1.30	\$ 0.81	28.5%	60.5%
Copper price (\$ per pound - COMEX)	\$ 1.68	\$ 1.29	\$ 0.81	30.2%	59.3%
Molybdenum price (\$ per pound)(1)	\$ 31.05	\$ 15.95	\$ 5.21	94.7%	206.1%
Zinc price (\$ per pound - LME)	\$ 0.63	\$ 0.48	\$ 0.38	31.3%	26.3%
Silver price (\$ per ounce - COMEX)	\$ 7.32	\$ 6.68	\$ 4.89	9.6%	36.6%

(1) Platt's Metals Week Dealer Oxide.

Segment Sales Information

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The following table presents the volume of sales by segment of copper and our significant byproducts, for each of the three years ended December 31, 2005.

Copper sales (million pounds)	Year Ended December 31,		
	2005	2004	2003
Peruvian operations	825.3	864.4	827.1
Mexican open-pit	768.8	680.6	625.5
Mexican IMMSA unit	93.1	53.9	49.1
Intersegment elimination	(147.2)	(34.4)	(45.6)
Total copper sales	1,540.0	1,564.5	1,456.1

Byproduct sales (million pounds, except silver - million ounces)	Year Ended December 31,		
	2005	2004	2003
Peruvian operations:			
Molybdenum contained in concentrate	23.4	23.5	20.0
Silver	4.2	4.6	4.2
Mexican open-pit operations:			
Molybdenum contained in concentrate	8.8	8.1	7.6
Zinc-refined and in concentrate	108.9	101.1	90.1
Silver	7.2	7.5	8.5
IMMSA unit			
Zinc-refined and in concentrate	288.7	269.1	274.8
Silver	11.5	12.6	12.1
Intersegment elimination			
Zinc	(103.5)	(103.6)	(95.5)
Silver	(3.1)	(4.5)	(5.3)
Total byproduct sales			
Molybdenum contained in concentrate	32.2	31.6	27.6
Zinc-refined and in concentrate	294.1	266.6	269.4
Silver	19.8	20.2	19.5

Results of operations for the Year Ended December 31, 2005 Compared to Year Ended December 31, 2004.

Net sales

Our sales in 2005 were \$4,112.6 million, compared with \$3,096.7 million in 2004, an increase of \$1,015.9 million or 32.8%. The increase was attributable to significant

increases in metal prices in 2005, particularly for copper, which rose approximately 30%, and molybdenum, which rose 94.7%. Sales volumes for copper declined by 24.5 million pounds in 2005 a decrease of 1.6% compared with 2004. This decrease in copper sales volume, as well as a decrease in the volume of silver sold, was to a large part offset by increases in the volume of molybdenum and zinc sales.

The table below presents information regarding the volume of our copper sales products.

Copper sales (million pounds)	Year Ended December 31,	
	2005	2004
Refined	818.2	790.6
Blister	109.4	93.9
Concentrates	20.0	107.8
SX/EW	261.7	239.1
Rod	330.7	333.1
Total	1,540.0	1,564.5

Mine copper production was 1,521.0 million pounds in 2005, a decrease of 3.9% from 2004. This decrease of 61.9 million pounds included a decrease of 87.6 million pounds from the Peruvian open pit operations and 5.0 million pounds in the Mexican underground mines, which were partially offset by an increase of 30.7 million pounds from the Mexican open pit mines.

The decrease of 87.6 million pounds in the Peruvian mines was the result of lower ore grades at the Cuajone and Toquepala mines and lower PLS grade in the SX/EW operation. The decrease of 5.0 million pounds in the Mexican underground mines was due to lower ore grades. The increase of 30.7 million pounds in production from the Mexican open pit mines was principally due to higher throughput in La Caridad mine and higher recovery and an increase in SX-EW production due to higher quantities of PLS treated and higher power efficiency.

Molybdenum production increased from 31.7 million pounds in 2004 to 32.6 million pounds in 2005. This 2.8% increase in production was mainly the result of an increase in the Mexican production, due to higher recoveries.

Mine zinc production amounted to 316.6 million pounds in 2005, an increase of 21.6 million pounds or 7.3% over the 2004 period. The increase was due to the resumption of production at IMMSA's Santa Eulalia unit. Santa Eulalia's operations were suspended from 2000 through 2004 as the facilities were being modernized. The work at the Santa Eulalia mine was delayed due to liquidity issues of Minera Mexico in some years prior to 2004. Increased 2005 production from Santa Eulalia amounted to 27.6 million pounds. Grade decreases at our other zinc mines reduced somewhat the increase from Santa Eulalia. In January 2006 an electrical fire at a power sub-station at the San Luis Potosi zinc refinery shut down operations. After evaluating the damage, we expect to restore 50% of the production in the second quarter of 2006 and the remaining 50% at the end of the third quarter. In the interim we are selling zinc concentrates. Due to a shortage of zinc concentrate, the Company is able to receive favorable terms on these sales and expect that the overall return will be favorable. In addition, insurance coverage is expected to cover the cost of repairs, equipment replacement and any loss on production.

Copper made up 66.6% of net sales in 2005 compared with 68.1% in 2004. Sales of byproducts in 2005 totaled \$1,373.6 million compared with \$987.8 million in 2004, an increase of 39.1%. The increase is principally attributable to significantly increased sales of molybdenum, resulting from the 94.7% increase in the average market price for molybdenum in 2005 compared with 2004. In addition to increased metal prices, increased mine production was also a factor in increasing our byproduct sales in 2005, molybdenum production for 2005 was 32.6 million pounds compared with 31.7 million pounds in 2004, an increase of 3%. The table below provides the sales of our byproducts as a percentage of our total net sales.

Byproduct Sales as a Percentage of Total Net Sales	Year Ended December 31,	
	2005	2004
Molybdenum	22.5%	20.9%
Zinc	4.3	4.1
Silver	3.5	4.1
Other byproducts	3.1	2.8
Total	33.4%	31.9%

Cost of sales (exclusive of depreciation, amortization and depletion)

Our cost of sales (exclusive of depreciation, amortization and depletion) in 2005 was \$1,635.4 million, compared with \$1,334.3 in 2004, an increase of \$301.1 million, or 22.6%. The principal elements of the cost of sales increase are a \$72.5 million increase in the cost of purchased electric power and fuel, an increase of \$27.2 million for mining royalties, and a \$125.6 million increase in worker's participation, including an adjustment of \$36.3 million, related to a change in the method of calculating the amount of the statutory worker's participation for the Mexican workers, see Liquidity and Capital Resources for a discussion of this matter. In addition, the higher value of copper in 2005 increased our cost of sales by \$16.2 million over 2004, as we supplemented our copper production with copper acquired from third parties.

During 2005, in response to an industry wide shortage of mine truck tires we put in place a tire rationalization program to optimize our tire usage. The program, which includes; road maintenance improvements; closer tire maintenance monitoring, including temperature and pressure checks; and stricter truck handling procedures; was in place for 2005 and resulted in an 18% reduction in tire consumption when compared to 2004. While we expect the supply deficit to be resolved by mid-2007, we continue to monitor the supply situation for this vital commodity and expect to satisfy our needs through prudent consumption practices and the development of alternative supply sources, if necessary.

We expect that cost of sales will increase in 2006 and the near future years as a result of our adoption, on January 1, 2006, of the EITF's, consensus related to mine stripping costs. See Critical Accounting and Estimates Capitalized Mine Stripping and Leachable Material.

Selling, general and administrative

Our selling, general and administrative expense in 2005 was \$81.1 million, compared with \$71.8 million in 2004, an increase of \$9.3 million. Our higher selling, general and administrative expense in 2005 was principally a result of higher legal, auditing and consulting fees related in part to the acquisition of Minera Mexico, to the issuance of new debt, and to the cost associated with compliance with the Sarbanes-Oxley Act. In addition, the Peruvian tax on bank transfers was \$1.4 million higher in 2005.

Depreciation, amortization and depletion

Our depreciation, amortization and depletion expense in 2005 was \$277.2 million, compared with \$192.6 million in 2004, an increase of \$84.6 million. The increase was principally the result of the increase in the amortization of capitalized mine stripping costs and leachable materials of \$37.0 million and an increase in depreciation related to replacement capital expenditures.

Exploration

Exploration expense in 2005 was \$24.4 million, compared with \$15.6 million in 2004, an increase of \$8.8 million. The increase was principally as a result of the drilling and cross path activities at the Tia Maria project in Peru, \$3.7 million, and \$1.7 million and \$1.2 million drilling costs in IMMSA and Cananea, respectively.

Interest expense

Interest expense in 2005 was \$108.9 million compared with \$106.5 million in 2004, an increase of \$2.4 million. Our currently paid interest expense decreased in 2005 principally as a result of a reduction of our debt outstanding. However, included in 2005 there was \$15.0 million for the write-off of previously capitalized debt issuance cost for financings prepaid in such years. With respect to our financing programs reference is made to Liquidity and Capital Resources for a further discussion of this matter.

Capitalized interest

Capitalized interest in 2005 was \$22.5 million, compared with \$10.7 million in 2004, an increase of \$11.8 million. This increase is mainly due to the Ilo smelter modernization and the Toquepala crushing, conveying system for leachable material projects, on which capitalized interest increased by \$6.4 million and \$2.2 million, respectively in 2005.

Interest income

Interest income in 2005 was \$30.8 million, compared with \$8.3 million in 2004, an increase of \$22.5 million. Our interest income increased principally as a result of higher interest rates on short term securities and significantly higher invested balances.

Loss on derivative instruments

Loss on derivative instruments in 2005 was \$22.3 million, compared with \$1.4 million in 2004, an increase of \$20.9 million. In 2005, we recorded \$23.5 million of loss in copper swaps and a gain of \$1.2 million in interest rate swaps. In 2004 we recorded a loss of \$1.4 million of interest rate swap.

Loss on debt prepayments

Loss on debt prepayments in 2005 was \$10.6 million, compared with \$16.5 million in 2004, a decrease of \$5.9 million. In 2005 we paid a penalty of \$2.0 million for the prepayment of \$199 million of Peruvian bonds and a premium of \$8.6 million in the Yankee bonds repurchase. In 2004, we incurred \$12.8 million of prepayment fees and prepayment interest differential and \$3.7 million for a debt restructuring charge.

Gain on disposal of property

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Gain on disposal of property in 2004 was \$53.5. This amount includes gain from the sale of non-core property of our Mexican operation.

Other expense

Other expense in 2005 was \$3.7 million, compared with \$9.7 million in 2004 a decrease of \$6.0 million. Included in other expense are fees and other costs incurred in conjunction with the acquisition of Minera Mexico and were \$3.3 million and \$5.8 million in 2005 and 2004, respectively.

Income taxes

Income taxes in 2005 were \$589.7 million, compared with \$433.7 million in 2004, an increase of \$156.0 million and include \$576.3 million and \$420.2 million of Peruvian and Mexican income taxes, \$13.4 million and \$13.5 million for US Federal and state taxes for 2005 and 2004, respectively. US income taxes are primarily attributable to investment income as well as limitations on use of foreign tax credits in determining the alternative minimum tax.

The increase of \$156.0 million or 36.0% was primarily due to \$581.5 million of higher pretax income. The effective tax rate for 2005 was 29.4%, compared with 30.4% in 2004.

Included in the 2005 tax provision is a refund of \$43.4 million received by Minera Mexico for asset-based taxes (minimum income tax) paid in prior years. Without the benefit of this credit the Company's effective tax rate for the 2005 year would increase to 31.6%

Minority interest

Minority interest in 2005 was \$12.5 million compared with \$4.7 million in 2004, an increase of \$7.8 million or 166.0%. This increase is due to higher earnings in the period.

Net earnings

Our net earnings in 2005 were \$1,400.2 million, compared with \$982.4 million in 2004, an increase of \$417.8 million or 42.5%. Net earnings increased as a result of the factors described above.

Segment Operating Income Information 2005 vs. 2004:

Peruvian open-pit operations

	2005		2004		Change		
					Value	%	
Net sales	\$	2,179.9	\$	1,715.9	\$	464.0	27.0%
Operating costs and expenses		(879.4)		(788.8)		(90.6)	11.5%
Operating income	\$	1,300.5	\$	927.1	\$	373.4	40.3%

Net sales at our Peruvian operations in 2005 were \$2,179.9 million, compared with \$1,715.9 million in 2004, an increase of \$464.0 million. This increase was principally due to significant increases in the price of copper and molybdenum. Copper sales volume decreased by 39.0 million pounds in 2005 principally as a result of lower production at Toquepala and Cuajone due to lower ore grade and a decrease in SX/EW production due to lower PLS grades.

Operating costs and expenses at our Peruvian operations in 2005 were \$879.4 million, compared with \$788.8 in 2004, an increase of \$90.6 million principally due to higher cost of sales. The increase in cost of sales (exclusive of depreciation, amortization and depletion) of \$83.8 was principally the result of the higher cost of fuel, workers' participation provision and Peruvian royalty charges.

Fuel costs, a key component of our costs, were higher by \$31.4 million in 2005. Our cost for workers' participation increased \$27.6 million in 2005. This cost is calculated based on 8% of our Peruvian operations pre-tax earnings and increased as our profits increase. A Peruvian royalty provision which was instituted in June 2004 added \$22.7 million to our cost in 2005.

Operating income in 2005 was \$1,300.5 million, compared with \$927.1 million in 2004, an increase of \$373.4 million. The operating income increased as a result of the factors described above.

Mexican open-pit operations.

	2005		2004		Change		
					Value	%	
Net sales	\$	1,769.6	\$	1,189.7	\$	579.9	48.7%
Operating costs and expenses		(1,054.2)		(665.9)		(388.3)	58.3%
Operating income	\$	715.4	\$	523.8	\$	191.6	36.6%

Net sales from our Mexican open-pit operations in 2005 were \$1,769.6 million, compared with \$1,189.7 million in 2004, an increase of \$579.9 million or 48.7%. The increase in net sales was principally a result of significant increases in the price of copper and molybdenum and increased sales volume.

Operating cost and expenses at our Mexican open-pit operations in 2005 was \$1,054.2 million compared with \$665.9 million in 2004, an increase of \$388.3 million or 58.3%. This increase was principally the result of higher cost of sales and higher depreciation, amortization and depletion in 2005. The increase in cost of sales of \$288.4 million was principally the result of higher sales volumes, increased fuel and purchased electric power cost, increased maintenance cost, higher purchased metal costs, higher exchange losses, and increased workers participation. Production and sales volume increases added to our 2005 costs, as did an increase of \$104.0 million for purchased metals from third parties. Our cost for workers participation, including an adjustment of \$36.3 million, increased \$106.1 million in 2005. This cost is calculated based on 10% of pretax earnings and increases as our profits increase. Fuel and purchased electric power cost were higher by \$31.4 million in 2005. Maintenance cost was also higher by \$38.9 million in 2005. In addition, an exchange loss of \$18.5 million was reported in 2005 as a result of the appreciation of the peso against the U.S. dollar during the year. The increase in depreciation, amortization and depletion of \$85.7 million in 2005 was principally due to the amortization of capitalized mine stripping and leachable cost.

Operating income in 2005 was \$715.4 million, compared with \$523.8 million in 2004, an increase of \$191.6 million or 36.6%. The operating income increased as a result of the factors described above.

IMMSA unit.

	2005		2004		Change		
					Value	%	
Net sales	\$	448.7	\$	317.1	\$	131.6	41.5%
Operating costs and expenses		(380.3)		(272.9)		(107.4)	39.4%
Operating income	\$	68.4	\$	44.2	\$	24.2	54.8%

Net sales at our IMMSA unit in 2005 were \$448.7 million, compared with \$317.1 million in 2004, an increase of \$131.6 million or 41.5%. The increase was due to higher sales prices in 2005 for copper, zinc and silver. In addition, an increase in sales volume of copper and zinc added to the 2005 sales increase. Zinc from our reopened Santa Eulalia mine added 22.7 million pounds to 2005 zinc sales.

Operating costs and expenses at our IMMSA unit were \$380.3 million in 2005, compared with \$272.9 million in 2004, an increase of \$107.4 million or 39.4%. This increase was principally the result of increased sales volumes for copper and zinc, the higher cost of fuel and purchased electric power, higher volume of metal purchased from third parties and an increase in the cost of contractor services. In 2005, cost of sales (exclusive of depreciation, amortization and depletion) increased \$99.7 million, principally as a result of higher production and sales volumes for

copper and zinc, which included an increase of \$64.6 million for purchased metals from third parties.

Our fuel and purchased electric power costs, a key component of our costs, were higher by \$10.9 million in 2005. In addition, the cost of contractor services, principally for our coal operations, increased by \$13.0 million in 2005.

Operating income in 2005 was \$68.4 million, compared with \$44.2 million in 2004, an increase of \$24.2 million or 54.8%. The operating income increased as a result of the factors described above.

Intersegment Eliminations and Adjustments

The net sales, operating costs and expenses and operating income displayed above will not be directly equal to amounts in our consolidated combined statement of earnings because the adjustments of intersegment operating revenues and expenses must be taken into account. Please see Note 19 to the financial statements.

Results of Operations for the Year Ended December 31, 2004 compared with Year Ended December 31, 2003

Net sales

Our net sales in 2004 were \$3,096.7 million, compared with \$1,576.6 in 2003, an increase of \$1,520.1 million or 96.4%. The increase was principally attributed to significant increases in metals prices in 2004, particularly those of copper, for which our average sales prices rose 67.9%, and molybdenum, for which our sales prices rose 286.3%. In addition to increased metals prices, increased mine production was also an important factor in increasing our net sales in 2004. Copper production for 2004 was 718,007 tons, compared with 665,916 tons in 2003, an increase of 7.8%.

The table below presents information regarding the volume of our copper sales for each of the years ended December 31, 2004 and 2003.

Copper sales (million pounds)	Year Ended December 31,	
	2004	2003
Refined	790.6	846.1
Blister	93.9	90.2
Concentrates	107.8	82.0
SX/EW	239.1	280.4
Rod	333.1	157.4
Total	1,564.5	1,456.1

All four of our open-pit copper mines recorded increased output in 2004 compared with 2003. The Cananea mine recorded the most significant increase of 20.7%, equivalent to 29,003 additional tons of copper, primarily due to a 29.3% increase in mill throughput. The Toquepala mine registered the second highest production percentage increase of 6.8%, contributing an additional 12,849 tons of copper. The increase in production at the Toquepala mine was primarily attributable to a higher ore grade of 0.817% in 2004 compared with 0.749% in 2003. The

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Cuajone and La Caridad mines also delivered higher production output with Cuajone contributing an additional 9,861 tons and La Caridad contributing an additional 3,454 tons in 2004 compared with 2003. Cuajone's additional output was primarily as a result of higher ore grades, while La Caridad's higher output was as a result of increased production despite marginally lower ore grades. Copper made up 68.1% of our net sales in 2004 compared with 74.7% in 2003.

Our sales of byproducts in 2004 totaled \$987.8 million, compared with \$396.1 million in 2003, an increase of \$591.7 or 149.4%. The increase was principally attributable to significantly increased sales of molybdenum, resulting from the 286.3% increase in our

average sales price for molybdenum in 2004 compared with 2003. The table below provides the sales of our byproducts as a percentage of our total net sales for 2004 and 2003.

Byproduct Sales as a Percentage of Total Net Sales	Year Ended December 31,	
	2004	2003
Molybdenum	20.9%	9.1%
Zinc	4.1	6.4
Silver	4.1	6.0
Gold and other metals	2.8	3.8
Total	31.9%	25.3%

Cost of sales (exclusive of depreciation, amortization and depletion)

Our cost of sales in 2004 was \$1,334.3 million, compared with \$992.4 million in 2003, an increase of \$341.9 million or 34.5%. Our higher cost of sales was principally due to increased production in 2004. As discussed above, copper mine production for 2004 increased 7.4% with all four of our open-pit copper mines registering increased output in 2004 compared with 2003. Cost of sales (exclusive of depreciation, amortization and depletion) also increased as a result of increases in the prices of certain inputs, including power, maintenance expenses and certain replacement parts. Cost of sales (exclusive of depreciation, amortization and depletion) additionally increased in 2004 as a result of an increase in the volume and cost of the copper concentrate we purchased from third parties in 2004. We purchase concentrate from third parties in order to produce additional copper rods for which we receive premium pricing, as well as to meet our commitments to customers. The cost of this purchased copper, acquired at prevailing market prices, was \$69.9 million in 2004, compared with \$25.0 million in 2003. The increase in the cost of purchased copper resulted from the increased volume purchased and from the increase in the price of copper.

Other factors contributing to the increased costs in 2004 included a provision of \$17.6 million for the recently enacted mining royalty charge in Peru. This mining royalty charge will be 1% to 3% based on sales applicable to the value of concentrates produced in the Toquepala and Cuajone mines.

We expect that cost of sales will increase in the near future years as a result of the recently issued Emerging Issues Task Force, or EITF, consensus, which we describe above under Critical Accounting Policies and Estimates Capitalized Mine Stripping Costs and Leachable Material.

Selling, general and administrative

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Selling, general and administrative expense in 2004 was \$71.8 million, compared with \$63.6 million in 2003, an increase of \$8.2 million or 12.9%. Our higher selling, general and administrative expense in 2004 was principally as a result of \$13.8 million in management fees paid to Grupo México. The increase in management fees payable to Grupo México is largely attributable to the transfer of some corporate staff from Minera México to Grupo México. Such management fees, which were not payable in 2003, were partially offset by a payroll reduction of \$2.7 million and a reduction in lease expenses of \$2.6 million. Management fees include corporate, legal, accounting, finance, and commercial and similar costs.

Depreciation, amortization and depletion

Depreciation, amortization and depletion expense in 2004 was \$192.6 million, compared with \$177.1 million in 2003, an increase of \$15.5 million or 8.8%. Depreciation, amortization and depletion expense increased principally as a result of the increase in the amortization of capitalized mine stripping costs and leachable materials of \$10.6 million. The increase was also as a result of an increase in maintenance capital expenditures. In addition, the depreciation expense increased \$6.2 million as a result of a larger amount of capital expenditures incurred in 2004. Our total capital expenditures in 2004 were

\$228.3 million compared with \$64.9 million in 2003. Our average depreciation rate was approximately 3% for 2004. We expect amortization will decrease in the future as a result of the aforementioned EITF consensus.

Exploration

Exploration expense in 2004 was \$15.6 million, compared with \$17.9 million in 2003, a decrease of \$2.3 million or 12.8%. In 2003 exploration expense included the acquisition of exploration properties in Chile for \$3.7 million. There was no similar acquisition in 2004. Excluding these costs, exploration expense increased as a result of exploration and drilling activity in Mexico.

Interest expense

Interest expense in 2004 was \$106.5 million, compared with \$117.0 million in 2003, a decrease of \$10.5 million or 9.0%. Interest expense decreased in 2004 compared with 2003 principally as a result of a reduction in the amount of debt outstanding. In addition, in the last quarter in 2004, we refinanced a portion of outstanding debt at a reduced interest rate in connection with our new \$600 million credit facility.

Capitalized interest

Capitalized interest in 2004 was \$10.7 million, compared with \$5.6 million in 2003, an increase of \$5.1 million, or 92%. Capitalized interest increased principally as a result of an increase in our capital expenditures from \$64.9 million in 2003 to \$228.3 million in 2004.

Interest income

Interest income in 2004 was \$8.3 million, compared with \$5.2 million in 2003, an increase of \$3.1 million or 60.6%. Despite decreases in prevailing interest rates, our interest income increased in 2004 compared with 2003, principally due to increased levels of cash invested, principally in short-term securities.

Loss on debt prepayments

The loss on debt prepayments in 2004 was \$16.5 million, compared with \$5.8 million in 2003, an increase of \$10.7 million or 182.3%. Loss on debt prepayments increased in 2004 compared with 2003 as a result of our increased financing activity. In 2004 we incurred \$12.8 million of prepayment fees and prepayment interest differential and \$3.7 million for a debt restructuring charge. In 2003 we incurred debt refinancing expenses of \$5.8 million, including prepayment fees and the write-off of debt issuance costs.

Gain on disposal of properties

Gain on disposal of properties in 2004 was \$53.5 million. This gain is a result of the sale of non-core assets in 2004 by Minera México.

Other expense

Other expense in 2004 was \$9.7 million, compared with \$4.2 million in 2003, an increase of \$5.5 million or 132.1%. Other expense increased principally due to fees paid to third parties in connection with the acquisition of Minera Mexico.

Income taxes

Income taxes in 2004 were \$433.7 million, compared with \$120.1 million in 2003, and include \$420.2 million and \$113.8 million of Peruvian and Mexican income taxes, \$13.5 million and \$6.3 million for US federal and state taxes for 2004 and 2003, respectively.

The increase of \$313.6 million or 261.1% was primarily due to a \$1,211.4 million increase in pre-tax income. Such increase was partially offset by the effect of the changes in our permanent differences from 2004 to 2003. Our effective tax rates were 30.4% in 2004 based on pre-tax income of \$1,420.9 million and 57.3% in 2003 based on pre-tax income of \$209.5 million. See Note 7 to the Consolidated Combined Financial Statements.

Minority interest

Minority interest in 2004 was \$4.7 million, compared with \$4.3 million in 2003, an increase of \$0.4 million or 10.9%. Minority interest increased due to improved after-tax earnings. This increase was partially offset by the reduction of certain minority interests upon the purchase of such interests by Minera México in 2004.

Net earnings

Net earnings in 2004 were \$982.4 million, compared with \$83.5 million in 2003, an increase of \$898.9 million or 1,076%. Net earnings increased as a result of the factors described above.

Segment Operating Income Information 2004 vs. 2003:

Peruvian operations

	2004		2003		Change	
					Value	%
Net sales	\$	1,715.9	\$	798.4	\$ 917.5	114.9%
Operating costs and expenses		(788.8)		(581.6)	(207.2)	35.6%
Operating income	\$	927.1	\$	216.8	\$ 710.3	327.6%

Net sales at our Peruvian operations in 2004 were \$1,715.9 million, compared with \$798.4 million in 2003, an increase of \$917.5 million or 114.9%. This increase in net sales was principally due to significant increases in the price of copper and molybdenum. In addition, copper sales volume increased by 37.3 million pounds in 2004 as production increased at both the Toquepala and Cuajone mines. Increased throughput at the Toquepala mill and better recoveries and higher ore grades treated at both mills increased copper production by 28,340 tons. This increase was partially offset by decrease of 5,631 tons in SX/EW copper production caused by lower PLS grades. The volume of sales of molybdenum and silver, the principal byproducts of our Peruvian operations, also increased in 2004. We anticipate a reduction in the volume of 2005 copper production of approximately 8% at our Peruvian operations as a result of an expected decline in ore grade at our Cuajone mine.

Operating costs and expenses at our Peruvian operations in 2004 were \$788.8 million, compared with \$581.6 million in 2003, an increase of \$207.2 million or 35.6%. The increase was a result of higher sales volume, higher cost of fuel and power, an increase in the workers participation provision, a new Peruvian royalty charge and increased depreciation, amortization and depletion.

Sales of copper from our Peruvian mines in 2004 increased by 21.6 million pounds compared with 2003 and sales of copper processed up from purchased third party material increased by 15.7 million pounds. We pay prevailing market prices for this purchased material, which were significantly higher in 2004. Cost of copper purchased from third parties increased to \$49.7 million in 2004 from \$6.1 million in 2003. Power and fuel costs, a key component of our costs, were significantly higher in 2004. Our provision for workers participation increased by \$67.5 million in 2004. This cost is calculated based on 8% of our Peruvian operations pre-tax earnings and increases as our profits increase. A provision for a new Peruvian royalty added \$17.6 million to our costs in 2004. This Peruvian royalty was put in place in mid-year 2004 and will continue to affect our 2005

results. In addition, depreciation, amortization and depletion increased by \$4.2 million in 2004, principally due to capitalization and depreciation of new projects. In addition, our Peruvian operation paid management fees of \$7.0 million to Grupo México in 2004 and 2003.

Operating income in 2004 was \$927.1 million compared with \$216.8 million in 2003, an increase of \$710.3 million or 327.6%. The operating income increased as a result of the factors described above.

Mexican open-pit operations

	2004		2003		Change		
					Value	%	
Net sales	\$	1,189.7	\$	649.3	\$	540.4	83.2%
Operating costs and expenses		(665.9)		(548.6)		(117.3)	21.4%
Operating income	\$	523.8	\$	100.7	\$	423.1	420.2%

Net sales from our Mexican open-pit operations in 2004 were \$1,189.7 million, compared with \$649.3 million in 2003, an increase of \$540.4 million or 83.2%. The increase in net sales was principally a result of significant increases in the price of copper and molybdenum and increased sales volume. Copper sales volume increased by 55.1 million pounds in 2004 compared with 2003 as production at both open-pit mines increased. The Cananea mine recorded the most significant increase, 20.7%, equivalent to 29,003 additional tons of copper, primarily due to a 29.3% increase in mill throughput. The La Caridad mine increased production of copper in 2004 by 3,454 tons, primarily because of higher mill recoveries.

Operating costs and expenses at our Mexican open-pit operations in 2004 were \$665.9 million, compared with \$548.6 million in 2003, an increase of \$117.3 million or 21.4%. The increase was principally the result of higher sales volumes, increased fuel and power costs, and increased cost and consumption of other production inputs and increased maintenance activity. In 2004, sales of copper produced and sales of copper processed from third party material increased. Copper purchased from third parties increased by \$37.0 million in 2004. Copper purchased from IMMSA in 2004 amounted to \$87.5 million. In addition, a devaluation of the Mexican Peso caused an increase of \$17.8 million in 2004's reported exchange loss. Our Mexican open-pit operation paid management fees of \$4.5 million to Grupo México in 2004 and 2003.

Operating income in 2004 was \$523.8 million, compared with \$100.7 million in 2003, an increase of \$423.1 million or 420.2%. The operating income increased as a result of the factors described above.

IMMSA unit

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	2004		2003		Change	
					Value	%
Net sales	\$	317.1	\$	230.9	\$	37.3%
Operating costs and expenses		(272.9)		(218.9)		24.7%
Operating income	\$	44.2	\$	12.0	\$	268.3%

Net sales at our IMMSA unit in 2004 were \$317.1 million, compared with \$230.9 million in 2003, an increase of \$86.2 million or 37.3%. This increase was due to higher sales prices in 2004 for copper, zinc and silver, its principal products. In addition, an increase in sales volume of copper and silver added to the 2004 sales increase.

Operating costs and expenses at our IMMSA unit were \$272.9 million in 2004, compared with \$218.9 million in 2003, an increase of \$54.0 million or 24.7%. This increase was the result of increased sales volume of copper and silver and increases in power and fuel and other operating costs, and contractor services. Cost of copper purchased from third parties increased to \$89.6 million in 2004 from \$22.8 million in 2003. 2004 purchases include \$11.1 million from our Mexican open-pit operations. In addition, a devaluation of the Mexican Peso caused an increase in the reported exchange loss of \$2.1 million in 2004. Our IMMSA unit paid management fees of \$2.3 million to Grupo México in 2004 and 2003.

Operating income in 2004 was \$44.2 million, compared with \$12.0 million in 2003, an increase of \$32.2 million or 268.3%. The operating income increased as a result of the factors described above.

Intersegment Eliminations and Adjustments

The net sales, operating costs and expenses and operating income displayed above will not be directly equal to amounts in our consolidated combined statement of earnings because the adjustments of intersegment operating revenues and expenses must be taken into account. Please see Note 19 to the financial statements.

Liquidity and Capital Resources

The following discussion relates to our liquidity and capital resources for each of the years in the three year period ended December 31, 2005.

Liquidity

(in millions)	Year Ended December 31,		
	2005	2004	2003
Net cash provided from operating activities	\$ 1,644.2	\$ 1,172.4	\$ 64.8
Net cash used for investing activities	(425.4)	(219.5)	(59.7)
Net cash (used for) provided from financing activities	(1,055.6)	(540.6)	185.6

Cash Flows from Operating Activities

Net cash provided from operating activities was \$1,644.2 million, \$1,172.4 million and \$64.8 million in 2005, 2004 and 2003, respectively. The increases in 2005 and 2004 were for the most part the result of higher net earnings in both years, which were the result of improved prices for our products and for copper and molybdenum in particular.

In 2005, our earnings were \$1,400.1 million, approximately 85.2% of the net operating cash flow. Significant non-cash items deducted from, or added to, our earnings included, depreciation, amortization and depletion of \$277.2 million, which positively increased operating cash flow; and

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capitalized mine stripping and leachable material of \$116.4 million and a deferred tax benefit of \$42.3 million, which reduced operating cash flow. Additionally, changes in working capital balances added a further \$89.1 million to our net cash from operating activities.

In 2004, our earnings were \$982.4 million, approximately 83.8% of the net operating cash flow. Significant non-cash items deducted from, or added to, our earnings included, depreciation, amortization and depletion of \$192.6 million and a deferred tax provision of \$54.4 million, which positively increased our operating cash flow; and capitalized mine stripping and leachable material of \$92.8 million which decreased our operating cash flow. In addition, \$53.5 million a gain from the sale of non-core Mexican properties is deducted from earnings to arrive at operating cash flow, the contribution of these funds is included in investing cash flows. Changes in working capital assets and liabilities increased net operating cash flow by \$70.2 million. Some of these working capital accounts included some rather large changes in 2004, the growth of accounts receivable reduced operating cash flow by \$261.3 million, which was the result of the improvement in metal prices from the beginning of 2004 to the end. LME and COMEX

copper prices increased by 49 cents and 48 cents during 2004, respectively, in addition the price for molybdenum increased by \$10.80 per pound during 2004. Improving operating cash flow was the build up of payables and accruals during 2004, largely as a result of increased worker participation and income tax provisions driven by higher earnings, payment of which carries over into the next year.

In 2003, our earnings were \$83.5 million, approximately 128.8% of net operating cash flow. Depreciation, amortization and depletion amounted to a \$177.1 million add back and capitalized mine stripping and leachable material amounted to a \$79.7 deduction to reach operating cash flow. In addition, working capital changes decreased operating cash flow by \$143.8 million.

Cash Flows from Investing Activities

Net cash used for investing activities was \$425.4 million in 2005 compared to \$219.5 million in 2004. We made capital expenditures in an aggregate amount of \$470.6 million in 2005, including \$234.5 million for the Ilo, Peru smelter modernization project, \$32.8 million for the Toquepala crushing, conveyor system for leachable material, \$9.1 million for the Toquepala leach dump project and \$194.2 million principally for equipment replacements and upgrades, of which \$148.7 million was for our Mexican operations. Cash flow provided by investing activities in 2005 was from the sale of marketable securities of \$45.3 million.

Net cash used for investing activities was \$219.5 million in 2004 compared to \$59.7 million in 2003. We made capital expenditures of \$228.3 million in 2004, including \$65.6 million for the Ilo smelter modernization project, \$40.4 million for the Toquepala leach dump project and \$122.2 million for equipment replacements and upgrades. During 2004, we purchased marketable securities for \$69.4 million. Cash flow provided by investing activities in 2004 was primarily due to the sale of marketable securities of \$24.1 million, and proceeds from the sale of non-core properties, principally in Mexico, for \$60 million.

Net cash used for investing activities was \$59.7 million in 2003. Capital expenditures in 2003 amounted to \$64.9 million which was principally used for equipment replacements and upgrades. During 2003 Minera Mexico's capital expenditures were curtailed due to liquidity restraints imposed by its lenders.

Cash Flows from Financing Activities

For the year ended December 31, 2005, cash used for financing activities amounted to \$1,055.6 million. New financings undertaken in 2005 resulted not only in improved terms for our debt but also reduced our debt burden by \$158.2 million. In addition, we distributed \$853.9 million to our shareholders in 2005 and \$5.3 million to our remaining minority interest investors. In October, 2005, we purchased an additional 6.4 million shares of Minera Mexico, representing 0.8133% of the outstanding shares, for \$30.3 million.

For the year ended December 31, 2004, cash used for financing activities amounted to \$540.6 million mainly as a result of a net debt repayment of \$340.9 million and dividends paid of \$191.4 million.

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For the year ended December 31, 2003, cash provided from financing activities amounted to \$185.6 million mainly as a result of a net capital stock increase of \$93.7 million related to Minera México, cash previously restricted as collateral of \$88 million was received back as part of the repayment of debt and proceeds of \$50.0 million received from the issuance of our corporate bonds. Reducing cash provided from financing activities were dividends paid to stockholders of \$45.4 million.

Other Liquidity Considerations

In June 2004, the Peruvian Congress enacted legislation imposing a royalty charge to be paid by mining companies in favor of the regional governments and communities where mining resources are located. Under the new law, we are subject to a 1% to 3% charge, based on sales, applicable to the value of the concentrates produced at our Toquepala and Cuajone mines. We made a provision of \$40.3 million and \$17.6 million in 2005 and 2004 respectively, for this new charge, which went into effect as of June 25, 2004. During 2005 we made payments of \$47.4 million related to this charge. In addition, the Constitutional Tribunal stated that this charge applied to all concessions held in the mining industry. We believe that this interpretation is incorrect and intend to protest an imposition of the royalty charge on our SX/EW production, which is operating under a tax stability agreement (*Guaranty and promotional Measures for Investment Contract*). Provisions made by the Company for the royalty charge do not include approximately \$5.9 million of additional potential liability relating to its SX/EW production from June 30, 2004 through December 31, 2005. It is anticipated that the royalty charge will have an adverse effect on our operating income and cash flow.

On January 26, 2006, the Board of Directors approved a dividend of \$2.75 per share, totaling \$404.9 million, to be paid on March 3, 2006.

While our combined financial results show a positive cash position over the past three years, our Minera México subsidiary, which we acquired on April 1, 2005, has faced challenges to its liquidity as a result of low metals prices in previous years. These challenges resulted in its noncompliance with certain debt covenants in 2001 and 2002. In April 2003 Minera México restructured certain of its indebtedness, entering into a common agreement among Minera México, Minera México's principal subsidiaries (as guarantors) and the holders of such indebtedness. Minera México paid amounts owing under this agreement with proceeds from a new credit facility established in October 2004. See *Financing* below.

In May 2005, the Mexican Supreme Court rendered a decision that changed the method of computing the amount of statutory workers' profit sharing required to be paid by some Mexican companies, including our Minera México subsidiary. The Supreme Court's ruling in effect prohibited the application of net operating loss carryforwards in computing the income used as the base for determining the workers' profit sharing amounts. We recognized in our 2005 results of operations a charge of \$36.3 million for workers' profit participation related to 2004. In addition, the ruling may affect our future results of operations and liquidity to the extent we pay higher workers' profit sharing amounts.

Financing

At December 31, 2005, we had outstanding borrowings of \$1,178.3 million (before deduction of \$6.3 million of debt discount valuation accounts), compared with \$1,330.3 million at December 31, 2004. At December 31, 2005, our outstanding debt as a percentage of total capitalization (the total of debt, minority interest and stockholders' equity) was 26.0%, compared with 32.0% at December 31, 2004. At December 31, 2005, our cash and marketable securities amounted to \$876.0 million, compared with \$756.0 million at December 31, 2004.

Below we describe our outstanding long-term indebtedness, as well as certain financial covenants that affect us. See Note 10 of the Consolidated Combined Financial Statements for a further description of our long-term indebtedness.

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On July 27, 2005 SCC issued \$200 million 6.375% Notes due 2015 and \$600 million 7.5% Notes due 2035. The notes are senior unsecured obligations of the Company. The net proceeds from the issuance and sale of the notes were used to repay outstanding indebtedness of our Peruvian and Mexican Operations, under its \$200 million and \$600 million (\$480 million outstanding) credit facilities, respectively, and the balance will be used for general corporate purposes. SCC filed a Registration Statement on Form S-4 with respect to these Notes on October 28, 2005. On January 3, 2006 the Company completed an exchange offer for \$200 million, 6.375% Notes due 2015 and \$600 million, 7.5% Notes due 2035. In the exchange offer, \$197.4 million of the 6.375% old notes due 2015 were tendered in exchange for an equivalent amount of new notes and an aggregate of \$590.5 million of the 7.5% old

notes due 2035 were tendered in exchange for an equivalent amount of new notes. The new notes have been registered under the U.S. securities law. The indentures relating to the notes contain certain covenants, including limitations on liens, limitations on sale and leaseback transactions, rights of the holders of the notes upon the occurrence of a change of control triggering event, limitations on subsidiary indebtedness and limitations on consolidations, mergers, sales or conveyances. All of these limitations and restrictions are subject to a number of significant exceptions, and some of these covenants will cease to be applicable before the notes mature if the notes attain an investment grade rating. At December 31, 2005, we are in compliance with these covenants.

In January 2005, the Company signed a \$200 million credit facility with a group of banks led by Citibank, N.A. Proceeds of this credit facility were used to prepay \$199 million the outstanding bonds of the Company's Peruvian bond program. On July 28, 2005, a portion of the proceeds from the July 27, 2005 financing, noted above, were used to repay this facility.

In 1998, Minera México issued \$500 million of unsecured debt, which we refer to as its Yankee bonds. The Yankee bonds were offered in two series: Series A for \$375 million, with an interest rate of 8.25% and a 2008 maturity, and Series B for \$125 million, with an interest rate of 9.25% and a 2028 maturity date. During 2005, the Company repurchased \$143.0 million of the Series A bonds. The bonds contain a covenant requiring Minera Mexico to maintain a ratio of EBITDA to interest expense of not less than 2.5 to 1.0, as such terms are defined by the bonds. At December 31, 2005, Minera Mexico is in compliance with this covenant.

In 1999, the Company established a \$100 million credit facility with Mitsui & Co. The facility has a 15-year term with an interest rate of Japanese LIBO plus 1.25% (Japanese LIBO for this loan was 4.67% at December 31, 2005). The facility is collateralized by the assignment of copper sales receivables of 31,000 tons of copper per year and requires an escrow account to fund scheduled payments. The facility requires that we maintain a minimum stockholders' equity of \$750 million and a ratio of debt to equity no greater than 0.5 to 1.0, all as such terms are defined by the facility. Reduction of Grupo México's direct or indirect voting interest in our Company to less than a majority would constitute an event of default under the facility. At December 31, 2005, we are in compliance with these covenants.

On October 29, 2004, Minera Mexico borrowed \$600 million pursuant to a facility with a final maturity date in 2009. The credit facility bore interest at LIBOR plus 200 basis points. The proceeds from the credit facility were used to repay in full the amounts outstanding under a common agreement with holders of Minera Mexico's secured export notes and other financial institutions. The loan was secured by a pledge of Minera Mexico's principal properties and was guaranteed by its principal subsidiaries. In 2005, the Company prepaid the total amount of this financing, using in part proceeds from the July 27, 2005 Note issuance.

While we recently prepaid all amounts outstanding under our Peruvian bond program, we are authorized by Peru's *Comisión Nacional Supervisora de Empresas y Valores* (CONASEV) to issue additional bonds.

We expect that we will meet our cash requirements for 2006 and beyond from internally generated funds, cash on hand and from additional external financing if required.

Capital Expenditure Programs

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A discussion of our capital programs is an important part of understanding our liquidity and capital resources. For information regarding our capital expenditure programs, see the Discussion under the caption "Expansion and Modernization Program" of this section.

Contractual Obligations

The following table summarizes our significant contractual obligations as of December 31, 2005:

	Payments due by Period						
	Total	2006	2007	2008	2009	2010	2011 and Thereafter
	(dollars in millions)						
Long-term debt	\$ 1,178.3	\$ 10.0	\$ 10.0	\$ 183.3	10.0	\$ 10.0	\$ 955.0
Interest on debt	1,782.6	88.3	87.6	87.1	72.1	71.6	1,375.9
Purchase obligations:							
Commitment to purchase energy	1,625.7	144.2	134.7	134.7	134.7	134.7	942.7
Capital purchase obligations	183.3	87.5	95.8				
Total	\$ 4,769.9	\$ 330.0	\$ 328.1	\$ 405.1	\$ 216.8	\$ 216.3	\$ 3,273.6

Interest on debt calculated at rates in effect at December 31, 2005. Please refer to Note 10-Financings of our Consolidated Combined Financial Statements for a description of our long-term debt arrangements and credit facilities.

We have a commitment to purchase power for our Peruvian operations from Energía del Sur, S.A. until 2017. Amounts indicated on the above table are based on power costs in 2005, which are subject to change as energy generation costs change and our forecasted power requirements through the life of the agreements change.

Pursuant to our PAMA we have committed to bring our operations into compliance with environmental standards established by the government of Peru. The capital purchase obligation in the above table is for the estimated cost of completing the Ilo smelter modernization, our remaining obligation under our PAMA.

For an additional discussion on this matter see Environmental matters-Peruvian operations, in Note 13-Commitments and Contingencies of the Consolidated Combined Financial Statements.

Quantitative and Qualitative Disclosure about Market Risk

A portion of our outstanding debt bears interest at variable rates and accordingly is sensitive to changes in interest rates. Interest rate changes would also result in gains or losses in the market value of our fixed rate debt portfolio due to differences in market interest rates and the rates at the inception of the debt agreements. Based upon our indebtedness at December 31, 2005, a change in interest rates of 1 percent (or 100 basis points) would impact net income and cash flows by \$0.8 million annually.

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We are also exposed to market risk associated with changes in foreign currency exchange rates as certain costs incurred are in currencies other than our functional currency. To manage the volatility related to the risk, we may enter into forward exchange contracts, currency swaps or other currency hedging arrangements. We have only had limited involvement with derivative instruments and do not use them for trading purposes.

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, and giving no effects to potential hedging programs metal price sensitivity factors would indicate estimated change in net earnings resulting from metal price changes in 2006 as provided in the table below.

	Copper		Molybdenum		Zinc		Silver	
Change in metal prices (per pound except silver - per ounce)	\$	0.01	\$	1.00	\$	0.01	\$	1.00
Change in net earnings (in millions)	\$	8.7	\$	14.4	\$	1.8	\$	11.4

We have occasionally used derivative instruments to manage our exposure to changes in commodity prices. However, at December 31, 2005, we hold no derivative instruments.

Impact of New Accounting Standards

For a description of the impact of new accounting standards, see Note 2, Summary of Significant Accounting Policies Impact of new accounting standards, to our Consolidated Combined Financial Statements.

Non-GAAP Information Reconciliation

We provide a reconciliation of operating cash cost to GAAP cost of sales in millions of dollars and cents per pound in the table below.

	2005		2004		2003	
	\$ million	\$ per unit	\$ million	\$ per unit	\$ million	\$ per unit
Cost of sales (including depreciation, amortization and depletion) GAAP	\$ 1,912.6	\$ 1.266	\$ 1,526.9	\$ 0.969	\$ 1,169.4	\$ 0.814
Add:						
Selling, general and administrative expenses	81.1	0.054	71.8	0.046	63.6	0.044
Treatment and refining charges	34.3	0.023	27.7	0.018	24.9	0.017
Less:						
Byproducts revenue (1)	(1,478.0)	(0.979)	(1,056.3)	(0.670)	(442.8)	(0.308)
Depreciation, amortization and depletion	(277.2)	(0.184)	(192.6)	(0.122)	(177.1)	(0.123)
Workers participation	(219.2)	(0.145)	(93.6)	(0.059)	(20.2)	(0.014)
Royalty charge and other, net	(46.7)	(0.031)	(42.1)	(0.028)	11.5	0.008
Inventory change	33.0	0.022	44.4	0.028	(4.5)	(0.003)
Operating Cash Cost	\$ 39.9	\$ 0.026	\$ 286.2	\$ 0.182	\$ 624.8	\$ 0.435
Add byproducts revenue	1,478.0	0.979	1,056.3	0.670	442.8	0.308
Operating Cash Cost, without byproduct revenue	\$ 1,517.9	\$ 1.005	\$ 1,342.5	\$ 0.852	\$ 1,067.6	\$ 0.743
Total pounds of copper produced and purchased (in millions)	1,510.4		1,576.5		1,436.8	

(1) Includes net byproduct sales revenue and premiums on sales of refined products.

Item 8. Financial Statements and Supplementary Data

Southern Copper Corporation

and Subsidiaries

CONSOLIDATED COMBINED STATEMENT OF EARNINGS

For the years ended December 31, (in thousands, except for per share amounts)	2005	2004	2003
Net sales:			
Non-affiliates	\$ 4,096,729	\$ 3,022,614	\$ 1,574,789
Affiliates	15,900	74,083	1,852
Total net sales	4,112,629	3,096,697	1,576,641
Operating cost and expenses:			
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	1,635,393	1,334,330	992,383
Selling, general and administrative	81,132	71,778	63,597
Depreciation, amortization and depletion	277,248	192,586	177,058
Exploration	24,356	15,610	17,869
Total operating costs and expenses	2,018,129	1,614,304	1,250,907
Operating income	2,094,500	1,482,393	325,734
Interest expense	(108,874)	(106,491)	(117,009)
Capitalized interest	22,509	10,681	5,563
Loss on derivative instruments	(22,262)	(1,413)	
Loss on debt prepayments	(10,559)	(16,500)	(5,844)
Gain on disposal of property		53,542	
Other income (expense)	(3,712)	(9,689)	(4,174)
Interest income	30,765	8,348	5,198
Earnings before income taxes and minority interest	2,002,367	1,420,871	209,468
Income taxes	589,744	433,758	120,129
Minority interest	12,475	4,727	4,262
Earnings before cumulative effect of change in accounting principle	1,400,148	982,386	85,077
Cumulative effect of change in accounting principle, net of income taxes			(1,541)
Net earnings	\$ 1,400,148	\$ 982,386	\$ 83,536
Per common share amounts:			
Earnings before cumulative effect of change in accounting principle	\$ 9.51	\$ 6.67	\$ 0.58
Cumulative effect of change in accounting principle, net of income tax			(0.01)
Net earnings - basic and diluted	\$ 9.51	\$ 6.67	\$ 0.57
Dividends paid	\$ 5.80	\$ 1.30	\$ 0.31
Weighted average shares outstanding - basic	147,228	147,224	147,220
Weighted average shares outstanding - diluted	147,228	147,224	147,225

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

Southern Copper Corporation

and Subsidiaries

CONSOLIDATED COMBINED BALANCE SHEET

At December 31, (in thousands)	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 876,003	\$ 710,707
Marketable securities		45,267
Accounts receivable trade:		
Non affiliates	342,412	425,790
Affiliates	9,099	15,353
Accounts receivable - other	34,949	33,081
Inventories	395,845	352,377
Deferred Income tax - current portion	5,248	
Other current assets, net	50,798	52,966
Total current assets	1,714,354	1,635,541
Property, net	3,326,126	3,068,486
Capitalized mine stripping costs, net	289,369	318,116
Leachable material, net	210,118	134,621
Intangible assets, net	120,861	123,496
Other assets, net	26,746	38,933
Total assets	\$ 5,687,574	\$ 5,319,193
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 152,314
Accounts payable	284,977	142,362
Accrued income taxes	275,763	293,295
Due to affiliated companies	6,355	66,524
Deferred income taxes		42,500
Accrued workers participation	195,552	84,245
Accrued liabilities	22,985	180,678
Total current liabilities	795,632	961,918
Long-term debt	1,162,065	1,177,974
Deferred income taxes	259,089	243,600
Other liabilities and reserves	120,795	105,179
Asset retirement obligation	11,221	5,643
Total non-current liabilities	1,553,170	1,532,396
Commitments and contingencies (Note 13)		
MINORITY INTEREST	12,695	11,284
STOCKHOLDERS EQUITY		
Common stock par value \$0.01; shares authorized: 2005-167,207,640; 2004-101,306,807 shares issued 2005-147,432,681; 2004-81,531,848	1,474	815
Class A Common Stock, par value \$0.01; shares issued and authorized 65,900,833		659
Additional paid-in capital	693,800	728,265
Retained earnings	2,648,359	2,102,098
Other accumulated comprehensive loss	(13,090)	(13,653)

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Treasury stock, at cost, common shares, 2005-204,656; 2004-207,256		(4,466)		(4,589)
Total stockholders' equity		3,326,077		2,813,595
Total liabilities, Minority Interest and Stockholders' Equity	\$	5,687,574	\$	5,319,193

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

Southern Copper Corporation

and Subsidiaries

CONSOLIDATED COMBINED STATEMENT OF CASH FLOWS

For the years ended December 31,
(in thousands)

	2005	2004	2003
OPERATING ACTIVITIES			
Net earnings	\$ 1,400,148	\$ 982,386	\$ 83,536
Cumulative effect of the change in accounting principle, net of income tax			1,541
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Depreciation, amortization and depletion	277,248	192,586	177,058
Capitalized mine stripping and leachable material	(116,409)	(92,797)	(79,704)
Remeasurement loss (gain)	8,885	14,379	(21,982)
Provision for deferred income taxes	(42,268)	54,385	31,526
Minority interest	12,475	4,727	4,262
Gain on sale of property		(53,542)	
Amortization of deferred financing fees	15,065		
Other			12,388
Cash provided from (used for) operating assets and liabilities:			
Accounts receivable	59,457	(261,301)	(39,187)
Inventories	(43,468)	(54,330)	14,806
Accounts payable and accrued liabilities	66,469	371,477	(116,924)
Other operating assets and liabilities	6,593	14,383	(2,475)
Net cash provided from operating activities	1,644,195	1,172,353	64,845
INVESTING ACTIVITIES			
Capital expenditures	(470,636)	(228,299)	(64,880)
Purchase of marketable securities		(69,409)	
Sales and maturity of marketable securities	45,267	24,142	
Sale of property		59,980	
Other		(5,876)	5,228
Net cash used for investing activities	(425,369)	(219,462)	(59,652)
FINANCING ACTIVITIES			
Debt incurred	993,646	600,000	50,000
Debt repaid	(1,151,869)	(940,912)	
Capital stock transaction - Minera Mexico	(7,438)	(1,319)	93,719
Dividends paid to common stockholders	(853,887)	(191,360)	(45,352)
Escrow on long-term loans	(601)	(5,532)	88,048
Distributions to minority interest	(5,297)	(1,465)	(408)
Purchase of shares Minera Mexico	(30,276)		
Other	123	(21)	(437)
Net cash provided from (used for) financing activities	(1,055,599)	(540,609)	185,570
Effect of exchange rate changes on cash and cash equivalents	2,069	(53,185)	(14,224)
Increase in cash and cash equivalents	165,296	359,097	176,539
Cash and cash equivalents, at beginning of year	710,707	351,610	175,071
Cash and cash equivalents, at end of year	\$ 876,003	\$ 710,707	\$ 351,610

	2005	2004 (in thousands)	2003
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 80,286	\$ 116,048	\$ 117,573
Income taxes	\$ 702,660	\$ 165,548	\$ 39,812
Supplemental schedule of non-cash operating, investing and financing activities:			
Accounts receivable from affiliate offset by accounts payable to affiliate	\$	\$	\$ 212
Additional liability for employee benefit obligation	\$ (849)	\$ 1,060	\$ 9,241
Note payable for acquisition of minority interest	\$	\$ 51,352	\$

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

Southern Copper Corporation

and Subsidiaries

CONSOLIDATED COMBINED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For years ended December 31, (in thousands)	2005	2004	2003
CAPITAL STOCK:			
Balance at beginning of year:	\$ 815	\$ 815	\$ 815
Issued in exchange for class A common stock	659		
Balance at end of year	1,474	815	815
Class A Common Stock			
Balance at beginning of year	659	659	659
Exchanged for common stock	(659)		
Balance at end of year		659	659
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year	728,265	729,584	635,865
Net movement of the period	(34,465)	(1,319)	93,719
Balance at end of year	693,800	728,265	729,584
TREASURY STOCK:			
Balance at beginning of year	(4,589)	(4,672)	(4,821)
Used for corporate purposes	123	83	149
Balance at end of year	(4,466)	(4,589)	(4,672)
RETAINED EARNINGS:			
Balance at beginning of year	2,102,098	1,311,072	1,272,888
Net earnings	1,400,148	982,386	83,536
Dividends paid, Common stock and Class A Common stock, per share, 2005 - \$5.80, 2004 - \$1.30, 2003 - \$0.31	(853,887)	(191,360)	(45,352)
Balance at end of year	2,648,359	2,102,098	1,311,072
OTHER ACCUMULATED COMPREHENSIVE LOSS:			
Balance at beginning of year	(13,653)	(14,713)	(23,954)
Additional decrease in liability for employee benefit obligations	(849)	1,060	9,241
Unrealized gain on equity securities	1,412		
Balance at end of year	(13,090)	(13,653)	(14,713)
TOTAL STOCKHOLDERS' EQUITY	\$ 3,326,077	\$ 2,813,595	\$ 2,022,745

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

SOUTHERN COPPER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED COMBINED FINANCIAL STATEMENTS

NOTE 1-DESCRIPTION OF THE BUSINESS:

The consolidated combined financial statements presented herein consist of the accounts of Southern Copper Corporation (SCC) (formerly named Southern Peru Copper Corporation) and its subsidiaries as well as those of Minera México, S.A. de C.V., (MM) and its subsidiaries. Effective April 1, 2005, SCC acquired substantially all of the outstanding common stock of Minera Mexico, as further described below. Unless the context otherwise requires, the term Company refers to both SCC and Minera Mexico as consolidated (after March 31, 2005) or combined (prior to April 1, 2005).

Effective April 1, 2005, Grupo México, through its subsidiary, sold its approximately 99.15% shareholding in Minera Mexico to SCC in return for the issuance to AMC of 67.2 million new shares of common stock of SCC. The transaction resulted in Grupo México increasing its indirect equity ownership in SCC to approximately 75.1% from its prior indirect interest of approximately 54.2%. As part of this transaction, SCC paid a special transaction cash dividend of \$100 million on March 1, 2005. On October 20, 2005, the Company's board of directors approved the acquisition of 6,386,521 shares of Minera Mexico from Grupo Mexico. The acquired shares represent 0.81833% of the outstanding shares of Minera Mexico and were purchased for \$30.3 million.

The acquisition of Minera Mexico by SCC is accounted for in a manner similar to a pooling of interests since it involved the reorganization of entities under common control. Under such accounting, the financial statements of Minera Mexico and SCC are combined on a historical cost basis for all the periods presented since they were under common control during all of these periods.

The Company is an integrated producer of copper and other minerals, and operates mining, smelting and refining facilities in Peru and Mexico. The Company conducts its primary operations in Peru through a registered branch (the Branch). The Branch is not a corporation separate from the Company. The Company's Mexican operations are conducted through subsidiaries.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation and combination

The consolidated combined financial statements include the accounts of subsidiaries of which the Company has voting control, in accordance with FAS No. 94 Consolidation of All Majority-Owned Subsidiaries. Such financial statements are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). As mentioned above, the financial statements also reflect the recent combination of SCC and Minera Mexico on a historical cost basis in a manner similar to a pooling of interests.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of ore reserves that are the basis for future cash flow estimates and units-of-production depreciation and amortization calculations; environmental, reclamation, closure and retirement obligations; estimates of recoverable copper in mill and leach stockpiles; asset impairments (including estimates of future cash flows); bad debts; inventory obsolescence; deferred and current income tax; valuation allowances for deferred tax assets; reserves for contingencies and litigation; and fair value of financial instruments. Management bases its estimates on the Company's historical

experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Revenue recognition

Substantially all of the Company's copper is sold under annual or other longer-term contracts.

Revenue is recognized when title passes to the customer. The passing of title is based on terms of the contract, generally upon shipment. Copper revenue is determined based on the monthly average of prevailing commodity prices according to the terms of the contracts.

For certain of the Company's sales of copper and molybdenum products, customers are given the option to select a monthly average LME or COMEX price (as is the case for sales of copper products) or the molybdenum oxide proprietary price of Platt's Metal Week (as is the case for sales of molybdenum products), generally ranging between one and six months subsequent to shipment. In such cases, revenue is recorded at a provisional price at the time of shipment. The provisionally priced copper sales are adjusted to reflect forward copper prices based on LME or COMEX prices at the end of each month until a final adjustment is made to the price of the shipments upon settlement with customers pursuant to the terms of the contract. In the case of molybdenum sales, for which there are no published forward prices, the provisionally priced sales are adjusted to reflect the market prices at the end of each month until a final adjustment is made to the price of the shipments upon settlement with customers pursuant to the terms of the contract.

These provisional pricing arrangements are accounted for separately from the contract as an embedded derivative instrument under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended (FASB No. 133). The Company sells copper in blister and refined form at industry standard commercial terms. Net sales include the invoiced value and corresponding fair value adjustment of the related forward contract of copper, zinc, silver, molybdenum, acid and other metals.

Shipping and handling fees and costs

Amounts billed to customers for shipping and handling, are classified as sales. Amounts incurred for shipping and handling are included in cost of sales (exclusive of depreciation, amortization and depletion).

Cash and cash equivalents

Cash and cash equivalents include bank deposits, certificates of deposit and short term investment funds with original maturities of three months or less at the date of purchase. The carrying value of cash and cash equivalents approximate fair value.

Marketable securities

Marketable securities consist primarily of certificates of deposits with original maturities greater than 90 days but less than one year. These deposits are held to maturity and carried at amortized cost which approximates fair value.

Inventories

Metal inventories, consisting of work in process and finished goods, are carried at the lower of average cost or market. Costs incurred in the production of metal inventories exclude general and administrative costs.

Work-in-process inventories represent materials that are in the process of being converted into a saleable product. Conversion processes vary depending on the nature of the copper ore and the specific mining operation. For sulfide ores, processing includes milling and concentrating and the results from the production of copper and molybdenum concentrates. Molybdenum in-process inventory includes the cost of molybdenum concentrates and the costs

incurred to convert those concentrates into various high-purity molybdenum chemicals or metallurgical products.

Finished goods include saleable products (e.g., copper concentrates, copper anodes, copper cathodes, copper rod, molybdenum concentrate and other metallurgical products).

Supplies inventories are carried at average cost less a reserve for obsolescence.

Property

Property is recorded at acquisition cost, net of accumulated depreciation and amortization. Cost includes major expenditures for improvements and replacements, which extend useful lives or increase capacity and interest costs associated with significant capital additions. Maintenance, repairs, normal development costs at existing mines, and gains or losses on assets retired or sold are reflected in earnings as incurred.

Mine development includes primarily the cost of acquiring land rights to an exploitable ore body, pre-production stripping costs at new mines that are commercially exploitable, costs associated with bringing new mineral properties into production, and removal of overburden to prepare unique and identifiable areas outside the current mining area for such future production. Mine development costs are amortized on a unit of production basis over the remaining life of the mines.

Buildings and equipment are depreciated on the straight-line method over estimated lives from 5 to 40 years or the estimated life of the mine if shorter.

Property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets are determined impaired when the estimated future undiscounted cash flows expected to result from the use of the asset are less than the carrying value of the asset. The Company's estimate as to future undiscounted cash flows takes into consideration, among other things, expected future metal prices, which are based on historical metal prices and price trends. The Company measures an impairment loss as the difference between the carrying value of the asset and its fair value as determined taking into consideration the estimated future discounted cash flows of the asset.

Asset retirement obligations (reclamation and remediation costs)

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 143, *Accounting for Asset Retirement Obligations*. The fair value of a liability for asset retirement obligations is recognized in the period in which it is incurred. The liability is measured at fair value and is adjusted to its present value in subsequent periods as accretion expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying value of the related long-lived assets and depreciated over the asset's useful life.

Intangible assets

Intangible assets include primarily the excess amount paid over the book value for investment shares and mining and engineering development studies. Intangible assets are carried at acquisition costs, net of accumulated amortization and are amortized principally on a unit of production basis over the estimated remaining life of the mines. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

Debt issuance costs

Debt issuance costs, which are included in other assets, are amortized using the interest method over the term of the related debt.

Ore reserves

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

The Company updates its estimate of ore reserves at the beginning of each year. In this calculation the Company uses current metal prices which are defined as the average metal price over the preceding three years. However, in the case of the Company's recently acquired Mexican subsidiary, ore reserve estimates prior to 2005 were calculated based on a copper price of \$0.90 per pound of copper. The current per pound of copper price, as defined, was \$0.939, \$0.751 and \$0.76 at the beginning of 2005, 2004 and 2003, respectively. These ore reserve estimates are used to determine the amount of mine stripping that is capitalized, units of production amortization of capitalized mine stripping and amortization of intangible assets.

Capitalized mine stripping and leachable material

Effective January 1, 2006, the Company adopted the guidance of the Emerging Issues Task Force, ratified by the Financial Accounting Standards Board in March 2005, which stated that stripping costs incurred during the production phase of a mine are variable production costs and should be included in the cost of inventory produced (extracted) during the period that the stripping costs are incurred. See Impact of New Accounting Standards.

Stripping costs are costs associated with the removal of waste materials after production has commenced. Over the life of the mine, stripping costs are deferred in periods when the actual ratio of waste materials to mineral ore extracted is above the life-of-mine stripping ratio, which represents the Company's estimate of the total amount of waste to be incurred divided by the estimated total proven and probable reserves. In periods when the actual mine stripping ratio is below the life-of-mine stripping ratio, the Company reduces the net capitalized mine stripping asset proportionally with a charge to amortization expense. In addition, deferred mine stripping costs are amortized using the units of production method based on proven and probable ore reserves. Copper resources contained in piles of leachable materials that have been extracted from the mines are not included in the determination of units of production amortization.

The Company's policy results in the smoothing of stripping costs over the life of the mine and, in the view of the Company, better facilitates the matching of mine production costs over the life of the mine with the mine's revenues.

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Stripping costs are assessed for recoverability as part of property, plant and equipment and reviewed whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If recoverable value has fallen below carrying value, the asset is written down to its recoverable value.

Leachable material. At one of its mines the Company capitalizes the cost of materials with low copper content extracted during the mining process (leachable material), which is collected in areas known as leaching dumps. The amortization of the capitalized costs is determined based on the depletion period of the leaching dumps, which is estimated to be five years (unaudited).

Exploration

Tangible and intangible costs incurred in the search for mineral properties are charged against earnings when incurred.

Income taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized and settled as prescribed in Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Deferred income tax assets are reduced by any benefits that, in the opinion of management, are more likely not to be realized.

Foreign exchange

The Company's functional currency is the U.S. dollar. As required by local law, both the Peruvian Branch and MM maintain their books of accounts in Peruvian nuevos soles and Mexican pesos, respectively.

Foreign currency assets and liabilities are remeasured into U.S. dollars at current exchange rates except for non-monetary items such as inventory, property, intangible assets and other assets which are remeasured at historical exchange rates. Revenues and expenses are generally translated at actual exchange rates in effect during the period, except for those items related to balance sheet amounts that are remeasured at historical exchange rates. Gains and losses from foreign currency remeasurement are included in earnings of the period.

Gains and (losses) resulting from foreign currency transactions are included in Cost of sales (exclusive of depreciation, amortization and depletion) and amounted to \$(12.1) million, \$(14.4) million and \$21.9 million in 2005, 2004 and 2003, respectively.

Derivative instruments

Derivative contracts are reflected as assets or liabilities in the balance sheet at their fair value. The Company entered into an interest rate swap agreement to hedge the interest rate risk exposure on a credit facility. The Company has also entered into copper swap contracts to protect future sales on a portion of its future copper production at a fixed copper price. At December 31, 2005, the Company held no open swap agreements. The gains and losses on contracts held during the year are recorded in earnings.

Other comprehensive income

Comprehensive income represents changes in equity during a period, except those resulting from investments by owners and distributions to owners. During the fiscal years ended December 31, 2005, 2004 and 2003, the only components of other comprehensive income (loss) was the additional minimum liability for employee benefit obligations and unrealized gain on equity securities.

Business segment

The Company operates in a single industry, namely mining copper. Prior to the April 1, 2005 acquisition of Minera Mexico, the Company determined that its operations in Peru

fell within one segment. With the acquisition of Minera Mexico the Company continues to operate principally in one industry, the mining of copper. However, because of the demands of managing operations in two countries, effective April 1, 2005, Company management views the new Southern Copper as having three operating segments and manages on the basis of these segments. The segments identified by the Company are: 1) Peruvian operations, which include the two open pit copper mines in Peru and the plants and services supporting such mines. 2) Mexican open pit mines, which include La Caridad and Cananea mine complexes and their supporting facilities. 3) The Mexican underground mining operations, which include five underground mines that produce zinc, copper, silver and gold, a coal and coke mine, several industrial processing facilities. Additionally, in mining copper the Company produces a number of metal by-products, most important of which are molybdenum, silver and zinc.

The Chief Operating Officer of the Company focuses on operating income as measure of performance to evaluate different segments, and to make decisions to allocate resources to the reported segments.

Change in accounting principle

Effective January 1, 2003, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations (SFAS No. 143). This statement requires the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred. The cumulative effect of this change in accounting principle, net of taxes, was a charge to earnings of \$1.5 million and is shown separately on the consolidated combined statement of earnings. In addition, as part of this cumulative adjustment, the Company recorded an asset retirement obligation liability of \$4.9 million, increased net property by \$2.5 million and recorded deferred tax and workers participation benefits of \$0.9 million. The adoption of this new principle resulted in an additional charge to earnings from continuing operations of \$0.5 million for 2003 and has been included as an operating cost in the consolidated combined statement of earnings.

Impact of new accounting standards

On March 17, 2005 Emerging Issues Task Force, or EITF, reached a consensus in the issue 04-06, Accounting for Stripping costs Incurred during Production in the Mining Industry, which was ratified by the Financial Accounting Standards Board, or FASB, on March 30 2005 and the subsequent modification to the transition provisions approved by the EITF in its June 15-16 2005 meeting. The consensus states that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced (extracted) during the period that the stripping costs are incurred. On January 1, 2006 the Company adopted this consensus by reversing \$499.5 million of net cumulative capitalized stripping cost and capitalized leach inventory cost as of December 31, 2005 and recording a net charge of \$322.9 million to retained earnings after the recognition of a workers participation and tax benefit of \$176.6 million. In addition, near-term future years operating income could be negatively impacted to the extent that costs previously capitalized are expensed.

In March 2005, the FASB published FASB Interpretation No. 47 Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarifies that the term *conditional asset retirement obligation* as used in SFAS No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after

December 15, 2005 (December 31, 2005, for calendar-year enterprises). Retrospective application for interim financial information is permitted but is not required. Early adoption of this interpretation is encouraged. FIN 47 did not have a significant impact on the Company's financial position or results of operations.

In June 2005, the FASB published SFAS No. 154, Accounting changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3 (SFAS No. 154), which changes the requirements for the accounting for and reporting of a change in accounting principle and redefines restatement as the revising of previously issued financial statements to reflect the correction of an error. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine the period-specific effects of the cumulative effect of the change. This Statement also carries forward without change the guidance contained in Opinion 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate. This Statement does not change the transition provisions of any existing accounting pronouncement. SFAS No. 154 will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company is evaluating the impact that this statement may have on its financial position or results of operations.

In September 2005, FASB ratified the consensus reached by the Emerging Issues Task Force (EITF) on Issue N° 04-13, Accounting for Purchases and Sales of Inventory with the Same Counterparty . The consensus concluded that two or more legally separate exchange transactions with the same counterparty should be combined and considered as a single arrangement for accounting purposes, if they are entered into in contemplation of one another. The EITF also reached a consensus that non monetary exchanges of inventory within the same business should be recognized at fair value. The consensus reached on EITF Issue N°. 04-13 is effective for new arrangements entered into, or modifications or renewals of existing arrangements, in reporting periods beginning after March 15, 2006. The Company is currently determining the impact of this Issue on its financial reporting and disclosures.

NOTE 3-INVENTORIES:

(in millions)	As of December 31,	
	2005	2004
Metals:		
Finished goods	\$ 106.9	\$ 60.0
Work-in-process	135.4	149.3
Supplies	153.5	143.1
Total inventories	\$ 395.8	\$ 352.4

NOTE 4-PROPERTY:

(in millions)	As of December 31,	
	2005	2004
Buildings and equipment	\$ 5,266.8	\$ 5,156.1
Construction in progress	565.8	252.4
Mine development	260.0	255.6
Land, other than mineral	66.3	65.6
Total property	6,158.9	5,729.7
Accumulated depreciation, amortization and depletion	(2,832.8)	(2,661.2)
Total property, net	\$ 3,326.1	\$ 3,068.5

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In conjunction with the adoption of SFAS No. 143, during 2003, the Company capitalized \$3.0 million in costs associated with establishing an asset retirement obligation for a portion of its long-lived assets in Peru. These assets include a dam on the Torata River, close to the Cuajone mine, and the SX/EW facility. The asset retirement obligations were established based on the Company's environmental impact studies for these projects. The retirement obligations for the dam are based on a weighting of two options available at

the end of the dam's useful life. These options are to turn the dam over to the local municipality and provide maintenance for a number of years or demolish the dam and restore the river to its natural course. The retirement obligation for the SX/EW facility requires a dismantling of the plant and reclamation of the property. The Company has not designated specific assets to satisfy these obligations but will provide funds from operations. There were no additional costs capitalized in 2004 associated with asset retirement obligations.

In 2005 the Company capitalized \$5.2 million an estimate of the asset cost associated with establishing an asset retirement obligation for its Peruvian mine closure plan. These costs are being depreciated on a straight line basis over the life of the related assets. As for the Mexican operations, the adoption of SFAS No. 143 did not have a material effect on the Company's financial position or results of operations. Management does not believe that there are any significant legal obligations for asset retirements in Mexico as of December 31, 2004 and 2005. Please also see Note 9, Asset retirement obligation.

Depreciation expense for the years ended December 31, 2005, 2004 and 2003 amounted to \$200.9 million, \$153.4 million and \$144.2 million, respectively.

NOTE 5-CAPITALIZED MINE STRIPPING COSTS AND LEACHABLE MATERIAL:

(in millions)		As of December 31,	
	2005		2004
Capitalized mine stripping cost	\$	418.2	\$ 379.4
Accumulated amortization		(128.8)	(61.3)
Capitalized mine stripping, net	\$	289.4	\$ 318.1

(in millions)		As of December 31,	
	2005		2004
Capitalized leachable material	\$	252.0	\$ 170.8
Accumulated amortization		(41.9)	(36.2)
Capitalized leachable material, net	\$	210.1	\$ 134.6

Amortization of mine stripping and leachable material is included in Depreciation, amortization and depletion and amounted to \$73.2 million, \$36.4 million and \$25.6 million in 2005, 2004 and 2003, respectively.

The Company's policy of deferring mine stripping costs and leachable material decreased operating costs by \$43.0 million, \$56.3 million and \$53.9 million in 2005, 2004 and 2003, respectively, as compared to what such amounts would have been if the Company expensed mine stripping costs and leachable material costs as incurred.

On January 1, 2006, the Company adopted the guidance of the EITF, Accounting for Stripping Cost Incurred during Production in the Mining Industry and wrote off to retained earnings net cumulative capitalized stripping and net capitalized leachable material, net of income taxes and workers' participation benefit. See Impact of new accounting standards.

NOTE 6-INTANGIBLE ASSETS:

Segment Sales Information

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(in millions)	As of December 31,			
	2005		2004	
Mining concessions	\$	121.2	\$	121.2
Mine engineering and development studies		6.0		5.7
Goodwill		17.0		17.0
		144.2		143.9
Accumulated amortization		(23.3)		(20.4)
Intangible assets, net	\$	120.9	\$	123.5

Amortization expense on intangibles was \$2.9 million, \$2.8 million and \$3.2 million for the years ended December 31, 2005, 2004 and 2003, respectively. The estimated aggregate amortization expense for intangibles is \$16.5 million for the years 2006 through 2010, approximately \$3.3 million per year.

NOTE 7-INCOME TAXES:

The components of the provision for income taxes are as follows:

(in millions)	Year ended December 31,		
	2005	2004	2003
U.S. federal and state:			
Current	\$ 13.4	\$ 21.7	\$ 4.0
Deferred		(8.2)	2.3
	13.4	13.5	6.3
Foreign (Peru and Mexico):			
Current	618.6	356.6	84.9
Deferred	(42.3)	63.6	28.9
	576.3	420.2	113.8
Total provision for income taxes	\$ 589.7	\$ 433.7	\$ 120.1

The reconciliation of the statutory income tax rate to the effective tax rate is as follows:

	For the years ended December 31,		
	2005	2004	2003
Expected tax	30.0%	30.0%	30.0%
Effect of income taxed at a rate other than the statutory rate	1.5	3.9	1.8
Permanent differences	0.7	1.2	3.4
Effect of tax rate change	(2.5)	(1.2)	4.9
Loss of tax benefits upon corporate reorganization	(1.8)		32.6
Loss generated by subsidiaries			6.2
Valuation allowance for tax loss carryforward and recoverable tax asset		(4.1)	(30.4)
Other	1.5	0.6	8.8
Effective income tax rate	29.4%	30.4%	57.3%

The effective tax rate presented above is a combined effective tax rate for SCC including Minera Mexico. From prior years reports, the statutory income tax rate has changed from an expected tax of 35% to 30% since the major component of the provision for income taxes is from the foreign jurisdictions of Peru and Mexico. For all of the years presented, both companies filed separate tax returns in their respective tax jurisdictions. Although the tax rules and regulations imposed in the separate tax jurisdictions may vary significantly, similar permanent items exist, such as the impact of changes in statutory tax rates, and income and expense items which are nondeductible or nontaxable. Several items above are particular to the tax rules in Mexico or specific events related to Minera Mexico, such as the tax inflation effect, which requires that inflation be recognized for tax purposes (where it is not for financial reporting purposes), and the loss of tax benefits upon a corporate reorganization undertaken by Minera Mexico in 2003. Other items relate specifically to SCC such as the percentage depletion. The impact of the change in the valuation allowance reflects the change in valuation allowances for the combined companies which is further described below.

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Deferred taxes include the U.S., Peruvian and Mexican tax effects of the following types of temporary differences and carryforwards, net of foreign tax credit effects:

(in millions)	As of December 31,	
	2005	2004
Current:		
Inventories	\$ 28.4	\$ 57.9
Other	(1.3)	(1.2)
Other accrued expenses	(32.3)	(14.2)
Net current deferred tax liability	(5.2)	42.5
Non-current:		
Property and equipment	186.2	238.7
Tax loss carryforwards	(2.7)	(62.3)
Recoverable asset tax	(0.3)	(44.9)
AMT credit carryforwards	(32.2)	(32.6)
Deferred charges	69.4	64.5
Foreign tax credit carryforwards	(49.0)	
Other accrued expenses	(34.7)	
Other	41.1	46.8
Less, valuation allowance for deferred tax assets	81.2	33.4
Net non-current deferred tax liability	259.0	243.6
Total net deferred tax liability	\$ 253.8	\$ 286.1

U.S. Tax Matters

At December 31, 2005, the foreign tax credit carryforward available to reduce possible future U.S. income tax amounted to approximately \$49.0 million, expiring as follows: \$19.0 million in 2007, \$10.4 million in 2008, and \$19.6 million in 2015. No foreign tax credit carryforwards expired in 2005 or 2004. For years beginning after October 22, 2004, unused foreign tax credits generated in years beginning after this date may be carried back only one year, but can now be carried forward ten years.

In October, 2004, the American Jobs Creation Act of 2004 was enacted in the U.S. This law repealed the 90% limitation on the utilization of foreign tax credits when calculating the Company's alternative minimum tax (AMT). The repeal is effective in 2005. Although the new law was not effective until 2005, under SFAS No. 109, the effect of the law change is required to be reflected in the period that includes the enactment date. As a result, \$9.5 million of previously booked deferred U.S. tax liability was recorded as income in 2004.

Peruvian Tax Matters

In December 2003, the Peruvian government established a new tax rate of 30% for years beginning after 2003. Although this new rate did not affect the current 2003 tax expense, the change in the tax rate required that the deferred Peruvian assets and liabilities be re-valued at the tax rate expected to apply when these assets and liabilities are realized. Accordingly, the Company recorded a charge of \$10.1 million in additional deferred tax expense in 2003.

The Company obtains income tax credits in Peru for value-added taxes paid in connection with the purchase of capital equipment and other goods and services, employed in its operations and records these credits as a prepaid expense. Under current Peruvian law, the Company is entitled to use the credits against its Peruvian income tax liability or to receive a refund. The carrying value of these Peruvian tax credits approximates their net realizable value.

In accordance with a 1996 agreement with the Peruvian government, income generated from the SX/EW operations is taxed at a fixed rate of 30% through the year 2010.

Mexican Tax Matters

Minera Mexico and its subsidiaries obtained authorization from the Mexican tax authorities to file a consolidated income and asset tax return in Mexico.

In accordance with Mexican income tax law, Mexican subsidiaries are subject to paying the greater of the asset tax or income tax. The Mexican income tax law enacted January 1, 2002, reduced the 35% federal income tax rate by one percentage point each year until it reached 32% in 2005.

As result of the amendments to the income tax law approved on November 13, 2004, the income tax rate was further reduced from the 33% rate applicable in 2004 to a 30% rate in 2005, and it will be gradually be reduced by 1% per year until it reaches 28% in 2007. In addition, effective fiscal year 2005, there is a change in the tax treatment of the inventory purchases for the year. Under the new law, cost of sales will be deductible instead of inventory purchases. The tax deduction for employees' statutory profit sharing amounts and the obligation to withhold taxes on dividends paid to individuals and foreign residents was also eliminated. The impact of the reduction in the corporate income tax rate as a result of the tax law changes in 2004 resulted in a reduction in tax expense of \$21.6 million in 2004.

Asset tax is calculated by applying a 1.8% tax rate to Minera Mexico's asset position, as defined by the law, and is payable only to the extent that it exceeds the income tax payable for the same period. If in any year asset tax exceeds the income tax payable, the asset tax payment for such excess may be reduced by the amount by which the income tax exceeded the asset tax in the three preceding years and any required payment of the asset tax is creditable against the excess of the income tax over the asset tax of the following 10 years.

Valuation allowances

U.S.:

The Company's valuation allowance consists of \$49.0 million in foreign tax credits and \$32.2 million in AMT credit carryforwards. Management believes that it is more likely than not, that full value for both these credits will not be realized in the future.

Mexico:

In years prior to 2002, Minera Mexico experienced significant liquidity and financial performance difficulties which resulted in defaults of various debt covenants. Therefore, prior to 2002, a valuation allowance was established for substantially all of its net operating loss and asset tax carryforwards since it was uncertain as to whether those carryforwards might be used. The valuation allowances were reversed in 2003 as Minera Mexico undertook its financial and corporate restructuring, and financial performance improved. As of December 31, 2005, the remaining tax loss carryforwards totaled \$9.4 million. As of December 31, 2005, the remaining asset tax carryforward amounting to \$0.2 million.

NOTE 8-WORKERS PARTICIPATION:

The Company's operations in Peru and Mexico are subject to statutory workers' participation.

In Peru, the provision for workers' participation is calculated at 8% of pre-tax earnings. The current portion of this participation, which is accrued during the year, is based on Branch's taxable income and is distributed to workers following determination of final results for the year. In Mexico, workers' participation is determined using the guidelines established in the Mexican income tax law at a rate of 10% of pre-tax earnings as adjusted by the tax law.

The provision for workers' participation is included in Cost of sales (exclusive of depreciation, amortization and depletion) in the statement of earnings. For the years ended December 31, 2005, 2004 and 2003, workers' participation expense was \$219.2 million, \$93.6 million and \$20.2 million, respectively.

In May 2005, the Mexican Supreme Court rendered a decision that changed the method of computing the amount of statutory workers' profit sharing required to be paid by some Mexican companies, including the Company's Mexican subsidiary. The Supreme Court's ruling in effect prohibited the application of net operating loss carryforwards in computing the income used as the base for determining the workers' profit sharing amounts. As a result the Company recognized in its 2005 results of operations a charge of \$36.3 million for workers' profit sharing related to 2004.

NOTE 9-ASSET RETIREMENT OBLIGATION

On January 1, 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology of accounting for estimated reclamation and abandonment costs. The cumulative effect of the change of accounting principle, net of income tax was a charge to income of \$1.5 million. As part of this change the Company recorded an asset retirement obligation of \$4.9 million and increased net property \$2.5 million. This adoption established the liability for a portion of the Company's long-lived assets in Peru, and include a dam on the Torata river, close to the Cuajone mine and the SX/EW facility.

In 2005 the Company added an asset retirement obligation for its mining properties in Peru, as required by the Mine Closure Law, enacted in 2003 and regulated in 2005. This law requires the Company to present a mine closure plan to the Peruvian Ministry of Energy and Mines (MEM) by August 2006. This plan will be subject to review and approval by MEM and open to public discussion and comment in the area of the Company's operations. In application of SFAS No. 143 and according to the criteria established by FIN-47, the Company has made an estimate of this potential liability and recorded such liability, based on its review of the law. However, we cannot assure that this liability will be adequate until our mine plan is presented, reviewed and accepted by MEM.

The closure cost recognized for this liability includes the estimated cost required at the Peruvian operations, based on the Company's experience and includes cost at the Ilo smelter, the tailing disposal, dismantling of the Toquepala and Cuajone concentrators, shops and auxiliary services. In this connection we recorded an additional asset retirement liability in 2005 of \$5.2 million for this new law and increased net property \$4.6 million.

The following is a reconciliation of the asset retirement obligation for the two years ended December 31, 2005 (in millions):

Balance January 1, 2004	\$	5.3
Additions, changes in estimates		
Accretion expense		0.3
Balance, December 31, 2004		5.6
Additions, changes in estimates		4.6
Accretion expense		1.0
Balance, December 31, 2005	\$	11.2

NOTE 10-FINANCINGS:*Long term debt:*

(in millions)	As of December 31,		
	2005	2004	
SCC:			
6.375%	Notes due 2015 (\$200 million face amount, less unamortized discount of \$1.0 million)	\$ 199.0	\$
7.500%	Notes due 2035 (\$600 million face amount, less unamortized discount of \$5.2 million)	594.8	
8.75%	Corporate bonds due 2007		50.0
5.5625%	Corporate bonds due 2005-2012		73.1
5.3750%	Corporate bonds due 2005-2012		25.9
4.5000%	Corporate bonds due 2005-2010		25.0
4.6250%	Corporate bonds due 2005-2010		25.0
5.92%	Mitsui credit agreement due 2013 (3.94% at December 31, 2004)	80.0	90.0
Minera Mexico:			
	Citibank credit facility		600.0
8.25%	Yankee bonds Series A due 2008	173.3	316.3
9.25%	Yankee bonds Series B due 2028	125.0	125.0
	Total debt	1,172.1	1,330.3
	Less, current portion	(10.0)	(152.3)
	Total long-term debt	\$ 1,162.1	\$ 1,178.0

In 1998, Minera Mexico issued \$500 million of unsecured debt, which are referred to as Yankee bonds. These bonds were offered in two series: Series A for \$375 million, with an interest rate of 8.25% and a 2008 maturity, and Series B for \$125 million, with an interest rate of 9.25% and a 2028 maturity date. During 2005, the Company repurchased \$143.0 million of the Series A bonds. In connection with this purchase the Company paid a premium of \$8.6 million, which is included in the consolidated combined statement of earnings on the line Loss on debt prepayments. The bonds contain a covenant requiring Minera Mexico to maintain a ratio of EBITDA to interest expense of not less than 2.5 to 1.0 as such terms are defined by the facility. At December 31, 2005, Minera Mexico is in compliance with this covenant.

In 1999, SCC entered a \$100 million, 15-year loan agreement with Mitsui. The interest rate for this loan is the Japanese LIBO rate plus 1.25% (Japanese LIBO for this loan at December 31, 2005 was 4.67%). The Mitsui credit agreement is collateralized by pledges of receivables on 31,000 tons of copper per year. The Mitsui agreement requires the Company to maintain a minimum stockholders' equity of \$750 million and a specific ratio of debt to equity. Reduction of Grupo México's direct or indirect voting interest in the Company to less than a majority would constitute an event of default under the Mitsui agreement. At December 31, 2005, the Company is in compliance with these covenants.

On October 29, 2004, Minera Mexico borrowed \$600 million pursuant to a new credit facility with a final maturity date in 2009. The new credit facility bore interest at LIBOR plus 200 basis points. The proceeds from the new credit facility were used to repay in full the amounts outstanding under a common agreement with holders of Minera Mexico's secured export notes and other financial institutions. The loan was secured by a pledge of Minera Mexico's principal properties and was guaranteed by its principal subsidiaries. In 2005, the Company prepaid the total amount of this loan. In connection with the repayment of this facility, the Company wrote off \$10.2 million of deferred financing costs which is recorded in the consolidated combined statement of earnings on the line Interest Expense.

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In October 2004, Minera Mexico and Banamex entered into an interest rate swap agreement for a notional amount of \$600 million to hedge the interest rate risk exposure on its \$600 million credit facility granted by Citibank. See Note 14-Derivative Instruments.

In January 2005, the Company signed a \$200 million credit facility with a group of banks led by Citibank, N.A. Proceeds of this credit facility were used to prepay \$199 million the outstanding bonds of the Company's Peruvian bond program. The Company capitalized \$2.8 million of costs associated with this facility. The Company paid a prepayment penalty of 1%, or \$2.0 million, to the Peruvian bondholders. Additionally, the Company wrote off \$2.3 million of previously capitalized bond issuance cost. The \$2.0 million penalty and the \$2.3 million amortization of bond issuance costs are included in the earning statement under Loss or debt prepayments and Interest expense, respectively. On July 28, 2005 this credit facility was repaid and the Company wrote off \$2.5 million of deferred financing cost.

On July 27, 2005 the Company issued \$200 million 6.375% Notes due 2015 at a discount of \$1.1 million and \$600 million 7.5% Notes due 2035, at a discount of \$5.3 million. The notes are senior unsecured obligations of the Company. The Company capitalized \$8.8 million of costs associated with this facility and are included in Other assets, net, non-current on the Consolidated combined balance sheet. The net proceeds from the issuance and sale of the notes were used to repay outstanding indebtedness of the Company's Peruvian and Mexican Operations, under its \$200 million and \$600 million (\$480 million outstanding) credit facilities, respectively, and the balance was used for general corporate purposes. The Company filed a Registration Statement on Form S-4 with respect to these Notes on October 28, 2005. On January 3, 2006 the Company completed an exchange offer for \$200 million, 6.375% Notes due 2015 and \$600 million, 7.5% Notes due 2035. In the exchange offer, \$197.4 million of the 6.375% old notes due 2015 were tendered in exchange for an equivalent amount of new notes and an aggregate of \$590.5 million of the 7.5% old notes due 2035 were tendered in exchange for an equivalent amount of new notes. The new notes have been registered under U.S. securities law. The indentures relating to the notes contain certain covenants, including limitations on liens, limitations on sale and leaseback transactions, rights of the holders of the notes upon the occurrence of a change of control triggering event, limitations on subsidiary indebtedness and limitations on consolidations, mergers, sales or conveyances. All of these limitations and restrictions are subject to a number of significant exceptions, and some of these covenants will cease to be applicable before the notes mature if the notes attain an investment grade rating. At December 31, 2005 the Company is in compliance with these covenants.

Aggregate maturities of the outstanding borrowings at December 31, 2005, are as follows:

(in millions)	
Year	Principal Due
2006	\$ 10.0
2007	10.0
2008	183.3
2009	10.0
2010	10.0
Thereafter	955.0
Total	\$ 1,178.3

Total debt maturities do not include the debt discount valuation account of \$6.3 million.

At December 31, 2005 and 2004, other assets included \$7.4 million and \$6.8 million, respectively, held in escrow accounts as required by the Company's loan agreements. The funds are released from escrow as scheduled loan repayments are made.

At December 31, 2005 and 2004, the balance of capitalized debt issuance costs was \$10.2 million and \$10.7 million, respectively. Amortization charged to interest expense was \$3.8 million, \$5.1 million and \$1.7 million in 2005, 2004 and 2003, respectively.

NOTE 11-BENEFIT PLANS:*SPCC Defined Benefit Pension Plans*

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

The components of net periodic benefit costs calculated in accordance with SFAS No. 87 *Employers' Accounting for Pensions*, using December 31 as a measurement date, consist of the following:

(in millions)	Year ended December 31,					
	2005		2004		2003	
Interest cost	\$	0.6	\$	0.7	\$	0.7
Expected return on plan assets		(0.5)		(0.6)		(0.8)
Net periodic benefit cost	\$	0.1	\$	0.1	\$	(0.1)

The change in benefit obligation and plan assets and a reconciliation of funded status are as follows:

(in millions)	As of December 31,			
	2005		2004	
Change in Benefit Obligation:				
Projected benefit obligation at beginning of year	\$	11.5	\$	12.0
Interest cost		0.6		0.7
Benefits paid		(0.9)		(0.9)
Actuarial gain (loss)		0.7		(0.3)
Projected benefit obligation at end of year	\$	11.9	\$	11.5
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$	12.3	\$	9.7
Actual return on plan assets		0.3		0.4
Employer contributions		0.8		3.2
Benefits paid		(0.9)		(0.9)
Administrative expenses		(0.1)		(0.1)
Fair value of plan assets at end of year	\$	12.4	\$	12.3
Reconciliation of Funded Status:				
Funded status	\$	0.5	\$	0.8
Unrecognized actuarial loss		2.9		2.0
Net amount reflected in Balance Sheet	\$	3.4	\$	2.8

The assumptions used to determine the pension obligation and seniority premiums as of year end and net cost in the ensuing year were:

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Discount rate	5.5%	6.0%
Expected long-term rate of return on plan assets	4.5%	5.0%
Rate of compensation increase	N/A	N/A

The scheduled maturities of the benefits expected to be paid in each of the next five years, and thereafter, are as follows:

Year	Expected Benefit Payments (in millions)	
2006	\$	0.9
2007		0.9
2008		0.9
2009		0.9
2010		0.9
2011 to 2015		4.2
Total	\$	8.7

The Company's funding policy is to contribute amounts to the qualified plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Company may determine to be appropriate. Plan assets are invested in commingled stock and bond funds.

The Company's policy for determining asset mix-targets includes periodic consultation with recognized third party investment consultants. The expected long-term rate of return on plan assets is updated periodically, taking into consideration asset allocations, historical returns and the current economic environment. Based on these factors we expect our assets will earn an average of 4.5% per annum assuming our long-term mix will be consistent with our current mix and an assumed discount rate of 5.5%. The fair value of plan assets is impacted by general market conditions. If actual returns on plan assets vary from the expected returns, actual results could differ.

SPCC Post-retirement Health Care Plan

The Company adopted the post-retirement health care plan for retired salaried employees eligible for Medicare on May 1, 1996. The plan is unfunded.

Effective October 31, 2000, the health care plan for retirees was terminated and the Company informed retirees that they would be covered by the then in effect post-retirement health care plan of ASARCO, a former shareholder of the Company and a subsidiary of Grupo México, which offered substantially the same benefits and required the same contributions. The plan is accounted for in accordance with SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

The components of net period benefit costs are as follows:

(in millions)	Year ended December 31,			
	2005	2004	2003	2002
Service cost	\$	\$	\$	\$
Interest cost		0.1	0.1	0.1
Net periodic benefit cost	\$	0.1	\$	0.1

The change in benefit obligation and a reconciliation of funded status are as follows:

(in millions)	As of December 31,	
	2005	2004
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 1.4	\$ 1.8
Interest cost	0.1	0.1
Plan Amendments		(0.3)
Benefits paid	(0.1)	
Actuarial (gain) or loss		(0.2)
Benefit obligation at end of year	\$ 1.4	\$ 1.4
Reconciliation of Funded Status:		
Funded status	\$ (1.4)	\$ (1.4)
Unrecognized actuarial loss	0.4	0.4
Unrecognized prior service cost	(0.3)	(0.3)
Post-retirement benefit obligation	\$ (1.3)	\$ (1.3)

Discount rate used in the calculation of other post-retirement benefits and cost as of December 31, 2005 and 2004 were 5.5% and 6.0%, respectively.

The benefits expected to be paid in each of the next five years, and thereafter, are as follows:

(in millions) Year	Expected Benefit Payments
2006	\$ 0.1
2007	0.1
2008	0.1
2009	0.1
2010	0.1
2011 to 2015	0.5
Total	\$ 1.0

For measurement purposes, an 11% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2005. The rate is assumed to decrease gradually to 5% for 2014 and remain at that level thereafter.

Assumed health care cost trend rates can have a significant effect on the amount reported for the health care plan. A one percentage-point change in assumed health care trend rate would not have a significant effect.

Minera Mexico Defined Benefit Pension Plans

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The components of net periodic benefit costs calculated in accordance with SFAS No. 87 Employers Accounting for Pensions, using December 31 as a measurement date, consist of the following:

(in millions)	For the years ended December 31,					
	2005	2004		2003		
Interest cost	\$	2.9	\$	2.6	\$	2.6
Service cost		2.6		2.1		2.3
Expected return on plan assets		3.1		(1.1)		(0.7)
Amortization of transition assets, net		(0.2)		(0.2)		(0.2)
Recognized net actuarial loss		0.2		0.5		0.9
Net period benefit cost	\$	8.6	\$	3.9	\$	4.9

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The change in benefit obligation and plan assets are as follows:

(in millions)	2005	December 31,		2004
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$	36.1	\$	35.0
Service cost		2.6		2.1
Interest cost		2.9		2.6
Actuarial (loss) gain, net		0.9		(0.2)
Benefits paid		(2.3)		(2.2)
Inflation adjustment		1.9		(1.2)
Projected benefit obligation at end of year	\$	42.1	\$	36.1
Change in plan assets:				
Fair value of plan assets at beginning of year	\$	27.2	\$	12.0
Actuarial return on plan assets		9.4		15.2
Fair value of plan assets at end of year	\$	36.6	\$	27.2

The pension plan liability is as follows:

(in millions)	2005	December 31,		2004
Reconciliation of Funded Status:				
Funded status	\$	(5.5)	\$	(8.9)
Unrecognized prior service cost		2.5		2.5
Unrecognized net actuarial gain		(9.6)		(5.2)
Unrecognized transition assets		(1.3)		(1.3)
Additional minimum liability		(8.1)		(7.3)
Net pension liability	\$	(22.0)	\$	(20.2)

The assumptions used to determine the pension obligation and seniority premiums as of year-end and net cost in the ensuing year were:

	2005	2004	2003	
Weighted average discount rate	10%	10%	10%	10%
Expected long-term rate of return on plan asset	12%	12%	12%	12%
Rate of increase in future compensation level	6%	6%	6%	6%

These rates are based on Mexican pesos as pension plan payments will be paid in Mexico.

The benefits expected to be paid in each of the next five years, and thereafter, are as follows:

(in millions) Year	Expected Benefit Payments
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2006	\$	17.7
2007		2.0
2008		2.2
2009		2.4
2010		2.4
2011 to 2015		16.6
Total	\$	43.3

100

Minera Mexico Post-retirement health care plan

The components of net period benefit costs are as follows:

(in millions)	For the year ended					
	2005		December 31, 2004		2003	
Interest cost	\$	2.2	\$	2.2	\$	2.1
Service cost		0.4		0.5		0.4
Amortization of transition assets, net		1.6		1.6		1.6
Net periodic post-retirement benefit costs	\$	4.2	\$	4.3	\$	4.1

The change in benefit obligation and a reconciliation of funded status are as follows:

(in millions)	As of December 31			
	2005		2004	
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$	46.8	\$	46.2
Service cost		0.4		0.5
Interest costs		2.2		2.2
Actuarial (loss) gain, net		0.5		(4.0)
Benefits paid		(2.8)		(2.7)
Settlements				
Inflation adjustment		1.7		2.3
Projected benefit obligation at end of year	\$	48.8	\$	44.5
Reconciliation of funded status:				
Funded status	\$	48.8	\$	44.5
Unrecognized actuarial loss		(6.8)		(5.8)
Unrecognized transition obligation		(26.5)		(25.8)
Post-retirement benefit obligation	\$	15.5	\$	12.9

Discount rates used in the calculation of other post-retirement benefits and costs as of December 31, 2005 and 2004 were 6.0%.

The benefits expected to be paid in each of the next five years, and thereafter, are as follows:

(in millions)	Expected	
Year	Benefit Payments	
2006	\$	3.4
2007		3.5
2008		3.4
2009		3.4
2010		3.4
2011 to 2015		3.5
Total	\$	20.6

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An increase in other benefit cost trend rates have a significant effect on the amount of the reported obligations as well as component cost of the other benefit plan. One percentage-point change in assumed other benefits cost trend rates would have the following effects:

(in millions)	One Percentage Point			
		Increase		Decrease
Effect on total service and interest cost components	\$	3.3	\$	1.1
Effect on the post-retirement benefit obligation	\$	54.1	\$	15.1

Minera Mexico's policy for determining asset mix targets includes periodic consultation with recognized third party investment consultants. The expected long-term rate of return on plan assets is updated periodically, taking into consideration assets allocations, historical returns and the current economic environment. The fair value of plan assets is impacted by general market conditions. If actual returns on plan assets vary from the expected returns, actual results could differ.

These plans accounted for approximately 30% of benefit obligations. The following table represents the asset mix of the investment portfolio as of December 31:

	2005	2004
Asset category:		
Equity securities	61%	88%
Treasury bills	39	12
	100%	100%

The amount of contributions that the Company expects to be paid to the plan during 2006 is not material.

NOTE 12-MINORITY INTEREST:

For all the years presented, the minority interest on the consolidated combined statement of earnings is based on the earnings of the Company's Peruvian Branch, and through October 2004 it also included the minority interest held in certain subsidiaries of Minera Mexico as further described below. In addition, it included the interest of minority shareholders in Minera Mexico.

On October 20, 2005, the Company acquired an additional 0.81833% of the outstanding shares of Minera Mexico and were purchased for \$30.3 million.

The Company acquired 0.02 million and 0.2 million investment shares at a \$0.1 million and \$0.7 million in 2004 and 2003, respectively. There were no purchases during 2005. These acquisitions have been accounted for as purchases of minority interests. The carrying value of the minority interest purchased was reduced by \$0.08 million and \$0.5 million in 2004 and 2003, respectively, and the excess paid over the carrying value was assigned to intangible assets and is being amortized based on production. As a result of these acquisitions, the remaining investment shareholders hold a 0.71% interest in the Branch and are entitled to a pro rata participation in the cash distributions made by the Peruvian Branch. The shares are recorded as a minority interest in the Company's financial statements.

In addition, on October 23, 2004, Minera Mexico reached an agreement with the National Union of Mine, Metallurgical and Similar Workers of the Mexican Republic (the Union) for the purchase of a 4.2% and 1.5% stock stake owned by the Union in two of its subsidiaries. The stock was purchased by delivery of a note in the amount of \$51.5 million. The purchase price of the interest acquired was less than its carrying value by \$31.8 million and, therefore, such negative goodwill was allocated as reduction of the long-lived assets to be amortized based on production. This note was paid in full in February 2005.

NOTE 13-COMMITMENTS AND CONTINGENCIES:

Peruvian Operations

Royalty charge:

In June 2004, the Peruvian Congress enacted legislation imposing a royalty charge to be paid by mining companies in favor of the regional governments and communities where mining resources are located. In 2004, more than 5,000 Peruvian citizens filed a request to the Peruvian Constitutional Tribunal to have the law declared unconstitutional. However, in

April 2005, the Constitutional Tribunal ruled the royalty law to be constitutional and therefore applicable to mining activities in Peru. In addition, the Company filed a suit in the Lima Civil Court to protest the law as unconstitutional. On June 28, 2005 the court dismissed the lawsuit and the Company has decided not to appeal. Under the new law, the Company is subject to a 1% to 3% royalty, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. The Company made provisions of \$40.3 million and \$17.6 million in 2005 and 2004 respectively, for this royalty which went into effect as of June 25, 2004. These provisions are included in Cost of sales (exclusive of depreciation, amortization and depletion) on the Consolidated combined statement of earnings.

In its ruling, the Constitutional Tribunal additionally stated that the royalty charge applies to all concessions held in the mining industry, implying that those entities with tax stability contracts are subject to this charge. In 1996, the Company entered into a tax stability contract with the Peruvian government (a Guaranty and Promotional Measures for Investment Contract) relating to our SX/EW production, which agreement purports to, among other things, fix tax rates other contributions relating to such production. We believe that the Constitutional Tribunal's interpretation relating to entities with tax stability contracts is incorrect and we intend to protest the imposition of the royalty charge on our SX/EW production, when and if assessed. Provision made by the Company for the royalty charge does not include approximately \$5.9 million of additional potential liability relating to its SX/EW production from June 30, 2004 through December 31, 2005.

Power purchase agreement

In 1997, SCC sold its Ilo power plant to an independent power company, Enersur S.A. (Enersur), for \$33.6 million. In connection with the sale, a power purchase agreement was also completed under which SCC agreed to purchase all of its power needs for its Peruvian operations from Enersur for twenty years, commencing in 1997.

The Company agreed to amend its power purchase agreement in June 2003, resolving certain issues that arose between the parties and reducing power costs for the remaining life of the agreement. The Company made a one-time contractual payment of \$4.0 million to Enersur under terms of the new agreement. The new agreement releases Enersur from the obligation to construct additional capacity upon notice to meet the Company's increased electricity requirements from the planned expansion and modernization. SCC believes it can satisfy the need for increased electricity requirements from other sources, including local power providers.

Environmental matters

Peruvian operations

Some of the Company's operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through its *Ministerio de Energía y Minas* (the Ministry of Energy and Mines, or MEM) conducts certain annual audits of the Company's Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental commitments, compliance with legal requirements, atmospheric emissions and effluent monitoring are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

In accordance with Peruvian regulations, in 1996 SCC submitted its *Programa de Adecuación y Manejo Ambiental* (the Environmental Compliance and Management Program, known by its Spanish acronym, PAMA) to the MEM. A third-party environmental audit was conducted

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in order to elaborate the PAMA. The PAMA applied to all current operations that did not have an approved environmental impact study at the time. SCC's PAMA was approved in January 1997 and contains 34 mitigation measures and projects necessary to (1) bring the existing operations into compliance with the environmental standards established by the MEM and (2) identify areas impacted by operations that are no longer active and need to be reclaimed or remedied. By the end of 2004, 31 of these projects were completed, including all PAMA commitments related to the Company's operations in Cuajone and Toquepala. The three

pending PAMA projects all relate to the Ilo smelter operations. The primary areas of environmental concern are the smelter reverberatory slag eroded from slag deposits up until 1994, and atmospheric emissions from the Ilo smelter.

The slag remediation program is progressing as scheduled and is expected to be completed by 2007. With respect to the smelter emissions, the third phase of the Ilo smelter modernization has started and is scheduled to be completed by 2007. In July 2003, the Company awarded the contract to provide the technology and basic engineering for the modernization of the Ilo smelter to Fluor Chile S.A. and Xstrata plc (formerly M.I.M. Holdings Limited). The Company believes that the selected proposal complies with the current environmental regulations. This project is the Company's largest short-term capital investment project and is estimated at \$500 million, including \$388.5 million expended through 2005. Beginning in 1995 and continuing while this project is under construction, the Company has established an emissions curtailment program that has allowed us to comply with the annual sulfur dioxide air quality standard (established by the MEM in 1996) in the populated areas of the city of Ilo.

On October 14, 2003, the Peruvian Congress published a new law announcing future closure and remediation obligations for the mining industry. The law was amended on May 28, 2004 and again on May 8, 2005. The current modification establishes that mining companies submit their mine closure plans within one year of publication of final regulations. On August 16, 2005 final regulations were published and the Company has initiated the preparation of the required mine closure plan. As part of the law and the qualifying regulations the Company is also required to engage an independent consulting entity to prepare the mine closure plan. The final plan, which is required by August 2006, is subject to approval by MEM and open to public discussion and comment in the area of Company operations. Additionally, the law requires companies to provide financial guarantees to insure that remediation programs are completed. The Company anticipates that this law will increase its asset retirement obligations and require future expenditures and amortizations over the life of the mine to satisfy its requirements. The Company believes the liability for these asset retirement obligations cannot currently be precisely measured, or precisely estimated, until the Company has substantially completed its mine closure plan and is reasonably confident that it will be approved by MEM in most material respects. However the Company has made a preliminary estimate of this liability and has recorded such amount in its 2005 financial results. Please see Note 9, above. The Company believes that this estimate should be viewed with caution, pending final approval of its mine closure plan, expected later in 2006.

For the Company's Peruvian operations, environmental capital expenditures were \$234.6 million, \$65.5 million and \$2.2 million in 2005, 2004 and 2003, respectively. The Company foresees significant environmental capital expenditures in 2006. Approximately \$87.5 million has been budgeted in 2006; the smelter modernization project accounts for most of this budget.

Mexican operations

Some of the Company's operations are subject to Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water pollution, air pollution, noise pollution and hazardous and solid wastes. Some of these laws and regulations are relevant to legal proceedings pertaining to the Company's San Luis Potosí facilities.

The principal legislation applicable to the Company's Mexican operations is the federal *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (the General Law of Ecological Balance and Environmental Protection, or the Environmental Law), which is enforced by the *Procuraduría Federal de Protección al Ambiente* (Federal Bureau of Environmental Protection, or the PROFEPA). The PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards and, if warranted, the PROFEPA may initiate administrative proceedings against companies that violate environmental laws, which in the most egregious cases may

result in the temporary or permanent closing of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines. Also, according to the *Código Penal Federal* (Federal Criminal Code), the PROFEPA has to inform corresponding authorities regarding environmental crimes.

The Company's operations near the U.S.-Mexican border are also subject to the Agreement on Cooperation for the Protection and Improvement of the Environment in the Border Area, or the La Paz Agreement, which was concluded in 1983 between the United States and Mexico for the purpose of improving air quality along the border. The La Paz Agreement establishes sulfur dioxide emissions standards and requires the installation and maintenance of emission monitoring and record-keeping systems at our smelters in northwestern Mexico. In order to maintain compliance with sulfur dioxide emissions standards promulgated under the Environmental Law and the La Paz Agreement, Minera Mexico shut down the Cananea smelter and operations at Monterrey in December 1999, after which the plants were dismantled and the Monterrey property was sold.

Mexican environmental regulations have become increasingly stringent over the last decade, and 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 NAFTA in February 1999. However, the Company's management does not believe that continued compliance with the Environmental Law or Mexican state environmental laws will have a material adverse effect on the Company's business, properties, result of operations, financial condition or prospects or will result in material capital expenditures. Although the Company believes that all of its facilities are in material compliance with applicable environmental, mining and other laws and regulations, the Company cannot assure you that stricter enforcement of existing laws and regulations or the adoption of additional laws and regulations would not have a material adverse effect on the Company's business, properties, results of operations, financial condition or prospects.

Due to the proximity of certain facilities of Minera Mexico to urban centers, the authorities may implement certain measures that may impact or restrain the operation of such facilities. Any enforcement action to shut down any such facilities may have an adverse effect on the operating results of the relevant subsidiary.

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

Litigation matters

Peruvian Operations

Garcia-Ataucuri and Others vs. SCC: In April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees seeking the delivery of 38,763,806.80 labor shares to be issued in a proportional way to each in accordance with their time of work with SCC, plus dividends. The Company conducts its operations in Peru through a registered Branch. Although the Branch has neither capital nor liability separate from that of the Company, under Peruvian law it is deemed to have an equity capital for purposes of determining the economic interest of the holders of investment shares. The labor shares litigation is based on claims of former employees for ownership of labor shares issued during the 1970s until 1989 under a former Peruvian mandated profit sharing system. We assert

that the claims are meritless and that the labor shares were distributed to the former employees in accordance with the then in effect Peruvian profit sharing system. We do not believe that an unfavorable outcome is reasonably possible. In 1971, the Peruvian Government enacted legislation providing that workers in the mining industry would participate in the pre-tax profits of the enterprises for which they worked at a rate of 10%. This participation was distributed to the workers with 40% in cash and 60% as an equity interest in the enterprise. What remains of the equity participation is now included in the consolidated combined balance

sheet caption *Minority interest*. Under the law, the equity participation was originally delivered to the *Mining Community*, an organization representing all workers. The cash portion was distributed to the workers after the close of the year. The accrual for this participation was (and continues to be) a current liability of the Company, until paid. In 1978, the law was amended and the equity distribution was calculated at 5.5% of pre-tax profits and was made to individual workers of the enterprise in the form of labor shares. These labor shares represented an equity interest in the enterprise. In addition, equity participations previously distributed to the *Mining Community* were returned to the Company and redistributed in the form of labor shares to individual employees or former employees. The cash participation was adjusted to 4.5% of pre-tax earnings and continued to be distributed to employees following the close of the year. Effective in 1992, the law was amended to its present status. The workers participation in pre-tax profits was set at 8%, with 100% payable in cash. The equity participation component was eliminated from the law. In 1995, the Company offered to exchange new common shares of the Company for the labor shares issued under the prior Peruvian law. Approximately 80.8% of the issued labor shares were exchanged for the Company's common shares, greatly reducing the *Minority interest* on the Company's balance sheet. Since 1995, the Company has periodically purchased labor shares on the open market. In 1998, labor shares were renamed *investment shares*. At December 31, 2005, the investment share interest in the Company's Peruvian Branch amounted to 0.71%.

As stated above, in April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees seeking the delivery of a substantial number of *labor shares* (now referred to as *investment shares*) of its Peruvian Branch plus dividends on such shares. This amount corresponds to the total number of labor shares for the full Company workers, and the complaint is seeking to have such shares issued to the plaintiffs in proportional way to each in accordance with their time of work with the Company, plus dividends on such shares. In December 1999, a civil court of first instance of Lima decided against the Company, ordering the delivery of the investment shares and dividends to the plaintiffs. The Company appealed this decision in January 2000. On October 10, 2000, the Superior Court of Lima affirmed the lower court's decision, which had been adverse to the Company. On appeal by the Company, the Peruvian Supreme Court annulled the proceeding noting that the civil courts lacked jurisdiction and that the matter had to be decided by a labor court. The lower court dismissed the lawsuit in January 2005. The plaintiffs have appealed to the superior court.

The Company has not made a provision for this lawsuit because it believes that it has meritorious defenses to the claims asserted in the complaint.

Class actions

Three purported class action derivative lawsuits have been filed in the Delaware Court of Chancery (New Castle County) late in December 2004 and early January 2005 relating to the acquisition of *Minera Mexico* by SCC. 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 Copper Corporation, et al.*, Civil Action No. 969-N, and *James Sousa v. Southern Copper Corporation, et al.*, Civil Action No. 978-N were consolidated into one action titled, *In re Southern 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 consolidated complaint alleges, among other things, that the acquisition of *Minera Mexico* is the result of breaches of fiduciary duties by the Company's directors and is not entirely fair to the Company and its minority stockholders. The consolidated complaint seeks, among other things, a preliminary and permanent injunction to enjoin the acquisition, 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 this lawsuit is without merit and is vigorously defending itself against this action.

It is the opinion of the Company's management that the outcome of the aforementioned legal proceeding will not have a material adverse effect on the Company's financial position or results of operations on it or on its consolidated subsidiaries.

Mexican Operations

Ejido Land matter:

In July 1991, the Mexican agricultural community of Pilares de Nacozari Ejido, (Ejido), commenced an action in the first federal district court in Sonora, Mexico, against the Mexican Ministry of Agrarian Reform, (the Ministry). The action alleged improper expropriation of approximately 1,500 hectares of land adjacent to the La Caridad mine in which certain of Mexcobre's (a subsidiary of Minera Mexico) facilities are currently located. Mexcobre was not named as a defendant in the action although it was included as an interested third party due to its ownership of the land. Mexcobre bought the land in question in 1976 from the *Banco Nacional de Obras y Servicios Públicos*, which had previously acquired it as a beneficiary of the expropriation by the Ministry in 1973 and has alleged legal and physical impossibility of returning the land.

After two previous rulings stating that it is impossible to return the land as a means of restitution, a third and final ruling from the Mexican Appellate District Court instructed the district court judge to resolve the legal and material impossibility of returning the land as a means of restitution. The district court judge ruled that it is only partially impossible to physically return the land and ruled that legal impossibility has not been proved. Mexcobre has filed a complaint against this ruling. This matter was finally settled amongst both parties, Ejido and Mexcobre, by entering and ratifying an agreement before the First Federal District Court in Hermosillo, Sonora, Mexico, on January 16, 2006, terminating the case.

Coremi Royalties:

When Mexcobre originally received mining concessions related to its La Caridad unit in 1970, it was required to pay royalties to the Council of Mineral Resources, which is referred to as Coremi. When the Mining Law came into effect in 1992, this obligation was terminated. However, Coremi, the Mexican Superintendent of Mining and the Mexican Secretary of Economy, did not concede that the royalty obligation to Coremi was terminated and, in 1995, Coremi initiated a series of legal actions that are still pending. In August 2002, Coremi filed with the Third Federal District Judge in Civil Matters, an action demanding from Mexcobre the payment of royalties since 1997. Mexcobre answered and denied Coremi's claims in October 2002 and currently is in the discovery stage (*etapa de ofrecimiento de pruebas*). On December 21, 2005, an initial settlement was reached as follows; royalties for 2005 of \$8.5 million were duly paid, as for the royalties from the third quarter of 1997 to the last quarter of 2004, a partial payment of \$6.2 million was made on January 11, 2006, however, litigation will continue in order that a Court establishes if any additional amount is to be paid. We estimate that the payment made on January 11 will cover said ruling by 100%. The Company believes that any further payment related to this matter will not be material.

San Luis Potosí Facilities:

The municipality of San Luis Potosí has granted Desarrolladora Intersaba, S.A. de C.V., licenses of use of land and construction for housing and/or commercial zones in the former Ejido Capulines, where the residential project Villa Magna is expected to be developed in the near future.

The Villa Magna residential project will be developed within an area that IMMSA's approved Risk Analysis by SEMARNAT (the federal environmental authority) has secured as a safeguard and buffer zone due to the use by IMMSA of Anhydrous Ammonia Gas.

Based on the foregoing, IMMSA has initiated two different actions regarding this matter:

- (1) first, against the Municipality of San Luis Potosí, requesting the annulment of the authorization and licenses granted to Desarrolladora Intersaba, S.A. de C.A. to develop Villa Magna within the zinc plant's safeguard and buffer zone; and
- (2) second, filed before SEMARNAT a request for a declaration of a safeguard and buffer zone surrounding IMMSA's zinc plant.

These actions are awaiting final resolutions. IMMSA believes that, should the outcome of the above mentioned legal proceedings be adverse to IMMSA's interests, the construction of the Villa Magna housing and commercial development would not, in itself, affect the operations of IMMSA's zinc plant.

In addition to the foregoing, IMMSA has initiated a series of legal and administrative procedures against the Municipality of San Luis Potosí due to its refusal to issue IMMSA's use of land permit in respect of its zinc plant. The Municipality has refused to grant such license based on the argument that IMMSA has failed to submit, as part of the application process, a *manifestación de impacto ambiental* (environmental impact assessment). IMMSA believes that the environmental impact assessment is not required because IMMSA will not undertake construction activities. The trial judge has ordered the Municipality to continue the analysis of IMMSA's request to issue the *licencia de uso de suelo* (use of land permit). The municipality has refused to issue the land use permit. IMMSA has filed a request for relief against such resolution to compel the court to issue the land use permit.

Tax contingency matters

U.S. Internal Revenue Service - IRS

The Company is regularly audited by the federal, state and foreign tax authorities both in the United States and internationally. These audits can result in proposed assessments. In 2002, the Internal Revenue Service (IRS) has issued a preliminary Notice of Proposed Adjustment for the years 1994 through 1996. In 2003, the Company settled these differences with the IRS and made a payment of \$4.4 million, including interest. Generally, the years 1994 through 1996 are now closed to further adjustment.

The IRS has completed the field audit work for all years preceding 2003 and currently is auditing only 2003. During the audit of the tax years 1997 through 1999, the IRS questioned the Company's accounting policy for determination of useful lives, the calculation of deductible and creditable Peruvian taxes, the methodology of capitalizing interest and the capitalizing of certain costs (drilling, blasting and hauling) into inventory value as items for possible adjustment. In the fourth quarter of 2003, the Company and the IRS had jointly requested technical advice from the IRS National Office to help resolve the inventory value dispute. In August 2005 the National Office of the IRS responded to the IRS field audit group's request for technical advice. The issuance of this technical advice memorandum (TAM) allowed the IRS to close the field audit work of the audit cycles 1997 through 1999 and 2000 through 2002. The TAM accepts the position of the IRS field office and concludes that the Company is required to capitalize mining costs to its leach dumps based on the weight of material moved, without regard to metal

content or recoverability.

On October 5, 2005 the Company filed a formal protest with the IRS to appeal the proposed changes with respect to the TAM conclusion, as well as other items of adjustment proposed by the IRS field audit group. These other adjustments include the methodology of capitalizing interest, the determination of useful lives for depreciable property, the calculation of deductible and creditable Peruvian taxes and the established service fee between the Company and related parties. The Company believes that the positions that it is reporting to the IRS are correct and appropriate. The Company believes that it has substantial defenses to the proposed IRS adjustments and that adequate provisions have been made so that resolution of any issues raised by the IRS will not have a material

adverse effect on its financial condition or results of operations. The Company is awaiting notification from the IRS Appeals Office for the first scheduled appeals conference related to its protest. Significant management judgment is required in determining the provision for tax contingencies. The estimate of the probable cost for resolution of the tax contingencies has been developed in consultation with legal and tax counsel. The Company does not believe that there is a reasonable likelihood that there is an exposure to loss in excess of the amounts accrued therefore.

Peruvian Operations:

In Peru the Superintendencia Nacional de Administración Tributaria (SUNAT), the Peruvian Tax Administration, regularly audits the Company. These audits can result in proposed assessments.

1) In year 2002 the Company received assessments and penalties from SUNAT for fiscal years 1996 through 1999, in which several deductions taken were disallowed. SUNAT has challenged the Company's depreciation method and deduction of other expenses related to charges incurred outside of Peru from 1996 through 1999, and the deduction of certain exchange differences and interest expenses from 1997 through 1999. The Company appealed these various assessments and resolution is still pending.

In February 2003, the Peruvian tax court confirmed SUNAT's assessments and penalties with regard to depreciation and deductions of other expenses incurred outside of Peru for fiscal years 1996 and 1997. Consequently, the Company recognized an additional tax and workers participation liability for fiscal years 1998 and 1999 on the amounts assessed by SUNAT. Therefore, in 2003 the Company recorded a charge to workers' participation, included in cost of sales (exclusive of depreciation, amortization and depletion) on the statement of earnings and income tax expense of \$0.5 million and \$4.4 million, respectively. The Company, however, has not recognized a liability for penalties and interest assessed by SUNAT in connection with the depreciation and other expenses deduction as it considers they are not applicable. The status of the penalty appeals and other tax contingencies is as follows:

a) Year 1996: With regard to the appeal of the penalty related to fiscal year 1996, the Company was required to issue a letter of credit to SUNAT of \$3.4 million, which was issued in July 2003. This deposit is recorded in other assets on the consolidated combined balance sheet. The Peruvian tax court denied the Company's appeal in February 2004. Consequently, in April 2004, the Company filed a lawsuit against the Peruvian tax court and SUNAT in the superior court of Peru. The Company was not required to issue a deposit for appeal of assessments and rulings with respect to any other years. In September, 2005 the Superior Court declared the Company's claim valid. SUNAT has appealed this decision to the Supreme Court in Lima.

b) Year 1997: With regard to the penalty issued by SUNAT related to fiscal year 1997, in November 2002 the Peruvian tax court indicated that the penalty needed to be modified and declared the previously issued penalty null. Consequently, SUNAT issued a new penalty in December 2003. This penalty and penalties related to fiscal years 1998 and 1999 have been protested before SUNAT. The Company's appeal before the Peruvian tax court related

to the assessments (pertaining to the deduction of certain interest expense) for fiscal year 1997 was denied. In this regard, in May 2003, the Company filed a lawsuit before the superior court against SUNAT and the Peruvian tax court, seeking the reversal of the ruling of the tax court. In July, 2005 the Superior Court remanded the case to SUNAT for a new pronouncement. SUNAT has appealed the courts decision to the Supreme Court in Lima.

c) SUNAT has not ruled on the interest deductions for 1998 or 1999.

d) The Company has not recorded any expense associated with the assessment challenging deductions of interest expense for the years 1997, 1998, or 1999,

nor has the Company recorded any expense associated with the assessments for the years 2000 and 2001.

e) Years 1998 and 1999: The Company's appeal is still pending resolution by SUNAT.

In December 2004 and January 2005, the Company received assessments and penalties from SUNAT for the fiscal years 2000 and 2001, in which certain deductions taken by the Company were disallowed. SUNAT has objected to the Company's method of deducting vacation pay accruals in 2000, a deduction in 2000 for a fixed asset write-off, as well as certain other deductions in both years. The Company has appealed these assessments and resolution is still pending. The Company received penalties and assessments from SUNAT relating to the treatment of foreign exchange differences for 2000 and 2001, which the Company is contesting before SUNAT.

Mexican Operations

Labor matters

In the last several years the Company has experienced a number of strikes or other labor disruptions that have had an adverse impact on its operations and operating results. For example, in Peru on August 31, 2004, unionized workers at the mining units in Toquepala and Cuajone initiated work stoppages and sought additional wage increases based on high metal prices. The strike was resolved in September 13, 2004. In Mexico, on July 12, 2004, the workers of Mexicana de Cobre site went on strike asking for the review of certain contractual clauses. Such a review was performed and the workers returned to work 18 days later. On October 15, 2004, the workers of Mexicana de Cananea went on strike, followed by the Mexicana de Cobre workers. The strike lasted for six days at Mexicana de Cobre and nine days at Mexicana de Cananea. In each case, the operations at the particular mine ceased until the strike was resolved. The Company cannot make assurances that they will not experience strikes or other labor-related work stoppages in the future that could have a material adverse effect on its financial condition and results of operations.

Other legal matters

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

Our direct and indirect parent corporations, including AMC and Grupo México, have from time to time been named parties in various litigations involving Asarco. In March 2003, AMC purchased its interest in SCC from Asarco. In August 2002 the U.S. Department of Justice brought a claim alleging fraudulent conveyance in connection with Asarco's environmental liabilities and AMC's then-proposed purchase of SCC from Asarco. That action was settled pursuant to a Consent Decree dated February 2, 2003. The consent decree is binding solely on the U.S. government. In October 2004, AMC, Grupo México, Mexicana de Cobre and other parties, not including SCC, were named in a lawsuit filed in New York State court in connection with alleged asbestos liabilities, which lawsuit claims, among other matters, that AMC's purchase of SCC from Asarco should be voided as a fraudulent conveyance. While Grupo México and its affiliates believe that these claims are without merit, we cannot assure you that these or future claims, if successful, will not have an adverse effect on our parent corporations or us. Any increase in the financial obligations of our parent corporations, as a result of matters related to Asarco or otherwise could, among other matters result in our

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parent corporations attempting to obtain increased dividends or other funding from us. In 2005, certain subsidiaries of Asarco filed bankruptcy petitions in connection with alleged asbestos liabilities. In July 2005, the unionized workers of Asarco commenced a work stoppage, which was settled in November 2005 with the extension of the existing contract for an additional thirteen month period until December 31, 2006. A further deterioration of the financial condition of Asarco could result in additional claims being filed against Grupo México and its

subsidiaries, including SCC, Minera México or its subsidiaries. As a result of various factors, including the above-mentioned work stoppage on August 9, 2005 Asarco filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code before the U.S. Bankruptcy Court of Corpus Christi, Texas. Asarco's bankruptcy case is being joined with the bankruptcy cases of its subsidiaries. Asarco is in continuing possession of its properties and is operating and managing its businesses as a debtor in possession.

Asarco believes that by utilizing the Chapter 11 process it can achieve an orderly restructuring of its business and finally resolve, among other contingencies, its environmental and asbestos claims. However, it is impossible to predict how the bankruptcy court will ultimately rule with respect to such petitions and the impact such rulings will have on Asarco and its subsidiaries.

NOTE 14-STOCKHOLDERS EQUITY:

Merger adjustments

Pursuant to U.S. GAAP, since both SCC and Minera Mexico are under common control for all the periods presented, the transfer of Minera Mexico to SCC has been reflected at the historical carrying value of Minera Mexico's assets and liabilities in a manner similar to a pooling of interests. The difference in the value of the newly issued 67,207,640 shares of SCC and the net carrying value of Minera Mexico has been recognized in equity as a reduction in additional paid-in capital. In addition, Minera Mexico's historical common stock, treasury stock and additional paid in capital accounts were eliminated and classified within SCC's additional paid-in capital. Minera Mexico's retained earnings were carried forward as reported to be combined with retained earnings of SCC. For the purpose of these financial statements, the issuing of 67,207,640 shares have been reflected as if they had been outstanding as of January 1, 2003. Therefore, historical common stock and per share data presented herein differs from that previously reported by SCC on a stand-alone basis.

Common stock

The Company had two classes of common shares outstanding. Class A common stockholders were entitled to five votes per share. Common share stockholders are entitled to one vote per share.

In connection with the acquisition of Minera Mexico, the Company's Class A common stock was converted into common stock and preferential voting rights were eliminated. On June 9, 2005, Cerro Trading Company, Inc., SPC Investors L.L.C., Phelps Dodge Overseas Capital Corporation and Climax Molybdenum B.V., subsidiaries of two of SCC's founding shareholder's and affiliates, sold their equity holdings in SCC.

Stock Options:

The Company has two stockholder approved plans, a Stock Incentive Plan and a Director's Stock Award Plan. The Stock Incentive Plan provides for the granting of nonqualified or incentive stock options, as defined under the Internal Revenue Code of 1986, as amended, as well as for the award of restricted stock, stock appreciation rights and bonuses payable in stock. The price at which options may be granted under the Stock Incentive Plan shall not be less than 100% of their fair market value of the common stock on the date of grant in the case of incentive

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stock options, or 50% in the case of other options. In general, options are not exercisable for six months and expire after 10 years from the date of grant.

The authorized number of shares under the Stock Incentive Plan is 1,000,000 of which 300,000 may be awarded as restricted stock. At December 31, 2005 and 2004, 645,060 shares are available for future grants under this plan. There were no outstanding stock options under this plan at December 31, 2005 or 2004.

The Directors' Stock Award Plan provides that directors who are not compensated as employees of the Company will be automatically awarded 200 shares of common stock upon election and 200 additional shares following each annual meeting of stockholders thereafter. Under the directors' plan, 100,000 shares have been reserved for awards. At December 31, 2005, 31,200 shares have been awarded under this plan.

NOTE 15-DERIVATIVE INSTRUMENTS:

The Company occasionally uses derivative instruments to manage its exposure to market risk from changes in commodity prices and interest rate risk exposure. The Company does not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing the Company to market risk.

Copper swaps:

In 2005, the Company entered into copper swap contracts to protect the future sales of 662.6 million pounds of its 2005 copper production at a fixed copper price. The Company recorded losses of \$23.5 million related to these copper swap contracts during 2005. These losses are recorded as a non-operating item in the consolidated combined statement of income.

At December 31, 2005, the Company did not hold any open copper swaps.

Interest rate swaps:

In October 2004, Minera Mexico and Citibank-Banamex entered into an interest rate swap agreement for a notional principal amount of \$600 million. Under this agreement, MM agreed to pay Banamex a fixed rate equivalent to 3.49% and, in exchange, Banamex agreed to pay a variable rate equivalent to 3-month LIBOR. Payments under the interest rate swap are scheduled to match the interest payment dates of the \$600 million Citibank credit facility. Additionally, in April 2005, the Company entered into a contract to hedge interest rate exposure on \$120 million of its \$200 million Citibank credit facility. Under this contract the Company pays fixed rate interest payments at 4.46% and receives a variable rate equivalent to three month LIBOR. Payments under the interest rate swap are scheduled to match the interest payment dates of the \$200 million credit facility. Both of these loan facilities were repaid and the related swaps were terminated in July 2005. As a result of these transactions the Company recorded losses of \$2.7 million and \$1.4 million in 2005 and 2004, respectively.

On July 19, 2005 the Company entered into a one day interest rate swap contract on \$700 million of its \$800 million notes issued. Under this contract, the Company made fixed rate interest payments at 4.46% and received a variable rate equivalent to 5.375% of treasury bonds maturing on February 15, 2031. As a result of this transaction, the Company recorded a gain of \$3.9 million in 2005 in the consolidated combined statement of earnings for the cost of terminating this transaction.

The Company recorded net gains of \$ 1.2 million and a loss of \$1.4 million related to the interest swap transactions in 2005 and 2004, respectively. These gains (losses) are recorded as loss on derivative instruments on the condensed consolidated combined statement of earnings.

At December 31, 2005, the Company did not hold any open interest rate swap contracts.

NOTE 16-FINANCIAL INSTRUMENTS:

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable (other than accounts receivable associated with provisionally priced sales) and accounts payable, the carrying amounts approximate fair value due to their short maturities. Consequently, such financial instruments are not included in the following table that provides information about the carrying amounts and estimated fair values of other financial instruments:

	As of December 31,			
	2005		2004	
	Carrying value	Fair value	Carrying value	Fair value
Assets:				
Accounts receivable associated with provisionally priced sales:				
Copper	\$ 7.8	\$ 7.8	\$ 185.9	\$ 185.9
Molybdenum	\$ (39.2)	\$ (39.2)	\$ 202.7	\$ 202.7
Marketable securities			\$ 45.3	\$ 45.3
Liabilities:				
Debt	\$ 1,172.1	\$ 1,189.4	\$ 1,330.3	\$ 1,343.1
Interest rate swaps			\$ 2.6	\$ 2.6

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Accounts receivable associated with provisionally priced sales: Fair value of copper is based on published forward prices and fair value of molybdenum is based on year-end market prices.

Marketable securities: Fair value is based on quoted market prices.

Long-term debt: Fair value is based on quoted market prices.

Interest rate swap: Fair value was calculated based on discounted expected future cash flows of interests to be received and paid.

NOTE 17-CONCENTRATION OF RISK:

The Company operates four copper open-pit mines, five underground poly metal mines, three smelters and eight refineries in Peru and Mexico and substantially all of its assets are located in these countries. There can be no assurances that the Company's operations and assets that are subject to the jurisdiction of the governments of Peru and Mexico will not be adversely affected by future actions of such governments. Substantially all of the Company's products are exported from Peru and México to customers principally in United States, Europe, Asia and South America.

Financial instruments, which potentially subject the Company to a concentration of credit risk, consist primarily of cash and cash equivalents, marketable securities and trade accounts receivable.

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The Company invests or maintains available cash with various banks, principally in the United States, Mexico, Europe and Peru, or in commercial paper of highly-rated companies. As part of its cash management process, the Company regularly monitors the relative credit standing of these institutions. At December 31, 2005, SCC had invested 29.2% of its cash equivalents and marketable securities with Peruvian banks, of which 41.8% was invested with one institution. Likewise, SCC invested 6.4% of its cash equivalent and marketable securities with Mexican banks, of which 3.29% were invested in one institution.

During the normal course of business, the Company provides credit to its customers. Although the receivables resulting from these transactions are not collateralized, the Company has not experienced significant problems with the collection of receivables.

The Company is exposed to credit loss in cases where the financial institutions with which it has entered into derivative transactions (commodity, foreign exchange and currency/interest rate swaps) are unable to pay when they owe funds as a result of

protection agreements with them. To minimize the risk of such losses, the Company only uses highly-rated financial institutions that meet certain requirements. The Company also periodically reviews the creditworthiness of these institutions to ensure that they are maintaining their ratings. The Company does not anticipate that any of the financial institutions will default on their obligations.

The Company's five largest trade receivable balances accounted for 40.9% and 33.7% and 26.5% of the trade accounts receivable at December 31, 2005, 2004 and 2003, respectively, of which one customer represented approximately 14.6%, 10.7% and 6.7%, respectively, of our trade accounts receivable.

NOTE 18-RELATED PARTY TRANSACTIONS:

Balances receivable and payable with affiliated companies and related parties are shown below (in millions):

	As of December 31,	
	2005	2004
Affiliate receivable:		
Grupo Mexico Servicios S.A. de C.V.	\$ 2.6	\$
Grupo Mexico S.A. de C.V.	0.4	
AMC		1.1
Cerro Wire & Cable Co.		8.5
Mexico Constructora Industrial, S.A. de C.V.	5.0	1.5
Intermodal Mexico, S.A. de C.V.	0.4	0.4
Ferrocarril Mexicano, S.A. de C.V.	0.4	
Other	0.3	3.9
	\$ 9.1	\$ 15.4
Affiliate payable:		
Grupo Mexico S.A. de C.V.	\$ 2.5	\$ 63.2
Ferrocarril Mexicano, S.A. de C.V.	3.0	3.3
Other	0.9	
	\$ 6.4	\$ 66.5

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders. These transactions include the lease of office space, air transportation, construction services and products and services relating to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest.

Grupo México, the Company's ultimate parent and the majority indirect stockholder of the Company and its affiliates, provides various services to the Company. In 2005, these activities were principally related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. Grupo México is reimbursed for these support services. The total amount paid by the Company to Grupo México for such services in 2005, 2004 and 2003 was \$13.8 million. The Company expects to continue to pay for these services going forward in an amount of \$13.8 million per year.

The Company paid \$0.5 million, \$3.3 million and \$3.4 million in 2005, 2004 and 2003, respectively, in interest expense related to borrowings from Grupo México.

The former holders of the Company's Class A common stock until June 2005 and their affiliates purchase copper and other products from the Company from time to time at prices determined by reference to the LME and COMEX market price for copper and published prices for other products, if available.

The Company purchased metal products from ASARCO for \$1.1 million, \$1.0 million and \$2.9 million in 2005, 2004 and 2003, respectively and sold products, principally sulfuric acid and silver to Asarco for \$11.6 million, \$13.0 million and \$6.2 million in 2005,

2004 and 2003, respectively.

Sociedad Minera Cerro Verde, S.A., an affiliate of Phelps Dodge Overseas Corporation and Climax Molybdenum B.V., stockholders of the Company until June 2005, purchased \$1.5 million, \$3.7 million and \$1.9 million of acid products from the Company in 2005 (through June), 2004 and 2003, respectively.

Cerro Wire and Cable LLC (Cerro), an affiliated company of one of the Company's stockholders until June 2005, purchased \$13.7 million and \$70.2 million of copper products from the Company in 2005 and 2004 respectively. There were no such purchases by Cerro in 2003.

In 2003, the Company purchased from Asarco, a former stockholder of the Company and a subsidiary of Grupo México, used mining equipment. In compliance with Peruvian regulations related to used vehicles and mining equipment, the trucks and mining equipment were independently appraised at fair market value at the time of purchase for \$10 million. Additionally in 2003, the Company purchased from Asarco mineral exploration properties in Chile, at a cost of \$3.7 million. The Company used an independent appraisal firm to determine the purchase price.

On January 15, 2004, the Company entered into a tolling agreement with Asarco. Under terms of the agreement, in the first quarter of 2004 the Company, through its wholly owned US subsidiary, Southern Peru Limited (SPL), commenced delivering to Asarco, at its Amarillo, Texas refinery, copper cathodes for conversion into copper rods, which the Company sells to customers in the United States. The Company delivered 29,000 tons and 77,000 tons of copper during 2005 and 2004, respectively to the Asarco refinery. On July 8, 2005 Asarco declared Force Majeure, notifying SPL that because of a strike at their facilities, they would be unable to accept shipments from the Company. Accordingly, deliveries to the refinery were suspended and the Company has redirected the copper otherwise intended for delivery to the refinery to other customers. At December 31, 2005 the Company did not have copper at the Asarco refinery. The Company paid Asarco a tolling charge upon its receipt of copper rods. These charges, \$1.6 million in 2005 and \$3.8 million in 2004, are based on competitive market terms. Through June 9 2005 the Company sold a portion of the copper treated by Asarco, approximately \$13.7 million, to the Marmon Group Cerro Wire, a stockholder of the Company until June 9, 2005 and sold \$70.2 million to Cerro, in 2004. At December 31, 2004 there was \$8.5 million in affiliates accounts receivable related to SPL's sales to Cerro.

In addition to the charges noted above, the Company paid Asarco \$4.9 million and \$9.9 million in 2004 and 2003, respectively, for refining and other services.

The Company contracted an aggregate of approximately \$3.2 million and \$1.2 million in 2004 and 2003, respectively, for shipping services to and from Peru by Compañía Sud-Americana de Vapores S.A. (CSAV), and a subsidiary company. CSAV is a company indirectly controlled by Quemchi, S.A. Mr. Jaime Claro, a director of SCC during 2003 and the first half of 2004, is chairman of Quemchi S.A.

The Company purchased \$0.4 million and \$1.3 million in 2004 and 2003, respectively, of industrial materials from Higher Technology Solutions S.A. (Higher Tec), a Peruvian corporation and a related company. Mr. Carlos González, a son of SCC's President and Chief Executive Officer, is an investor in Higher Tec and the owner of the related company. Additionally, in 2005 the company purchased \$3.3 million and \$0.7 million and in 2004 \$1.1 million and \$0.7 million of industrial material from Higher Technology S.A.C. and Servicios y Fabricaciones Mecánicas S.A.C., respectively. Mr. Carlos González is the principal owner of these companies. In addition, the Company purchased \$0.2 million, \$0.4 million and

\$0.2 million, in 2005, 2004 and 2003, respectively, of industrial materials from Société Française des Bandes Transporteuses, a French corporation. Mr. Alejandro González, a son of SCC's President and Chief Executive Officer, is a sales representative with this company.

The Company's Mexican operations paid fees of \$21.0 million, \$19.3 million and \$13.8 million in 2005, 2004 and 2003, respectively, primarily for freight services provided by Ferrocarril Mexicano, S.A. de C.V., an indirect subsidiary of Grupo México.

In addition, the Company's Mexican operations paid fees of \$29.7 million and \$0.4 million in 2005 and 2004, respectively, for construction services provided by Mexico Constructora Industrial S.A. de C.V., an indirect subsidiary of Grupo Mexico. At December 31, 2005 the Company had a balance due of \$5.0 million for advances provided to the company.

The Larrea family controls a majority of the capital stock of Grupo México, and has extensive interests in other businesses, including oil drilling services, construction and real estate. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the family relating to mining and refining services, the lease of office space, and air transportation and construction services. These transactions amounted to approximately \$3.7 million in 2005, \$6.1 million in 2004 and \$8.4 million in 2003.

See also the disclosure on the acquisition of Minera Mexico on page A-54.

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

NOTE 19-SEGMENT AND RELATED INFORMATION:

Southern Copper operates in a single industry, namely mining copper. Prior to the April 1, 2005 acquisition of Minera Mexico, the Company determined that its operations in Peru fell within one segment. With the acquisition of Minera Mexico the Company continues to operate principally in one industry, the mining of copper. However, because of the demands of managing operations in two countries, effective April 1, 2005, Company management views the new Southern Peru as having three operating segments and manages on the basis of these segments. Additionally, in mining copper the Company produces a number of metal byproducts, most important of which are molybdenum, silver and zinc. The significant increase in the price of molybdenum over the past three years has had an important impact on the Company's earnings. Nevertheless, the Company continues to manage its operations on the basis of the three copper segments. Added to the segment information is information regarding the Company's molybdenum sales. The segments identified by the Company are:

1. Peruvian operations, which includes the Toquepala and Cuajone mine complexes and the smelting and refining plants, industrial railroad and port facilities which service both mines.
2. Mexican open pit operations, which includes La Caridad and Cananea mine complexes and the smelting and refining plants and support facilities which service both mines.
3. Mexican underground mining operations, which includes five underground mines that produce zinc, copper, silver and gold, a coal and coke mine, and several industrial processing facilities for zinc and copper. This group is

identified as the IMMSA Unit.

The Chief Operating Officer of the Company focuses on operating income and on total assets as measures of performance to evaluate different segments and to make decisions to allocate resources to the reported segments. These are common measures in the mining industry.

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Financial information relating to Company's segments is as follows:

Year Ended, December 31, 2005
(in millions)

	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate and other eliminations	Total Combined
Net sales outside of segments	\$ 1,678.7	\$ 261.8	\$ 2,172.1	\$	\$ 4,112.6
Intersegment sales	90.9	186.9	7.8	(285.6)	
Cost of sales (exclusive of depreciation, amortization and depletion)	836.6	330.8	756.0	(288.0)	1,635.4
Exploration	3.8	6.1	12.9	1.6	24.4
Depreciation, amortization and depletion	176.7	24.0	76.5		277.2
Selling, general and administrative expenses	37.1	19.4	34.0	(9.4)	81.1
Operating Income	\$ 715.4	\$ 68.4	\$ 1,300.5	\$ 10.2	\$ 2,094.5
Less:					
Interest, net					(55.6)
Loss (gain) on derivative instruments					(22.3)
Loss on debt prepayment					(10.6)
Other income (expense)					(3.7)
Taxes on income					(589.7)
Minority interest					(12.5)
Net Earnings					\$ 1,400.1
Capital expenditures	\$ 104.5	\$ 44.2	\$ 321.9	\$	\$ 470.6
Property, net	\$ 1,559.3	\$ 270.1	\$ 1,468.7	\$ 28.0	\$ 3,326.1
Total Assets	\$ 2,538.3	\$ 518.9	\$ 3,333.6	\$ (703.2)	\$ 5,687.6

Year Ended, December 31, 2004
(in millions)

	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate and other eliminations	Total Combined
Net sales outside of segments	\$ 1,189.3	\$ 191.5	\$ 1,715.9	\$	\$ 3,096.7
Intersegment sales	0.4	125.6		(126.0)	
Cost of sales (exclusive of depreciation, Amortization and depletion)	548.2	231.1	672.2	(117.2)	1,334.3
Exploration	2.5	4.1	9.0		15.6
Depreciation, amortization and depletion	91.0	22.3	77.7	1.6	192.6
Selling, general and administrative expenses	24.2	15.4	29.9	2.3	71.8
Operating Income	\$ 523.8	\$ 44.2	\$ 927.1	\$ (12.7)	\$ 1,482.4
Less:					
Interest, net					(87.5)
Gain on disposal of properties					53.5
Loss on derivative instruments					(1.4)
Loss on debt prepayment					(16.5)
Other income (expense)					(9.7)
Taxes on income					(433.7)
Minority interest					(4.7)
Net Earnings					\$ 982.4

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Capital expenditures	\$	41.4	\$	15.2	\$	171.7	\$	228.3
Property, net	\$	1,574.1	\$	257.1	\$	1,217.5	\$	19.8
Total Assets	\$	3,297.8	\$	598.4	\$	2,597.1	\$	(1,174.1)

Year Ended, December 31, 2003
(in millions)

	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate and other Eliminations	Total Combined
Net sales outside of Segments	\$ 638.2	\$ 143.4	\$ 795.0	\$	\$ 1,576.6
Intersegment sales	11.1	87.5	3.4	(102.0)	
Cost of sales (exclusive of depreciation, amortization and depletion)	448.0	181.1	468.5	(105.2)	992.4
Exploration	1.3	4.3	12.3		17.9
Depreciation, amortization and depletion	80.2	22.8	73.6	0.5	177.1
Selling, general and administrative expenses	19.1	10.7	27.2	6.5	63.5
Operating Income	\$ 100.7	\$ 12.0	\$ 216.8	\$ (3.8)	\$ 325.7
Less:					
Interest, net					(106.3)
Loss on debt prepayment					(5.8)
Other income (expense)					(4.2)
Taxes on income					(120.1)
Minority interest					(4.3)
Cumulative effect of change in accounting principle, net of income tax					(1.5)
Net Earnings					\$ 83.5
Capital expenditures	\$ 8.8	\$ 6.3	\$ 49.8	\$	\$ 64.9
Property, net	\$ 1,602.8	\$ 282.9	\$ 1,118.2	\$ 36.8	\$ 3,040.7
Total Assets	\$ 2,693.5	\$ 533.4	\$ 1,930.8	\$ (666.7)	\$ 4,491.0

Sales value per segment:

(in millions)	Year Ended, December 31, 2005				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Intersegment Elimination	Total Combined
Copper	\$ 1,321.6	\$ 134.2	\$ 1,479.7	\$ (196.5)	\$ 2,739.0
Molybdenum	271.0		655.5		926.5
Other	177.0	314.5	44.7	(89.1)	447.1
Total	\$ 1,769.6	\$ 448.7	\$ 2,179.9	\$ (285.6)	\$ 4,112.6

(in millions)	Year Ended, December 31, 2004				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Intersegment Elimination	Total Combined
Copper	\$ 908.0	\$ 67.9	\$ 1,177.3	\$ (44.3)	\$ 2,108.9
Molybdenum	151.8		495.6		647.4
Other	129.9	249.2	43.0	(81.7)	340.4
Total	\$ 1,189.7	\$ 317.1	\$ 1,715.9	\$ (126.0)	\$ 3,096.7

(in millions)	Year Ended, December 31, 2003				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Intersegment Elimination	Total Combined
Copper	\$ 514.8	\$ 34.3	\$ 664.4	\$ (33.0)	\$ 1,180.5
Molybdenum	38.2		104.9		143.1
Other	96.3	196.6	29.1	(69.0)	253.0
Total	\$ 649.3	\$ 230.9	\$ 798.4	\$ (102.0)	\$ 1,576.6

NET SALES AND GEOGRAPHICAL INFORMATION:

Net sales to respective countries were as follows:

(in millions)	Year ended December 31,					
	2005		2004		2003	
United States	\$	1,394	\$	1,106	\$	557
Europe		824		673		344
Mexico		931		630		387
Peru		72		44		1
Latin America, excluding Mexico and Peru		672		468		151
Australia		3				
Asia		217		176		137
Total	\$	4,113	\$	3,097	\$	1,577

At December 31, 2005, the Company has recorded provisionally priced sales of 163.7 million pounds of copper, at a forward average price of \$2.04 per pound. Also, the Company has recorded provisionally priced sales of 6.1 million pounds of molybdenum at the year-end market price of \$25.00 per pound. These sales are subject to final pricing based on the average monthly LME and COMEX copper prices and Dealer Oxide molybdenum prices in the future month of settlement.

Following are the provisionally priced copper and molybdenum sales outstanding at December 31, 2005:

Pounds of copper (millions)	Priced at	Month of settlement
78.5	2.09890	January 2006
24.5	2.05994	February 2006
8.1	2.00987	March 2006
8.7	1.97721	April 2006
18.6	1.95939	May 2006
23.1	1.91915	June 2006
2.2	1.89284	July 2006
163.7	2.03821	January 2006 to July 2006

Pounds of molybdenum (millions)	Market price	Month of settlement
1.7	25.00000	January 2006
3.0	25.00000	February 2006
1.4	25.00000	March 2006
6.1	25.00000	January 2006 to March 2006

Provisional sales price adjustments included in accounts receivable and net sales were as follows at December 31 (in millions):

	As of December 31,	
	2005	2004
Copper	\$ 7.9	\$ 15.9
Molybdenum	(39.2)	69.2
Total	\$ (31.3)	\$ 85.1

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

The following are the significant outstanding long-term contracts:

Under the terms of a forward sales contract with Union Minière, as amended, November 12, 2003, the Company is required to supply Union Minière, through its agent, S.A. SOGEM N.V., with 18,000 tons of blister copper annually for a five-year period from January 1, 2004 through December 31, 2008 and 13,800 tons of blister during 2009. The price of the copper contained in blister supplied under the contract is determined based on the LME monthly average settlement price, less a refining allowance, which is negotiated annually.

Under the terms of a sales contract with Mitsui & Co. Ltd. (Mitsui), the Company is required to supply Mitsui with 48,000 tons of copper cathodes annually for a fifteen-year period through December 31, 2013. If the shipment destination is Asia, the pricing of the cathodes is based upon the LME monthly average settlement price. However, if the destination of shipments is the United States, the pricing of the cathodes is based upon the COMEX monthly average settlement price plus a producer premium, which is agreed upon annually based on world market terms. 90,000 tons related to a prior contract (period 1994-2000) will be supplied as follows: 48,000 in 2014 and 42,000 in 2015.

NOTE 20-QUARTERLY DATA (unaudited)

(in millions, except per share data)

	2005					2004				
	1st	2nd	3rd	4th	Year	1st	2nd	3rd	4th	Year
Net sales	\$ 946.1	\$ 958.0	\$ 1,030.2	\$ 1,178.3	\$ 4,112.6	\$ 602.5	\$ 722.2	\$ 739.6	\$ 1,032.4	\$ 3,096.7
Operating										
Income	\$ 471.6	\$ 448.5	\$ 545.8	\$ 628.6	\$ 2,094.5	\$ 272.1	\$ 342.1	\$ 322.5	\$ 545.7	\$ 1,482.4
Net earnings	\$ 298.4	\$ 311.9	\$ 369.4	\$ 420.4	\$ 1,400.1	\$ 167.5	\$ 231.0	\$ 216.8	\$ 367.1	\$ 982.4
Net earnings per share:										
Basic and diluted	\$ 2.03	\$ 2.12	\$ 2.51	\$ 2.85	\$ 9.51	\$ 1.14	\$ 1.57	\$ 1.47	\$ 2.49	\$ 6.67
Dividend per share	\$ 0.68	\$ 2.38	\$ 1.04	\$ 1.70	\$ 5.80	\$ 0.15	\$ 0.29	\$ 0.41	\$ 0.45	\$ 1.30

OTHER COMPANY INFORMATION:**ANNUAL MEETING**

The annual stockholders meeting of Southern Copper Corporation will be held on Thursday, April 27, 2006 at 17:00hrs, Mexico City time, at Avenida Baja California No. 200, Fifth Floor, Colonia Roma Sur, Mexico City, Mexico.

TRANSFER AGENT, REGISTRAR AND STOCKHOLDERS SERVICES

The Bank of New York

101 Barclay Street

New York, NY, 10286

Phone: (800) 524-4458

DIVIDEND REINVESTMENT PROGRAM

SCC stockholders can have their dividends automatically reinvested in SCC common shares. SCC pays all administrative and brokerage fees. This plan is administered by The Bank of New York. For more information, contact The Bank of New York at (800)524-4458.

STOCK EXCHANGE LISTING

The principal markets for SCC's Common Stock are the NYSE and the Lima Stock Exchange. SCC's Common Stock symbol is PCU on both the NYSE and the Lima Stock Exchange.

OTHER SECURITIES

The Branch in Peru has issued, in accordance with Peruvian Law, investment shares (formerly named labor shares) that are quoted on the Lima Stock Exchange under symbols S-1 and S-2. Transfer Agent, registrar and stockholders services are provided by Banco de Credito del Peru, Avenida Centenario 156, La Molina, Lima 12, Peru.

Telephone (511) 348-5999, Fax (511)349-0592.

OTHER CORPORATE INFORMATION

For other information on the Company or to obtain, free of charge, additional copies of the Annual Report on Form 10-K, contact the Investor Relations Department at:

2575 E. Camelback Rd. Suite 500, Phoenix, Az.85016, USA

Telephone: (602)977-6595

SOUTHERN COPPER CORPORATION

2575 E. Camelback Rd. Suite 500, Phoenix, Az.85016, USA

Telephone: (602)977-6595, Fax: (602)977-6700

NYSE Symbol: PCU

Avenida Caminos del Inca 171, Chacarilla del Estanque, Santiago de Surco, Lima 33- Peru

Lima Stock Exchange Symbol: PCU

Web Page: www.southerncoppercorp.com

Email address: spcc@southerncopper.com.pe

CERTIFICATION REQUIRED BY THE NEW YORK STOCK EXCHANGE

The Company has filed with the New York Stock Exchange (NYSE) the 2005 certification that the Chief Executive Officer is unaware of any violation of the corporate governance standards of the NYSE. The Company has also filed with the Securities and Exchange Commission (SEC) the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002, as exhibits to the 2004 Annual Report on Form 10-K. The Company anticipates filing, on a timely basis, the 2006 NYSE certification and is filing the Section 302 certifications as exhibits to this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Mexico D.F. March 13, 2006

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

We have completed integrated audits of Southern Copper Corporation's and its subsidiaries 2005 and 2004 consolidated combined financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated combined financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated combined financial statements

In our opinion, the accompanying consolidated combined balance sheets and the related consolidated combined statements of earnings, changes in stockholders' equity and cash flows present fairly, in all material respects, the financial position of Southern Copper Corporation's and its subsidiaries at December 31, 2005 and December 31, 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's report on internal Control over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria.

Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of

the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a

reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PRICEWATERHOUSECOOPERS

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9.A. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2005, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There was no change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company. Under the supervision and with the participation of management, including the Company's principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organization of the Treadway Commission. Based on the evaluation made under this framework, management concluded that as of December 31, 2005 such internal control over financial reporting is effective.

Because of its inherent limitations, internal control over financial reporting, may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

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Our management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers, an independent registered public accounting firm, as stated in their report which appears herein.

Item 9.B. Other Information

None.

PART III

Items 10, 11, 12, 13, and 14

Reference is made to the Section captioned "Executive Officers of the Registrant" on pages A-47 to A-48. Information in response to the disclosure requirements specified by Part III, Items 10, 11, 12, 13, and 14 will be included in a definitive proxy statement, which will be filed pursuant to Regulation 14A of the 1934 Securities Exchange Act, as amended, prior to April 27, 2006 or will be provided by amendment to this Form 10-K, also to be filed no later than April 30, 2006.

The information contained in such definitive proxy statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(A) The following documents are filed as part of this report:

1. Financial Statements

The following financial statements of Southern Copper Corporation and its subsidiaries are included at the indicated pages of the document as stated below:

Consolidated Combined Statement of Earnings for the years ended December 31, 2005, 2004 and 2003
Consolidated Combined Balance Sheet at December 31, 2005 and 2004
Consolidated Combined Statement of Cash Flows for the years ended December 31, 2005, 2004 and 2003
Consolidated Combined Statement of Changes in Stockholders' Equity for the years ended December 31, 2005, 2004 and 2003
Notes to the Consolidated Combined Financial Statements
Reports of Independent Registered Public Accounting Firm

2. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation, filed on October 11, 2005
- 3.2 By-Laws, as last amended on February 3, 1998
- 4.1 Registration Rights Agreement, dated as of July 27, 2005, by and between Southern Copper Corporation, Citigroup Global Markets Inc. and UBS Securities LLC
- 4.2 Indenture governing U.S.\$200,000,000 6.375% Notes due 2015, by and between Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A.
- 4.3 Indenture governing U.S.\$600,000,000 7.500% Notes due 2035, by and between Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A.
- 4.4 Form of 6.375% Note (included in Exhibit 4.2)
- 4.5 Form of New 7.500% Note (included in Exhibit 4.3)
- 10.1 Tax Stability Agreement, dated August 8, 1994, between the Government of Peru and the Company regarding SX/EW facility (and English translation)
- 10.2 Incentive Compensation Plan of the Company

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- 10.3 Stock Incentive Plan of the Company
- 10.4 Form of Directors Stock Award Plan of the Company
- 10.5 Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A. de C.V., assigned upon the same terms and conditions to Grupo Mexico S.A. de C.V. in February 2004
- 10.6 Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub, Inc., Americas Sales Company,

Inc., Americas Mining Corporation and Minera México S.A. de C.V.

- 14 Code of Business Conduct and Ethics adopted by the Board of Directors on May 8, 2003 and amended by the Board of Directors on October 21, 2004
- 21.1 Subsidiaries of the Company
- 23.1 Consent of Registered Public Accounting Firm (PricewaterhouseCoopers S.C.)
- 31.1 Certification required by Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification required by Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002. This document is being furnished in accordance with SEC Release No. 33-8328
- 32.2 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002. This document is being furnished in accordance with SEC Release No. 33-8328

The exhibits listed as 10.2 through 10.6 above are the management contracts or compensatory plans or arrangements required to be filed pursuant to Item 15(c) of Form 10-K.

Schedule II

Valuation and Qualifying Accounts and Reserves

(in millions)

	Balance at beginning of period	Charged to costs and expenses	Additions		Balance at end of period
			Other	Deduction	
Reserve deducted in balance sheet to which applicable:					
Accounts Receivable:					
December 31, 2005	8.3	0.4		3.1	5.6
December 31, 2004	8.2	0.9		0.8	8.3
December 31, 2003	7.4	2.2		1.4	8.2
Supplies:					
December 31, 2005	21.5	3.3		1.4	23.4
December 31, 2004	9.5	12.7		0.7	21.5
December 31, 2003	7.8	2.2		0.5	9.5
Deferred Tax Assets:					
December 31, 2005	33.4	47.8			81.2
December 31, 2004	87.2			53.8	33.4
December 31, 2003	140.9			53.7	87.2

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused his Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHERN COPPER CORPORATION
(Registrant)

By: /s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha
President and Chief Executive Officer

Date: March 6, 2006

Pursuant to requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ German Larrea Mota-Velasco
German Larrea Mota-Velasco

Chairman of the Board, and Director

/s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha

President, Chief Executive Officer and Director

/s/ J. Eduardo
Gonzalez
J. Eduardo Gonzalez

Vice President, Finance, Chief Financial Officer and Director
(principal financial officer)

/s/ Jose N. Chirinos Fano
Jose N. Chirinos Fano

Comptroller (principal accounting officer)

DIRECTORS

/s/ German Larrea Mota-Velasco
German Larrea Mota-Velasco

/s/ Genaro Larrea Mota-Velasco
Genaro Larrea Mota-Velasco

/s/ Emilio Carrillo Gamboa
Emilio Carrillo Gamboa

/s/ Armando Ortega Gomez
Armando Ortega Gomez

/s/ Jaime Collazo Gonzalez
Jaime Collazo Gonzalez

/s/ L. Miguel Palomino Bonilla
L. Miguel Palomino Bonilla

/s/ Xavier Garcia de Quevedo
Xavier Garcia de Quevedo

/s/ Gilberto Perezalonso Cifuentes
Gilberto Perezalonso Cifuentes

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/s/ J. Eduardo
Gonzales
J. Eduardo
Gonzalez

/s/ Juan Rebolledo
Gout
Juan Rebolledo
Gout

/s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha

/s/ Carlos Ruiz Sacristan
Carlos Ruiz Sacristan-

/s/ Harold S. Handelsman
Harold S. Handelsman

Date: March 6, 2006

Southern Copper Corporation

Exhibit Index

Sequential Exhibit Number	Document Description	Page Number
3.1	Amended and Restated Certificate of Incorporation, filed on October 11, 2005. (Filed as Exhibit 3.1 to the Company's 2005 3 rd quarter Quarterly Report on Form 10-Q and incorporated herein by reference)	
3.2	By-Laws, as last amended on February 3, 1998 (Filed as Exhibit 3.6 to the Company's 1997 Annual Report on Form 10-K and incorporated herein by reference)	
4.1	Registration Rights Agreement, dated as of July 27, 2005, by and between Southern Copper Corporation, Citigroup Global Markets Inc. and UBS Securities LLC (Filed as Exhibit 4.1 to Registration Statement on Form S-4, File No. 33-129287 filed on October 28, 2005 and incorporated herein by reference)	
4.2	Indenture governing U.S.\$200,000,000 6.375% Notes due 2015, by and between Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A. (incorporated by reference to Exhibit 4.1 to the company's Current Report on Form 8-K, filed on August 1, 2005)	
4.3	Indenture governing U.S.\$600,000,000 7.500% Notes due 2035, by and between Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A. (incorporated by reference to Exhibit 4.2 to the company's Current Report on Form 8-K, filed on August 1, 2005)	
4.4	Form of 6.375% Note (included in exhibit 4.2)	
4.5	Form of New 7.500% Note (included in Exhibit 4.3)	
10.1	Tax Stability Agreement, dated August 8, 1994, between the Government of Peru and the Company regarding SX/EW facility (and English translation) (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-4, as amended by Amendments No. 1 and 2 thereto, File No. 33-97790)	
10.2	Incentive Compensation Plan of the Company (Filed as Exhibit 10.11 to the Company's Form S-4 and incorporated herein by reference)	
10.3	Stock Incentive Plan of the Company (Filed as an Exhibit to the Company's Registration Statement on Form S-8 dated March 25, 1996 (Registration No. 333-2736) and incorporated herein by reference)	
10.4	Form of Directors Stock Award Plan of the Company (filed herewith)	
10.5	Service Agreement entered into by the Company with a subsidiary of Grupo Mexico S.A. de C.V., assigned upon the same terms and conditions to Grupo Mexico S.A. de C.V. in February 2004 (Filed	

as Exhibit 10.10 to the Company's 2002 Annual Report on Form 10-K and incorporated herein by reference)

- 10.6 Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub, Inc., Americas Sales Company, Inc., Americas Mining Corporation and Minera México S.A. de C.V. (Filed as an exhibit to Form 8-K filed on October 22, 2004 and incorporated herein by reference)
- 14. Code of Business Conduct and Ethics adopted by the Board of Directors on May 8, 2003 and amended on October 21, 2004 (Filed as Exhibit 14 to the Company's Current Report on Form 8-K dated October 22, 2004 and incorporated herein by reference)
- 21.1 Subsidiaries of the Company (filed herewith)
- 23.1 Consent of Registered Public Accounting Firm (PricewaterhouseCoopers) (filed herewith)
- 31.1 Certification required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 31.2 Certification required by Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
- 32.1 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002. This document is being furnished in accordance with SEC Release No. 33-8238 (filed herewith)
- 32.2 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002. This document is being furnished in accordance with SEC Release No. 33-8238 (filed herewith)

Annex C: 2005 Form 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

2006

First Quarter

FORM 10-Q

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

For Quarter Ended March 31, 2006

Commission file number 1-14066

SOUTHERN COPPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
Incorporation or organization)

13-3849074

(I.R.S. Employer
Identification No.)

2575 East Camelback Rd. Phoenix, AZ

(Address of principal executive offices)

85016

(Zip Code)

Registrant's telephone number, including area code

(602) 977-6595

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Yes No

As of April 30, 2006 there were outstanding 147,228,025 shares of Southern Copper Corporation common stock, par value \$0.01 per share.

Southern Copper Corporation

INDEX TO FORM 10-Q

Part I. Financial Information:

Item 1.	Condensed Consolidated Combined Financial Statements (unaudited)
	Condensed Consolidated Combined Statement of Earnings three months ended March 31, 2006 and 2005
	Condensed Consolidated Balance Sheet March 31, 2006 and December 31, 2005
	Condensed Consolidated Combined Statement of Cash Flows three months ended March 31, 2006 and 2005
	Notes to Condensed Consolidated Combined Financial Statements
Item 1a.	Risk factors
Items 2 and 3.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 4.	Controls and Procedures
	Report of Independent Registered Public Accounting Firm

Part II. Other Information:

Item 1.	Legal Procedures
Item 6.	Exhibits
Signatures	
Exhibit 15	- Independent Registered Public Accounting Firm Awareness Letter
Exhibit 31.1	- Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	- Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	- Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	- Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Part I FINANCIAL INFORMATION

Item 1. Condensed Consolidated Combined Financial Statements

Southern Copper Corporation

CONDENSED CONSOLIDATED COMBINED STATEMENT OF EARNINGS

(Unaudited)

	3 Months Ended March 31,	
	2006	2005
	(in thousands)	
Net sales:		
Non affiliates	\$ 1,121,291	\$ 924,085
Affiliates		21,990
Total net sales	1,121,291	946,075
Operating costs and expenses:		
Cost of sales (exclusive of depreciation, amortization and depletion shown separately below)	406,944	389,570
Selling, general and administrative	24,016	18,598
Depreciation, amortization and depletion	53,103	60,967
Exploration	4,573	5,347
Total operating costs and expenses	488,636	474,482
Operating income	632,655	471,593
Interest expense	(22,907)	(26,998)
Capitalized interest	5,095	3,991
Loss on derivative instruments		(7,276)
Loss on debt prepayments		(1,690)
Other income (expense)	(978)	835
Interest income	9,305	5,452
Earnings before taxes on income and minority interest	623,170	445,907
Taxes on income	199,872	146,121
Minority interest	1,723	1,425
Net earnings	\$ 421,575	\$ 298,361
Per common share amounts:		
Net earnings basic and diluted	\$ 2.86	\$ 2.03
Dividends paid	\$ 2.75	\$ 0.68
Weighted average common shares outstanding (Basic)	147,228	147,226
Weighted average common shares outstanding (Diluted)	147,228	147,226

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

Southern Copper Corporation

CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

	March 31, 2006	December 31, 2005
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 775,627	\$ 876,003
Accounts receivable trade:		
Non affiliates	325,224	342,412
Affiliates	5,234	9,099
Accounts receivable - other	29,332	34,949
Inventories	436,148	395,845
Deferred income tax - current portion	4,292	5,248
Prepaid and other current assets	63,252	50,798
Total current assets	1,639,109	1,714,354
Property, net	3,414,357	3,326,126
Capitalized mine stripping, net		289,369
Leachable material, net	199,612	210,118
Intangible assets, net	120,157	120,861
Other assets, net	42,369	26,746
Total Assets	\$ 5,415,604	\$ 5,687,574
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	\$ 10,000	\$ 10,000
Accounts payable	210,180	284,977
Accrued income taxes	322,875	275,763
Due to affiliated companies	7,378	6,355
Deferred income taxes	8,369	
Accrued workers' participation	138,541	195,552
Other accrued liabilities	98,378	22,985
Total current liabilities	795,721	795,632
Long-term debt	1,162,135	1,162,065
Deferred income taxes	181,267	259,089
Other liabilities	90,317	120,795
Asset retirement obligation	11,461	11,221
Total non-current liabilities	1,445,180	1,553,170
Commitments and Contingencies (Note I)		
MINORITY INTEREST	11,516	12,695
STOCKHOLDERS' EQUITY		
Common stock	1,474	1,474
Additional paid-in capital	773,580	774,168
Retaining earnings	2,484,368	2,648,359
Other accumulative comprehensive loss	(11,989)	(13,090)

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Treasury stock	(84,246)	(84,834)
Total Stockholders Equity	3,163,187	3,326,077
Total Liabilities, Minority Interest and Stockholders Equity	\$ 5,415,604	\$ 5,687,574

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

Southern Copper Corporation

CONDENSED CONSOLIDATED COMBINED STATEMENT OF CASH FLOWS

(Unaudited)

	2006	3 Months Ended March 31, (in thousands)	2005
OPERATING ACTIVITIES			
Net earnings	\$	421,575	\$ 298,361
Adjustments to reconcile net earnings to net cash provided from operating activities:			
Depreciation, amortization and depletion		53,103	60,967
Capitalized mine stripping and leachable material			(24,623)
Remeasurement loss		572	326
Provision for deferred income taxes		19,712	5,087
Loss on derivative instruments			7,276
Loss on debt prepayments			2,153
Minority interest		1,723	1,425
Cash provided from (used for) operating assets and liabilities:			
Accounts receivable		24,364	59,742
Inventories		(40,303)	(1,166)
Accounts payable and accrued liabilities		(78,820)	(67,600)
Other operating assets and liabilities		35,801	10,542
Net cash provided from operating activities		437,727	352,490
INVESTING ACTIVITIES			
Capital expenditures		(143,117)	(75,261)
Purchase of marketable securities			(74,339)
Sales of marketable securities			45,267
Other		(1,811)	(723)
Net cash used for investing activities		(144,928)	(105,056)
FINANCING ACTIVITIES			
Debt repaid			(289,043)
Debt incurred			170,000
Dividends paid to common stockholders		(404,877)	(100,000)
Distributions to minority interest		(2,985)	(780)
Other		588	
Net cash used for financing activities		(407,274)	(219,823)
Effect of exchange rate changes on cash and cash equivalents		14,099	(3,323)
(Decrease) increase in cash and cash equivalents		(100,376)	24,288
Cash and cash equivalents, at beginning of period		876,003	710,707
Cash and cash equivalents, at end of period	\$	775,627	\$ 734,995
Supplemental disclosure of cash flow information, cash paid during the period for:			
Interest	\$	19,304	\$ 31,530

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Income taxes	\$	245,313	\$	262,406
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The accompanying notes are an integral part of these condensed consolidated combined financial statements.

Southern Copper Corporation

NOTES TO CONDENSED CONSOLIDATED COMBINED FINANCIAL STATEMENTS

(Unaudited)

A. In the opinion of Southern Copper Corporation, (the Company, Southern Copper or SCC), the accompanying unaudited condensed consolidated combined financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the Company's financial position as of March 31, 2006 and the results of operations and cash flows for the three months ended March 31, 2006 and 2005. The condensed consolidated combined financial statements for the three month periods ended March 31, 2006 and 2005 have been subjected to a review by PricewaterhouseCoopers, the Company's independent registered public accounting firm, whose report dated May 2, 2006, is presented on page 35. The results of operations for the three months ended March 31, 2006 and 2005 are not necessarily indicative of the results to be expected for the full year. The December 31, 2005 balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The accompanying condensed consolidated combined financial statements should be read in conjunction with the consolidated financial statements at December 31, 2005 and notes included in the Company's 2005 annual report on Form 10-K/A Amendment No. 1.

The Company has reclassified from additional paid-in capital to treasury stock the carrying value of its investment in shares held by one of its Mexican subsidiaries in its controlling shareholder, Grupo Mexico. At March 31, 2006 and December 31, 2005, the carrying amount was \$80 million.

B. Change in Accounting Principle Capitalized Mine Stripping

At the March 17, 2005 meeting of the Emerging Issues Task Force (EITF), the EITF reached a consensus that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced (extracted) during the period that the stripping costs are incurred. The EITF noted that the consensus does not address the accounting for stripping costs incurred during the pre-production phase of a mine. The consensus with respect to this issue was ratified by the FASB on March 30, 2005, and is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted.

On January 1, 2006 the Company adopted this consensus by reversing \$289.4 million of net cumulative capitalized stripping cost as of December 31, 2005 and recording a net charge of \$181.3 million to retained earnings after recognition of workers' participation and tax benefit of \$108.1 million.

C. Inventories were as follows:

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(in millions)	March 31, 2006	December 31, 2005
Metals at lower of average cost or market:		
Finished goods	\$ 82.2	\$ 106.9
Work-in-process	194.3	135.4
Supplies at average cost	159.6	153.5
Total inventories	\$ 436.1	\$ 395.8

D. Income Taxes:

The Company's income tax provision for the three months ended March 31, 2006 and 2005 was \$199.9 million and \$146.1 million, respectively. These provisions include income taxes for Peru, Mexico and the United States. The effective tax rates for the 2006 and 2005 periods are 32.1% and 32.8%, respectively.

E. Provisionally Priced Sales:

At March 31, 2006, the Company has recorded provisionally priced sales of 134.4 million pounds of copper, at an average forward price of \$2.47 per pound. Also the Company has recorded provisionally priced sales of 5.7 million pounds of molybdenum at the quarter-end market price of \$22.60 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future months of settlement.

Following are the provisionally priced copper and molybdenum sales outstanding at March 31, 2006:

Copper (million lbs.)		Priced at	Month of Settlement
91.0	\$	2.48038	April 2006
24.7		2.46136	May 2006
7.7		2.44918	June 2006
11.0		2.43806	July 2006
134.4	\$	2.47165	

Molybdenum (million lbs.)		Priced at	Month of Settlement
2.6	\$	22.60	April 2006
2.2		22.60	May 2006
0.9		22.60	June 2006
5.7	\$	22.60	

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

F. Derivative Instruments:

The Company occasionally uses derivative instruments to manage its exposure to market risk from changes in commodity prices and interest rate risk exposure. The Company does not enter into derivative contracts unless it anticipates a future activity that is likely to occur that will result in exposing the Company to market risk.

Copper swaps:

In the first quarter of 2005, the Company entered into copper swap contracts to protect a portion of its 2005 copper production for future sales at a fixed copper

price. The Company recorded a loss of \$1.0 million related to these copper swap contracts in the first quarter of 2005. In addition, the Company recorded a loss of \$6.3 million related to the loss in fair value of copper swaps held at March 31, 2005. These losses were recorded as non-operating items on the condensed consolidated combined statement of earnings. At March 31, 2006 and during the first quarter of 2006, the Company did not hold any copper swap positions.

During April 2006, the Company entered into copper swap contracts to protect 501.2 million pounds of copper production for the second and third quarter of 2006 at prices ranging from \$2.55 per pound through \$3.37 per pound. These contracts are as follows:

Pounds (in millions)	Period	Copper Swap Price (1)
110.2	April 2006	\$ 2.75(2)
163.2	May 2006	\$ 2.76(2)
125.1	June 2006	\$ 2.88(2)
59.2	July 2006	\$ 3.04(2)
31.4	August 2006	\$ 3.21(2)
12.1	September 2006	\$ 3.24(2)

(1) SCC will receive (pay) if the actual average COMEX copper price for period is under (over) swap price on quantity hedged.

(2) The copper swap price is the per pound weighted average for the month. Prices for April 2006 range from \$2.58 to \$3.07, prices for May 2006 range from \$2.55 to \$2.98, prices for June 2006 range from \$2.63 to \$3.37, prices for July 2006 range from \$2.95 to \$3.30, prices for August 2006 range from \$3.03 to \$3.28 and prices for September 2006 range from \$3.22 to \$3.25.

G. Asset Retirement Obligation

In 2005 the Company added an asset retirement obligation for its mining properties in Peru, as required by the Mine Closure Law, enacted in 2003 and adopted in 2005. This law requires the Company to present a mine closure plan to the Peruvian Ministry of Energy and Mines (MEM) by August 2006. In April 2006, the Company has selected Walsh Peru S.A., a Peruvian subsidiary of Walsh Environmental Scientists and Engineers, Inc. (Boulder, Colorado), and the Mines Group Inc. (Reno, Nevada), both independent consultants, to work in the development of the mine closure plan and we expect to have the final plan at the end of July 2006. The final plan will be subject to review and approval by MEM and open to public discussion and comment in the area of the Company's operations. In application of SFAS No. 143 and according to the criteria established by FIN-47, the Company has made an estimate of this potential liability and recorded such liability, based on its review of the law. However, the Company cannot assure that the amount of this liability recorded will be adequate until our mine plan is presented, reviewed and accepted by MEM.

The closure cost recognized for this liability includes the estimated cost required at the Peruvian operations, based on the Company's experience and includes costs at the Ilo smelter, tailing disposal, dismantling of the Toquepala and Cuajone concentrators, repair shops and auxiliary services. In this regard, the Company recorded an additional asset retirement liability in 2005 of \$5.2 million for this new law and increased net property by \$4.6 million.

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The following table summarizes the asset retirement obligation activity for the first quarter 2006 and 2005 (in millions):

	2006		2005	
Balance as of January 1,	\$	11.2	\$	5.6
Additions, changes in estimates				
Accretion expense		0.3		0.1
Balance as of March 31,	\$	11.5	\$	5.7

H. Related Party Transactions:

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

	March 31, 2006	As of	December 31 2005
Affiliate receivable:			
Grupo Mexico Servicios S.A. de C.V.	\$		\$ 2.6
Grupo Mexico S.A. de C.V.			0.4
Mexico Constructora Industrial, S.A. de C.V.		4.4	5.0
Intermodal Mexico, S.A. de C.V.		0.5	0.4
Ferrocarril Mexicano, S.A. de C.V.			0.4
Other		0.3	0.3
	\$	5.2	\$ 9.1
Affiliate payable:			
Grupo Mexico S.A. de C.V.	\$	3.1	\$ 2.5
Ferrocarril Mexicano, S.A. de C.V.		3.7	3.0
Higher Technology		0.4	
Other		0.2	0.9
	\$	7.4	\$ 6.4

The Company has entered into certain transactions in the ordinary course of business with parties that are controlling shareholders or their affiliates. These transactions include the lease of office space, air transportation and construction services and products and services relating to mining and refining. The Company lends and borrows funds among affiliates for acquisitions and other corporate purposes. These financial transactions bear interest.

The former holders of the Company's Class A common stock until June 2005 and their affiliates purchased copper and other products from the Company from time to time at prices determined by reference to the LME and COMEX market price for copper and published prices for other products, if available.

The Company purchased metal products from Asarco for \$1.1 million in the first quarter of 2005. There were no purchases of metal products from Asarco in the first quarter of 2006. In addition the Company paid \$0.9 million to Asarco in the first quarter of 2005 for tolling services.

Sociedad Minera Cerro Verde, S.A., an affiliate of Phelps Dodge Overseas Corporation and Climax Molybdenum B.V., stockholders of the Company until June 2005, purchased \$0.7 million of acid products from the Company in the first quarter of 2005.

Cerro Wire and Cable LLC (Cerro), an affiliated company of one of the Company's stockholders until June 2005, purchased \$10.2 million of copper products from the Company in the first quarter of 2005.

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On January 15, 2004, the Company entered into a tolling agreement with Asarco. Under the terms of this agreement, in the first quarter of 2004 the Company, through its wholly owned US subsidiary, Southern Peru Limited (SPL), commenced delivering to Asarco, at its Amarillo, Texas refinery, copper cathodes for conversion into copper rods, which the Company sells to customers in the United States. The Company delivered 16,000 tons of copper during the first quarter of 2005 to the Asarco refinery. In July 2005 Asarco declared Force Majeure, notifying SPL that because of a strike at their facilities, they would be unable to accept shipments from the Company. Accordingly, deliveries to the refinery were suspended and the Company has redirected the copper otherwise intended for delivery to the refinery to other customers. This contract with Asarco terminated at the end of 2005 and has not been renewed.

Grupo Mexico, the Company's ultimate parent and the majority indirect stockholder of the Company, and its affiliates provide various services to the Company. In 2005, these activities were principally related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. Grupo Mexico is reimbursed for these support services. The total amount paid by the Company to Grupo Mexico for such services in the first quarter of 2006 and 2005 was \$3.4 million. The Company expects to continue to pay for these services going forward in an amount of \$13.8 million per year.

The Company paid \$0.5 million in the first quarter of 2005 in interest expense related to borrowings from Grupo Mexico.

The Company's Mexican operations paid fees of \$4.9 million and \$ 3.3 million in the first quarter of 2006 and 2005, respectively, primarily for freight services provided by Ferrocarril Mexicano, S.A. de C.V., an indirect subsidiary of Grupo Mexico.

In addition, the Company's Mexican operations paid fees of \$7.8 million and \$2.4 million in the first quarter of 2006 and 2005, respectively, for construction services provided by Mexico Constructora Industrial S.A. de C.V., an indirect subsidiary of Grupo Mexico.

The Larrea family controls a majority of the capital stock of Grupo Mexico, and has extensive interests in other businesses, including oil drilling services, construction and real estate. The Company engages in certain transactions in the ordinary course of business with other entities controlled by the Larrea family relating to mining and refining services, the lease of office space, and air transportation and construction services. In connection with this, the Company paid fees of \$0.6 millions and \$0.5 million in the first quarter of 2006 and 2005, respectively for maintenance services provided by Mexico Compañía de Productos Automotrices S.A. de C.V.

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

I. Commitments and Contingencies:

Peruvian Operations

Royalty charge:

In June 2004, the Peruvian Congress enacted legislation imposing a royalty charge to be paid by mining companies in favor of the regional governments and communities where mining resources are located. Under the new law, the Company is subject to a 1% to 3% royalty, based on sales, applicable to the value of the concentrates produced in our Toquepala and Cuajone mines. The Company made provisions of \$8.3 million and \$6.9 million in the first quarter of 2006 and 2005 respectively, for this royalty. These provisions are included in Cost of sales (exclusive of depreciation, amortization and depletion) on the condensed consolidated combined statement of earnings.

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In April 2005, a Constitutional Tribunal ruled the law constitutional and additionally stated that the royalty charge applies to all concessions held in the mining industry, implying that those entities with tax stability contracts are subject to this charge. In 1996, the Company entered into a tax stability contract with the Peruvian government (a Guaranty and Promotional Measures for Investment Contract) relating to our Solvent Extraction and Electrowinning (SX/EW) production, which agreement purports to, among other things, fix tax rates and any other charges relating to such production. The Company believes that the Constitutional Tribunal 's interpretation relating to entities with tax stability contracts is incorrect and intends to protest the imposition of the royalty charge on SX/EW production, when and if assessed. Provisions made by the Company for the royalty charge do not include approximately \$7.4 million of additional potential liability relating to its SX/EW production from June 30, 2004 through March 31, 2006.

Power purchase agreement

In 1997, SCC sold its Ilo power plant to an independent power company, Enersur S.A. (Enersur), for \$33.6 million. In connection with the sale, a power purchase agreement was also completed under which SCC agreed to purchase all of its power needs for its Peruvian operations from Enersur for twenty years, commencing in 1997.

The Company agreed to amend its power purchase agreement in June 2003, resolving certain issues that arose between the parties and reducing power costs for the remaining life of the agreement. The Company made a one-time contractual payment of \$4.0 million to Enersur under the terms of the new agreement. The new agreement releases Enersur from the obligation to construct additional capacity upon notice to meet the Company's increased electricity requirements from the planned expansion and modernization. SCC believes it can satisfy the need for increased electricity requirements from other sources, including local power providers.

Environmental matters

The Company's operations are subject to applicable Peruvian environmental laws and regulations. The Peruvian government, through its *Ministerio de Energía y Minas* (the Ministry of Energy and Mines, or MEM) conducts certain annual audits of the Company's Peruvian mining and metallurgical operations. Through these environmental audits, matters related to environmental commitments, compliance with legal requirements, atmospheric emissions and effluent monitoring are reviewed. The Company believes that it is in material compliance with applicable Peruvian environmental laws and regulations.

In accordance with Peruvian regulations, in 1996 SCC submitted its *Programa de Adecuación y Manejo Ambiental* (the Environmental Compliance and Management Program, known by its Spanish acronym, PAMA) to the MEM. A third-party environmental audit was conducted in order to elaborate the PAMA. The PAMA applied to all current operations that did not have an approved environmental impact study at the time. SCC's PAMA was approved in January 1997 and contains 34 mitigation measures and projects necessary to (1) bring the existing operations into compliance with the environmental standards established by the MEM and (2) identify areas impacted by operations that are no longer active and need to be reclaimed or remedied. By the end of 2005, 31 of these projects were completed, including all PAMA commitments related to the Company's operations in Cuajone and Toquepala. The three pending PAMA projects all relate to the Ilo smelter operations. The primary areas of environmental concern are the smelter reverberatory slag eroded from slag deposits up until 1994, and atmospheric emissions from the Ilo smelter.

The slag remediation program is progressing as scheduled and is expected to be completed by 2007. With respect to the smelter emissions, the third phase of the Ilo smelter modernization has started and is scheduled to be completed by 2007. In July 2003, the Company awarded the contract to provide the technology and basic engineering for the modernization of the Ilo smelter to Fluor Chile S.A. and Xstrata plc (formerly M.I.M. Holdings Limited). The Company believes that the selected proposal complies with the current environmental regulations. This project is the Company's largest short-term capital investment project and is estimated at \$500 million, including \$451.8 million expended through March 2006. Beginning in 1995 and continuing while this project is under construction, the Company established an emissions curtailment program that has allowed SCC to comply with the annual sulfur dioxide air quality standard (established by the MEM in 1996) in the populated areas of the city of Ilo.

On October 14, 2003, the Peruvian Congress published a new law announcing future closure and remediation obligations for the mining industry. The law was amended on May 28, 2004 and again on May 8, 2005. The current modification establishes that mining companies submit their mine closure plans within one year of publication of final regulations. On August 16, 2005 final regulations were published and the

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Company has initiated the preparation of the required mine closure plan. As part of the law and the qualifying regulations the Company is also required to engage an independent consulting entity to prepare the mine closure plan. In April 2006, the Company selected Walsh Peru S.A., a Peruvian subsidiary of Walsh Environmental

Scientists and Engineers, Inc. (Boulder, Colorado), and the Mines Group Inc. (Reno, Nevada), both independent consultants, to work in the development of the Mine Closure Plan and we expect to have the final plan at the end of July 2006. The final plan, which is required by August 2006, is subject to approval by MEM and open to public discussion and comment in the area of Company operations. Additionally, the law requires companies to provide financial guarantees to insure that remediation programs are completed. The Company believes the liability for these asset retirement obligations cannot currently be precisely measured, or estimated, until the Company has substantially completed its mine closure plan and is reasonably confident that it will be approved by MEM in most material respects. However the Company has made a preliminary estimate of this liability and has recorded such amount in its financial statements. As of March 31, 2006 the Company has recorded \$5.3 million for this liability. The Company believes that this estimate should be viewed with caution, pending final approval of its mine closure plan, expected later in 2006.

For the Company's Peruvian operations, environmental capital expenditures were \$63.3 million and \$30.6 million in the first quarter of 2006 and 2005, respectively. Approximately \$87.5 million has been budgeted for environmental capital expenditures in 2006, which is for the Ilo smelter modernization project.

Mexican operations

Environmental matters

Some of the Company's operations are subject to applicable Mexican federal, state and municipal environmental laws, to Mexican official standards, and to regulations for the protection of the environment, including regulations relating to water supply, water pollution, air pollution, noise pollution and hazardous and solid wastes. Some of these laws and regulations are relevant to legal proceedings pertaining to the Company's San Luis Potosí facilities.

The principal legislation applicable to the Company's Mexican operations is the federal *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (the General Law of Ecological Balance and Environmental Protection, or the Environmental Law), which is enforced by the *Procuraduría Federal de Protección al Ambiente* (Federal Bureau of Environmental Protection, or the PROFEPA). The PROFEPA monitors compliance with environmental legislation and enforces Mexican environmental laws, regulations and official standards and, if warranted, the PROFEPA may initiate administrative proceedings against companies that violate environmental laws, which in the most egregious cases may result in the temporary or permanent closing of non-complying facilities, the revocation of operating licenses and/or other sanctions or fines. Also, according to the *Código Penal Federal* (Federal Criminal Code), the PROFEPA must inform corresponding authorities regarding environmental crimes.

Mexican environmental regulations have become increasingly stringent over the last decade, and this trend is likely to continue and has been influenced by the environmental agreement entered into by Mexico, the United States and Canada in connection with NAFTA in February 1999. However, the Company's management does not believe that continued compliance with the Environmental Law or Mexican state environmental laws will have a material adverse effect on the Company's business, properties, result of operations, financial condition or prospects or will result in material capital expenditures. Although the Company believes that all of its facilities are in material compliance with applicable environmental, mining and other laws and regulations, the Company cannot assure you that stricter enforcement of existing laws and regulations or the adoption of additional laws and regulations would not have a material adverse effect on the Company's business, properties, results of operations, financial condition or prospects.

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Due to the proximity of certain facilities of Minera Mexico to urban centers, the authorities may implement certain measures that may impact or restrain the operation of such facilities. Any enforcement action to shut down any such facilities may have an adverse effect on the operating results of the relevant subsidiary.

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

For the Company's Mexican operations, environmental capital expenditures were \$0.8 million and \$0.4 million in the first quarter of 2006 and 2005, respectively. Approximately \$25.7 million has been budgeted for environmental capital expenditures in 2006.

Litigation matters

Peruvian Operations

Garcia-Ataucuri and Others vs. SCC: In April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees seeking the delivery of 38,763,806.80 labor shares to be issued in a proportional way to each in accordance with their time of work with SCC, plus dividends. The Company conducts its operations in Peru through a registered Branch. Although the Branch has neither capital nor liability separate from that of the Company, under Peruvian law it is deemed to have an equity capital for purposes of determining the economic interest of the holders of investment shares. The labor shares litigation is based on claims of former employees for ownership of labor shares issued during the 1970s until 1989 under a former Peruvian mandated profit sharing system. The Company asserts that the claims are meritless and that the labor shares were distributed to the former employees in accordance with the then in effect Peruvian profit sharing system. We do not believe that an unfavorable outcome is reasonably possible. In 1971, the Peruvian Government enacted legislation providing that workers in the mining industry would participate in the pre-tax profits of the enterprises for which they worked at a rate of 10%. This participation was distributed to the workers with 40% in cash and 60% as an equity interest in the enterprise. What remains of the equity participation is now included in the condensed consolidated balance sheet captioned Minority interest. Under the law, the equity participation was originally delivered to the Mining Community, an organization representing all workers. The cash portion was distributed to the workers after the close of the year. The accrual for this participation was (and continues to be) a current liability of the Company, until paid. In 1978, the law was amended and the equity distribution was calculated at 5.5% of pre-tax profits and was made to individual workers of the enterprise in the form of labor shares. These labor shares represented an equity interest in the enterprise. In addition, equity participations previously distributed to the Mining Community were returned to the Company and redistributed in the form of labor shares to individual employees or former employees. The cash participation was adjusted to 4.5% of pre-tax earnings and continued to be distributed to employees following the close of the year. Effective in 1992, the law was amended to its present status. The workers' participation in pre-tax profits was set at 8%, with 100% payable in cash. The equity participation component was eliminated from the law. In 1995, the Company offered to exchange new common shares of the Company for the labor shares issued under the prior Peruvian law. Approximately 80.8% of the issued labor shares were exchanged for the Company's common shares, greatly reducing the Minority interest on the Company's balance sheet. Since 1995, the Company has periodically purchased labor shares on the open market. In 1998, labor shares were renamed investment shares. At March 31, 2006, the investment share interest in the Company's Peruvian Branch amounted to 0.71%.

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As stated above, in April 1996, the Company was served with a complaint filed in Peru by approximately 800 former employees seeking the delivery of a substantial number of labor shares (now referred to as investment shares) of its Peruvian Branch plus dividends on such shares. This amount corresponds to the total number of labor shares for all of the Company's Peruvian workers, and the complaint is seeking to have such shares issued to the plaintiffs proportionally to each in accordance with their time of work with the Company, plus dividends on such shares. In December 1999, a civil court of first instance of Lima decided against the

Company, ordering the delivery of the investment shares and dividends to the plaintiffs. The Company appealed this decision in January 2000. On October 10, 2000, the Superior Court of Lima affirmed the lower court's decision, which had been adverse to the Company. On appeal by the Company, the Peruvian Supreme Court annulled the proceeding noting that the civil courts lacked jurisdiction and that the matter had to be decided by a labor court. The lower court dismissed the lawsuit in January 2005. The plaintiffs have appealed to the superior court.

The Company has not made a provision for this lawsuit because it believes that it has meritorious defenses to the claims asserted in the complaint.

Class actions

Three purported class action derivative lawsuits have been filed in the Delaware Court of Chancery (New Castle County) late in December 2004 and early January 2005 relating to the acquisition of Minera Mexico by SCC. 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 Copper Corporation, et al., Civil Action No. 969-N, and James Sousa v. Southern Copper Corporation, et al., Civil Action No. 978-N were consolidated into one action titled, *In re Southern 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 consolidated complaint alleges, among other things, that the acquisition of Minera Mexico is the result of breaches of fiduciary duties by the Company's directors and is not entirely fair to the Company and its minority stockholders. The consolidated complaint seeks, among other things, a preliminary and permanent injunction to enjoin the acquisition, 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 this lawsuit is without merit and is vigorously defending itself against this action.

The Company's management believes that the outcome of the aforementioned legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

Mexican Operations

The Mexican Geological Services (MGS) Royalties:

When Mexcobre originally received mining concessions related to its La Caridad unit in 1970, it was required to pay royalties to the Mexican Geological Services - MGS (formerly named the Council of Mineral Resources - COREMI). When the Mining Law came into effect in 1992, it was believed that this obligation was terminated. However, MGS, the Mexican Superintendent of Mining and the Mexican Secretary of Economy, did not concede that the royalty obligation to MGS was terminated and, in 1995, MGS initiated a series of legal actions. In August 2002, MGS filed with the Third Federal District Judge in Civil Matters, an action demanding from Mexcobre the payment of royalties since 1997. Mexcobre answered and denied MGS's claims in October 2002. In December 2005, Mexcobre signed an agreement with MGS. Under the terms of this agreement the parties established a new procedure to calculate the royalty payments applicable for 2005 and the following years, and the Company paid in January 2006, \$6.9 million of royalties for 2005 and \$8.5 million as payment on account for royalties from the third

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quarter 1997 through the last quarter of 2004. We estimate that the payment made on January 11 will cover 100% of the royalty payments required for past periods. On an ongoing basis the Company will be required to pay a 1% royalty on La Caridad's copper production value after deduction of treatment and refining charges and certain other carrying costs.

San Luis Potosí Facilities:

The municipality of San Luis Potosí has granted Desarrolladora Intersaba, S.A. de C.V., licenses of use of land and construction for housing and/or commercial zones in the former Ejido Capulines, where the residential project Villa Magna is expected to be developed in the near future.

The Villa Magna residential project will be developed within an area that IMMSA's approved Risk Analysis by SEMARNAT (the federal environmental authority) has secured as a safeguard and buffer zone due to the use by IMMSA of Anhydrous Ammonia Gas.

Based on the foregoing, IMMSA has initiated two different actions regarding this matter:

(1) first, against the Municipality of San Luis Potosí, requesting the annulment of the authorization and licenses granted to Desarrolladora Intersaba, S.A. de C.V. to develop Villa Magna within the zinc plant's safeguard and buffer zone; and

(2) second, filed before SEMARNAT a request for a declaration of a safeguard and buffer zone surrounding IMMSA's zinc plant.

These actions are awaiting final resolutions. IMMSA believes that, should the outcome of the above mentioned legal proceedings be adverse to IMMSA's interests, the construction of the Villa Magna housing and commercial development would not, in itself, affect the operations of IMMSA's zinc plant.

In addition to the foregoing, IMMSA has initiated a series of legal and administrative procedures against the Municipality of San Luis Potosí due to its refusal to issue IMMSA's use of land permit in respect of its zinc plant. The Municipality has refused to grant such license based on the argument that IMMSA has failed to submit, as part of the application process, a *manifestación de impacto ambiental* (environmental impact assessment). IMMSA believes that the environmental impact assessment is not required because IMMSA will not undertake construction activities. The trial judge has ordered the Municipality to continue the analysis of IMMSA's request to issue the *licencia de uso de suelo* (use of land permit). The municipality has refused to issue the land use permit. IMMSA has filed a request for relief against such resolution to compel the court to issue the land use permit.

Tax contingency matters

U.S. Internal Revenue Service (IRS)

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The Company is regularly audited by the federal, state and foreign tax authorities both in the United States and internationally. These audits can result in proposed assessments. In 2002, IRS issued a preliminary Notice of Proposed Adjustment for the years 1994 through 1996. In 2003, the Company settled these differences with the IRS and made a payment of \$4.4 million, including interest. Generally, the years 1994 through 1996 are now closed to further adjustment.

The IRS completed the field audit work for all years preceding 2003 and currently is auditing 2003 and 2004. During the audit of the tax years 1997 through 1999, the IRS questioned the Company's accounting policy for determination of useful lives, the calculation of deductible and creditable Peruvian taxes, the methodology of capitalizing interest and the capitalizing of certain costs (drilling, blasting and hauling) into inventory value as items for possible adjustment. In the fourth quarter of 2003, the Company and the IRS had jointly requested technical advice from the IRS National Office to help resolve the inventory value dispute. In August 2005 the National Office of the IRS responded to the IRS field audit group's request for technical advice. The issuance of this technical advice memorandum (TAM) allowed the IRS to close the field audit work of the audit cycles 1997 through 1999 and 2000 through 2002. The TAM accepts the position of the IRS field office and concludes that

the Company is required to capitalize mining costs to its leach dumps based on the weight of material moved, without regard to metal content or recoverability.

On October 5, 2005 the Company filed a formal protest with the IRS to appeal the proposed changes with respect to the TAM conclusion, as well as other items of adjustment proposed by the IRS field audit group. These other adjustments include the methodology of capitalizing interest, the determination of useful lives for depreciable property, the calculation of deductible and creditable Peruvian taxes and the established service fee between the Company and related parties. The Company believes that the positions that it is reporting to the IRS are correct and appropriate. The Company believes that it has substantial defenses to the proposed IRS adjustments and that adequate provisions have been made so that resolution of any issues raised by the IRS will not have a material adverse effect on its financial condition or results of operations. The Company is awaiting notification from the IRS Appeals Office for the first scheduled appeals conference related to its protest. Significant management judgment is required in determining the provision for tax contingencies. The estimate of the probable cost for resolution of the tax contingencies has been developed in consultation with legal and tax counsel. The Company does not believe that there is a reasonable likelihood that there is an exposure to loss in excess of the amounts accrued.

Peruvian Operations:

In Peru the Superintendencia Nacional de Administración Tributaria (SUNAT), the Peruvian Tax Administration, regularly audits the Company. These audits can result in proposed assessments.

1) In 2002 the Company received assessments and penalties from SUNAT for fiscal years 1996 through 1999, in which several deductions taken were disallowed. SUNAT has challenged the Company's depreciation method and deduction of other expenses related to charges incurred outside of Peru from 1996 through 1999, and the deduction of certain exchange differences and interest expenses from 1997 through 1999. The Company appealed these various assessments and resolution is still pending.

In February 2003, the Peruvian tax court confirmed SUNAT's assessments and penalties with regard to depreciation and deductions of other expenses incurred outside of Peru for fiscal years 1996 and 1997. Consequently, the Company recognized an additional tax and workers participation liability for fiscal years 1998 and 1999 on the amounts assessed by SUNAT. Therefore, in 2003 the Company recorded a charge to workers' participation, included in cost of sales (exclusive of depreciation, amortization and depletion) on the statement of earnings and income tax expense of \$0.5 million and \$4.4 million, respectively. The Company, however, has not recognized a liability for penalties and interest assessed by SUNAT in connection with the depreciation and other expenses deduction as it considers they are not applicable. The status of the penalty appeals and other tax contingencies is as follows:

a) Year 1996: With regard to the appeal of the penalty related to fiscal year 1996, the Company was required to issue a letter of credit to SUNAT of \$3.4 million, which was issued in July 2003. This deposit is recorded in other assets on the condensed consolidated balance sheet. The Peruvian tax court denied the Company's appeal in February 2004. Consequently, in April 2004, the Company filed a lawsuit against the Peruvian tax court and SUNAT in the superior court of Peru. The Company was not required to issue a deposit for appeal of assessments and rulings with respect to any other years. In September, 2005 the Superior Court declared the Company's claim valid. SUNAT has appealed this decision to the Supreme Court in Lima.

b) Year 1997: With regard to the penalty issued by SUNAT related to fiscal year 1997, in November 2002 the Peruvian tax court indicated that the penalty needed to be modified and declared the previously issued penalty null. Consequently, SUNAT issued a new penalty in December 2003. This penalty and penalties related to fiscal

years 1998 and 1999 have been protested before SUNAT. The Company's appeal before the Peruvian tax court related to the assessments (pertaining to the deduction of certain interest expense) for fiscal year 1997 was denied. In this regard, in May 2003, the Company filed a lawsuit before the superior court against SUNAT and the Peruvian tax court, seeking the reversal of the ruling of the tax court. In July, 2005 the Superior Court remanded the case to SUNAT for a new pronouncement. SUNAT has appealed the courts decision to the Supreme Court in Lima.

- c) SUNAT has not ruled on the interest deductions for 1998 or 1999.

- d) The Company has not recorded any expense associated with the assessment challenging deductions of interest expense for the years 1997, 1998, or 1999, nor has the Company recorded any expense associated with the assessments for the years 2000 and 2001.

- e) Years 1998 and 1999: The Company's appeal is still pending resolution by SUNAT.

In December 2004 and January 2005, the Company received assessments and penalties from SUNAT for the fiscal years 2000 and 2001, in which certain deductions taken by the Company were disallowed. SUNAT has objected to the Company's method of deducting vacation pay accruals in 2000, a deduction in 2000 for a fixed asset write-off, as well as certain other deductions in both years. The Company has appealed these assessments and resolution is still pending. The Company received penalties and assessments from SUNAT relating to the treatment of foreign exchange differences for 2000 and 2001. The Company has appealed these assessments and resolution is still pending.

Mexican Operations

Labor matters

During the first quarter of 2006, there were a number of work stoppages at some of the Company's Mexican operations, most of these work stoppages were of a short-term nature with normal operations restored after a few days, with little or no production loss. However, work stoppages at the La Caridad copper mine in Sonora and at the San Martin polymetallic mining complex in Zacatecas commenced in the first quarter of 2006 and are continuing into the second quarter of 2006. The Company believes that the work stoppage at La Caridad is an attempt to pressure the Mexican government to recognize a discredited union leader. While the stoppages were declared illegal, the Company has been forced to declare force majeure on some of its commercial contracts. At present the Company is working with the Mexican authorities to resolve these illegal work stoppages.

Additionally, in recent years the Company has experienced a number of work stoppages or other labor disruptions that have had an adverse impact on its operations and operating results. For example, in Peru on August 31, 2004, unionized workers at the mining units in Toquepala and Cujajone initiated work stoppages and sought additional wage increases based on high metal prices. In Mexico, on July 12, 2004, the workers of Mexicana de Cobre site went on strike asking for the review of certain contractual clauses. Such a review was performed and the workers returned to work 18 days later. On October 15, 2004, the workers of Mexicana de Cananea went on strike, followed by the Mexicana de Cobre workers. The strike lasted for six days at Mexicana de Cobre and nine days at Mexicana de Cananea. In each case, the operations at the

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particular mine ceased until the strike was resolved. The Company cannot give assurances that they will not experience strikes or other labor-related work stoppages in the future that could have a material adverse effect on its financial condition and results of operations.

Mine accident-

On February 19, 2006 an explosion occurred at the IMMSA unit s Pasta de Conchos coal mine, located in San Juan de Sabinas, Coahuila, Mexico. Immediately, IMMSA along with neighboring industry initiated a rescue effort. Federal and local governmental help

and support was received. As a result of the accident 8 miners were injured and 65 perished.

The Coahuila public district attorney (Procurador de Justicia) initiated an investigation to establish (1) the causes of the accident and, (2) the responsible party. The investigation is underway; however, it will be necessary for the investigation team to have access to the site where the explosion occurred, which at present is blocked. Recovery efforts are also continuing, however, progress is very slow as access is blocked by debris and rocks. It may take a further 3 to 6 months to complete this effort. The underground coal mining operations at Pasta de Conchos have been suspended and it is uncertain when such operations will resume.

Other legal matters

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

Our direct and indirect parent corporations, including AMC and Grupo Mexico, have from time to time been named parties in various litigations involving Asarco. In March 2003, AMC purchased its interest in SCC from Asarco. In August 2002 the U.S. Department of Justice brought a claim alleging fraudulent conveyance in connection with AMC's then-proposed purchase of SCC from Asarco. That action was settled pursuant to a Consent Decree dated February 2, 2003. The consent decree is binding solely on the U.S. government. In October 2004, AMC, Grupo Mexico, Mexicana de Cobre and other parties, not including SCC, were named in a lawsuit filed in New York State court in connection with alleged asbestos liabilities, which lawsuit claims, among other matters, that AMC's purchase of SCC from Asarco should be voided as a fraudulent conveyance. While Grupo Mexico and its affiliates believe that these claims are without merit, we cannot assure you that these or future claims, if successful, will not have an adverse effect on our parent corporations or us. Any increase in the financial obligations of our parent corporations, as a result of matters related to Asarco or otherwise could, among other matters; result in our parent corporations attempting to obtain increased dividends or other funding from us. In 2005, certain subsidiaries of Asarco filed bankruptcy petitions in connection with alleged asbestos liabilities. In July 2005, the unionized workers of Asarco commenced a work stoppage, which was settled in November 2005. As a result of various factors, including the above-mentioned work stoppage, on August 9, 2005 Asarco filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code before the U.S. Bankruptcy Court in Corpus Christi, Texas. Asarco's bankruptcy case is being joined with the bankruptcy cases of its subsidiaries. Asarco is operating and managing its businesses as a debtor in possession. Asarco LLC's bankruptcy could result in additional claims being filed against Grupo Mexico and its subsidiaries, including SCC, Minera Mexico or its subsidiaries.

Asarco believes that by utilizing the Chapter 11 process it can achieve an orderly restructuring of its business and finally resolve, among other contingencies, its environmental and asbestos claims. However, it is impossible to predict how the bankruptcy court will ultimately rule with respect to such petitions and the impact such rulings will have on Asarco and its subsidiaries.

J. Segment and Related Information:

The Company operates in a single industry, namely mining copper. Prior to the April 1, 2005 acquisition of Minera Mexico, the Company determined that its operations in Peru fell within one segment. With the acquisition of Minera Mexico the Company continues to operate principally in one industry, the mining of copper. However, because of the demands of managing operations in two countries, effective April 1, 2005, Company management views the new Southern Copper as having three operating segments and manages on the basis of these segments.

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Additionally, in mining copper the Company produces a number of metal by-products, most important of which are molybdenum, silver and zinc. The significant increase in the price of molybdenum

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over the past two years has had an important impact on the Company's earnings. Nevertheless, the Company continues to manage its operations on the basis of the three copper segments. Added to the segment information is information regarding the Company's molybdenum sales. The segments identified by the Company are:

1. Peruvian operations, which includes the Toquepala and Cuajone mine complexes and the smelting and refining plants, industrial railroad and port facilities which service both mines.

2. Mexican open pit copper mines, which includes La Caridad and Cananea mine complexes and the smelting and refining plants and support facilities which service both mines.

3. Mexican underground mining operations, which includes five underground mines that produce zinc, copper, silver and gold, a coal and coke mine, and several industrial processing facilities for zinc and copper. This group is identified as the IMMSA Unit.

The Chief Operating Officer of the Company focuses on operating income as measure of performance to evaluate different segments, and to make decisions to allocate resources to the reported segments.

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

	Three Months Ended March 31, 2006 (in millions)				
	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate and other Eliminations	Consolidated
Net sales outside of segments	\$ 388.9	\$ 116.6	\$ 615.8		\$ 1,121.3
Intersegment sales	95.9	17.1		\$ (113.0)	
Cost of sales (exclusive of depreciation, amortization and depletion)	183.9	74.9	267.5	(119.4)	406.9
Selling, general and administrative expense	7.8	3.8	9.3	3.1	24.0
Depreciation, amortization and depletion	26.7	6.9	19.8	(0.3)	53.1
Exploration	0.5	1.7	2.4		4.6
Operating Income	\$ 265.9	\$ 46.4	\$ 316.8	\$ 3.6	632.7
Less:					
Interest expense, net					(8.5)
Other income (expense)					(1.0)

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Taxes on income							(199.9)
Minority interest							(1.7)
Net earnings						\$	421.6
Capital expenditure	\$	50.8	\$	7.8	\$	84.5	\$ 143.1
Property, net	\$	1,579.7	\$	270.3	\$	1,534.0	\$ 30.4 \$ 3,414.4
Total assets	\$	2,692.0	\$	552.3	\$	2,856.4	\$ (685.1) \$ 5,415.6

Three Months Ended March 31, 2005
(in millions)

	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Corporate and other Eliminations	Combined
Net sales outside of segments	\$ 405.6	\$ 53.3	\$ 487.2		\$ 946.1
Intersegment sales	70.3	103.3		\$ (173.6)	
Cost of sales (exclusive of depreciation, amortization and depletion)	254.2	123.4	172.3	(160.3)	389.6
Selling, general and administrative expense	6.1	3.7	8.5	0.3	18.6
Depreciation, amortization and depletion	36.7	5.4	18.6	0.3	61.0
Exploration	0.8	1.5	3.0		5.3
Operating Income	\$ 178.1	\$ 22.6	\$ 284.8	\$ (13.9)	471.6
Less:					
Interest expense, net					(17.5)
Loss on derivative instruments					(7.3)
Loss on debt prepayment					(1.7)
Other income (expense)					0.8
Taxes on income					(146.1)
Minority interest					(1.4)
Net earnings					\$ 298.4
Capital expenditures	\$ 14.7	\$ 10.2	\$ 50.4		\$ 75.3
Property, net	\$ 1,559.7	\$ 260.0	\$ 1,249.4	\$ 19.7	\$ 3,088.8
Total assets	\$ 3,457.5	\$ 699.8	\$ 2,696.6	\$ (1,506.3)	\$ 5,347.6

Sales value per segment:

Three months ended March 31, 2006

(in millions)	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Intersegment Elimination	Consolidated
Copper	\$ 417.4	\$ 24.8	\$ 483.1	\$ (85.1)	\$ 840.2
Molybdenum	34.0		100.3		134.3
Other	33.4	108.9	32.4	(27.9)	146.8
Total	\$ 484.8	\$ 133.7	\$ 615.8	\$ (113.0)	\$ 1,121.3

Three months ended March 31, 2005

(in millions)	Mexican Open Pit	Mexican IMMSA Unit	Peruvian Operations	Intersegment Elimination	Combined
Copper	\$ 348.2	\$ 83.7	\$ 277.6	\$ (148.7)	\$ 560.8
Molybdenum	75.4		201.3		276.7
Other	52.3	72.9	8.3	(24.9)	108.6
Total	\$ 475.9	\$ 156.6	\$ 487.2	\$ (173.6)	\$ 946.1

The geographic breakdown of Southern Copper's sales is as follows:

(in millions)	Three months Ended March 31,	
	2006	2005
United States	\$ 489.6	\$ 217.6
Europe	264.4	187.6
Mexico	156.5	295.5
Peru	25.3	14.6
Latin America, excluding Mexico and Peru	118.2	188.9
Asia	67.3	41.9
Total	\$ 1,121.3	\$ 946.1

Major Customer Segment Information:

For the three months ended March 31, 2006, the Company has revenues from a copper customer of the Mexican and Peruvian operations, which amounts to 11.6% of total revenue.

K. Impact of New Accounting Standards:

In February 2006 the FASB published SFAS No. 155 Accounting for Certain Hybrid Financial Instruments an amendment of SFAS No. 133 and 140. This statement improves financial reporting by eliminating the exemption from applying statement 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments. This Statement also improves financial reporting by allowing a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognized financial instrument is subject to a remeasurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. Providing a fair value measurement election also results in more financial instruments being measured at what the Board regards as the most relevant attribute for financial instruments, fair value. SFAS 155 will be effective for all instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Company is evaluating the impact that this statement may have on its financial position or results of operations.

In March 2006 the FASB published SFAS No. 156 Accounting for Servicing of Financial Assets an amendment of SFAS No. 140. This Statement requires that all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable. The Board concluded that fair value is the most relevant measurement attribute for the initial recognition of all servicing assets and servicing liabilities, because it represents the best measure of future cash flows. SFAS No. 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. An entity that uses derivative instruments to mitigate the risks inherent in servicing assets and servicing liabilities is required to account for those derivative instruments at fair value. Under this Statement, an entity can elect subsequent fair value measurement of its servicing assets and servicing liabilities by class, thus simplifying its accounting and providing for income statement recognition of the potential offsetting changes in fair value of the servicing assets, servicing liabilities, and related derivative instruments. An entity that elects to subsequently measure servicing assets and servicing liabilities at fair value is expected to recognize declines in fair value of the servicing assets and servicing liabilities more consistently than by reporting other-than-temporary impairments.

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The Board decided to require additional disclosures and separate presentation in the statement of financial position of the carrying amounts of servicing assets and

servicing liabilities that an entity elects to subsequently measure at fair value to address concerns about comparability that may result from the use of elective measurement methods.

SFAS 156 will be adopted by the Company as of the beginning of fiscal years that begins after September 15, 2006.

Part I Item 1a. Risk Factors

Set forth below are certain changes from the risk factors previously disclosed in SCC's Amendment No. 1 on Form 10-K/A for the year ended December 31, 2005 filed on March 28 2006 with the Securities and Exchange Commission

We may be adversely affected by labor disputes

During the first quarter of 2006, there was a number of work stoppages at some of the Company's Mexican operations, most of these work stoppages were of a short-term nature with normal operations restored after a few days, with little or no production loss. However, work stoppages at the La Caridad copper mine in Sonora and at the San Martín polymetallic mining complex in Zacatecas commenced in the first quarter of 2006 and are continuing into the second quarter of 2006. The Company believes that the work stoppage at La Caridad is an attempt to pressure the Mexican government to recognize a discredited union leader. While the stoppages were declared illegal, the Company has been forced to declare force majeure on some of its commercial contracts. At present the Company is working with the Mexican authorities to resolve these illegal work stoppages.

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

On April 9, 2006, Peruvian citizens participated in the election for president, congress and representatives to the Andean Parliament, to be appointed for the five year-period commencing July 28, 2006. 24 political parties participated in this election process.

Official voting results with 99.967% of votes counted, published by the Peruvian Bureau of Elections (ONPE) show that Mr. Ollanta Humala, the candidate of the Union for Peru party, leads the presidential election with 30.627% of the votes, followed by the candidate of the APRA party, Mr. Alan García (24.320%), and the candidate of the Unidad Nacional party, Ms. Lourdes Flores (23.802%). According to Peruvian electoral law, since none of the candidates received more than 50 percent of the valid votes, a run-off election between the top two vote getters will follow. This run-off election is anticipated to take place on Sunday, May 28, 2006 between Mr. Ollanta Humala and Mr. Alan García.

Because we have significant operations in Peru, we cannot provide any assurance that future political developments in Peru, including the 2006 presidential and congressional elections, will not have a material adverse effect on market conditions, prices of our securities, our ability to obtain financing, and our results of operations and financial condition.

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

Presidential elections in Mexico are scheduled for July 2, 2006. According to the latest polls the leading candidates are Felipe Calderón, a conservative candidate of Partido Acción Nacional (the National Action Party), Andrés López Obrador, the candidate of the Partido de la Revolución Democrática and the former Mayor of Mexico City and Roberto Madrazo, of the Partido Revolucionario Institucional or PRI, a former Tabasco state governor. The PRI ruled Mexico for over 70 years through 2000.

Because we have significant operations in Mexico, we cannot provide any assurance that political developments in Mexico, including the 2006 presidential and congressional elections, will not have a material adverse effect on market conditions, prices of our securities, our ability to obtain financing, and our results of operations and financial condition.

Part I Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

EXECUTIVE OVERVIEW

Our business is primarily the production and sale of copper. In the process of producing copper, a number of valuable metallurgical byproducts are recovered, such as molybdenum, zinc, silver, lead and gold, which we also produce and sell. Market forces outside of our control largely determine the sales prices for our products. Our management, therefore, focuses on copper production cost control, production enhancement and prudent and conservative capital structure to improve profitability. We believe we achieve these goals through capital spending programs, exploration efforts and cost reduction programs. Our aim is to remain profitable during periods of low copper prices and to maximize financial performance in periods of high copper prices.

We discuss below several matters that we believe are important to understand our results of operations and financial condition. These matters include, (i) our operating cash costs as a measure of our performance, (ii) metal prices, (iii) the effects of inflation and other local currency issues and (iv) our expansion and modernization program.

Operating Cash Costs. An overall benchmark used by us and a common industry metric to measure performance is operating cash costs per pound of copper produced. Operating cash cost is a non-GAAP measure that does not have a standardized meaning and may not be comparable to similarly titled measures provided by other companies. A reconciliation of our cash cost per pound to the cost of sales (including depreciation, amortization and depletion), is presented under the subheading "Non-GAAP Information Reconciliation", below. We have defined operating cash cost per pound as cost of sales (including depreciation, amortization and depletion); plus selling, general and administrative charges, treatment and refining charges; less byproducts revenue and sales premiums, depreciation amortization and depletion, worker's participation and other miscellaneous charges, Peruvian royalty charge and the change in inventory levels; divided by total pounds of copper produced and purchased by us. In our calculation of operating cash cost per pound of copper produced we credit against our costs the revenues from the sale of byproducts, principally molybdenum, zinc and silver and the premiums over market price that we receive on copper sales. We account for the byproduct revenue in this way because we consider our principal business to be the production and sale of copper. We believe that our Company is viewed by the investment community as a copper company, and is valued, in large part, by the investment community's view of the copper market and our ability to produce copper at a reasonable cost. We also include copper sales premiums as a credit, as these amounts are in excess of published copper prices. The recent surge in the price of molybdenum has had a significant effect on our traditional calculation of cash cost and its comparability between periods. Accordingly, we present cash costs with and without crediting the byproducts revenues against our costs.

We exclude from our calculation of operating cash cost depreciation, amortization and depletion, which are considered non-cash expenses. Exploration is considered a discretionary expenditure and is also excluded. Worker's participation provisions are determined on the basis of pre-tax earnings and are also excluded. Additionally excluded from operating cash cost are items of a non-recurring nature, and the new

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Peruvian royalty and in periods prior to 2006 the position of mine stripping costs that we capitalized.

Our operating cash costs per pound, as defined, are presented in the table below for the three months ended March 31, 2006 and 2005. We present cash costs with and without the inclusion of byproduct revenues.

	Three Months, Ended March 31,	
	2006	2005
	(in cents per pound)	
Cash cost per pound of copper produced and purchased	21.4	(16.1)
Cash cost per pound of copper produced and purchased without byproducts revenue	116.7	95.6

A reconciliation of the Company's operating cash costs per pound to GAAP cost of sales is presented below.

As seen on the chart above, our cash cost for the first quarter of 2006 when calculated with byproducts revenue is 21.4 cents compared with a credit of 16.1 cents per pound in the first quarter of 2005. The reduction in byproducts credit was due to lower molybdenum prices and volume partially offset by increases in silver and zinc prices. The price of molybdenum in the first quarter of 2006 averaged \$22.25 per pound, as compared to \$30.43 per pound in the comparable 2005 period. The price of silver and zinc in the first quarter of 2006 was approximately 39% and 70% higher, respectively, than in the first quarter of 2005. The impact of the credit for molybdenum revenue was by far the largest effect. In the first quarter of 2006, molybdenum revenue was a credit of 38.7 cents per pound as compared to 75.7 cents per pound in the first quarter of 2005.

Our cash cost, excluding byproduct revenues, was higher by 21.1 cents in the first quarter of 2006. In 2006, we adopted a new accounting policy, see Note B to our financial statements, which requires that we charge to production cost all mine stripping cost. Under our previous policy, in 2005, a portion of our mine stripping cost was capitalized. In the first quarter of 2005 our cash costs were reduced by 2.7 cents for capitalized mine stripping cost. In addition, our copper production was lower by approximately 2.6 million pounds, due largely to a decrease of approximately 10.8 million pounds at our Mexican operations, which includes an 8.6 million pound decrease in our Mexican open pit operations mainly at La Caridad Mine due to an illegal work stoppage and lower ore grade and recoveries and a decrease of 2.2 million pounds in our IMMSA unit mainly due to a one month illegal work stoppage at the San Martin unit.

Metals Prices. The profitability of our operations is dependent on, and our financial performance is significantly affected by, the international market prices for the products we produce, especially for copper, molybdenum, zinc and silver. Metals prices historically have been subject to wide fluctuations and are affected by numerous factors beyond our control. These factors, which affect each commodity to varying degrees, include international economic and political conditions, levels of supply and demand, 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.

We are subject to market risks arising from the volatility of copper and other metal prices. Assuming that expected metal production and sales are achieved, that tax rates are unchanged, giving no effect to potential hedging programs, metal price sensitivity factors would indicate the following change in estimated 2006 earnings resulting from metal price changes.

	Copper		Molybdenum		Zinc		Silver	
Change in metal prices	\$	0.01	\$	1.00	\$	0.01	\$	1.00
Annual change in net earnings (in millions)	\$	8.5	\$	14.4	\$	1.7	\$	10.8

Inflation and Devaluation of the Peruvian Nuevo Sol and the Mexican Peso. Our functional currency is the U.S. dollar. Portions of our operating costs are denominated in Peruvian nuevos soles and Mexican pesos. Since our revenues are primarily denominated in U.S. dollars, when inflation/deflation in Peru or Mexico is not offset by a change in the exchange rate of the Nuevo sol or the peso, respectively, to the dollar, our financial position, results of operations and cash flows could be adversely affected in our wage adjustments. In addition, the dollar value of our net monetary assets denominated in nuevos soles or pesos can be affected by devaluation of the Nuevo sol or the peso, resulting in a remeasurement loss in our condensed consolidated combined financial statement.

For the three months ended March 31, 2006 and 2005, inflation and devaluation rates were as follows:

	Three Months Ended March 31,	
	2006	2005
Peru:		
Peruvian inflation rate	1.5%	0.5%
New Sol/Dollar (change in exchange rate)	(2.1)%	(0.6)%
	Three Months Ended March 31,	
	2006	2005
Mexico:		
Mexican inflation rate	0.9%	0.8%
Peso/Dollar (change in exchange rate)	2.2%	0.3%

Expansion and Modernization program

Our Ilo, Peru smelter modernization project is moving ahead on schedule with construction work in process in order to finish by the end of 2006. The anode plant part of this project was commissioned in the first quarter of 2006 and replaces Ilo blister production with anodes. At March 31, 2006, the smelter project has reached 76% completion. Additionally, the Company's leaching dumps, crushing and conveying project at the Toquepala mine is in production. The primary crusher and associated overland conveying system are fully operational; construction of the ramp for this project will continue until completion in the third quarter of 2006. The project is 95.7% complete. We will expand our SX/EW production at the Cananea mine with a new 32,800mtpy plant. Our studies indicate that this will provide a more attractive return than our previously considered two-stage expansion. The bidding process for basic engineering is currently under way. In addition, a crushing / conveying / spreading system is also in the basic engineering stage.

ACCOUNTING ESTIMATES

Southern Copper Corporation's discussion and analysis of its financial condition and results of operations are based upon its condensed consolidated combined financial statements, which have been prepared in accordance with US GAAP. Preparation of these condensed consolidated combined financial statements requires Southern Copper's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Management makes its best estimate of the ultimate outcome for these items based on historical trends and other information available when the financial statements are prepared. Changes in estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Areas where the nature of the estimate makes it reasonably possible that actual results could materially differ from amounts estimated include: ore reserves, estimated mine stripping ratios, leachable material and related amortization, the estimated useful lives of fixed assets, asset

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retirement obligations, litigation and contingencies, valuation allowances for deferred tax assets, fair value of financial instruments and inventory obsolescence. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from

these estimates under different assumptions or conditions.

RESULTS OF OPERATIONS

The following highlights key financial and operating results for the three-months ended March 31, 2006 and 2005.

Statement of Earnings Data	Three Months Ended March 31, (in millions)	
	2006	2005
Net sales	\$ 1,121.3	\$ 946.1
Operating costs and expenses	(488.6)	(474.5)
Operating income	632.7	471.6
Non-operating expense	(9.5)	(25.7)
Earnings before taxes and minority interest	623.2	445.9
Taxes on income	(199.9)	(146.1)
Minority interest	(1.7)	(1.4)
Net earnings	\$ 421.6	\$ 298.4

Mine copper production amounted to 354.0 million pounds in the first quarter of 2006, a decrease of 0.7% compared with the first quarter of 2005. This decrease of 2.6 million pounds included 8.6 million pounds from the Mexican open pit operations, a decrease of 2.2 million pounds from the Mexican underground mines and an increase of 8.2 million pounds from the Peruvian open pit mines.

The decrease of 8.6 million pounds in the production from the Mexican open pit mines was due to a decrease in ore milled, as a result of an illegal work stoppage at the La Caridad mine, lower ore grade and recoveries and a decrease in SX-EW production due to lower quantities of PLS treated. The increase of 8.2 million pounds from the Peruvian open pit mines was the result of higher ore grades and recoveries in both the Cuajone and Toquepala mines, net of a decrease in SX/EW copper production due to lower PLS grade. The decrease of 2.2 million pounds in the Mexican underground mines was due to an illegal work stoppage at the San Martin mine which did not produce in March.

Molybdenum production decreased from 8.9 million pounds in the first quarter of 2005 to 7.6 million pounds in the first quarter of 2006. This 14.6% decrease in production was the result of a decrease of 0.8 million pounds in the Peruvian production, due to lower ore grades at the Toquepala and Cuajone units and a decrease of 0.4 million pounds in La Caridad mine.

Mine zinc production amounted to 76.3 million pounds in the first quarter of 2006, a slight decrease from the first quarter of 2005.

The table below outlines the average metal prices during the three months periods ended March 31, 2006 and 2005.

Average Metals Prices

	Three Months Ended			% Change
	2006	March 31,		
		2005		
Copper (\$ per pound LME)	\$ 2.24	\$ 1.48		51.4
Copper (\$ per pound COMEX)	\$ 2.25	\$ 1.47		53.1
Molybdenum (\$ per pound)	\$ 22.25	\$ 30.43		(26.9)
Zinc (\$ per pound LME)	\$ 1.02	\$ 0.60		70.0
Silver (\$ per ounce COMEX)	\$ 9.70	\$ 6.99		38.8

Net Sales: Net sales in the first quarter of 2006 increased \$175.2 million to \$1,121.3 million from \$946.1 million in the comparable period in 2005. The increase in net sales was principally the result of higher copper prices, and to a lesser extent higher zinc and silver prices. A decrease in the sales price of molybdenum and lower production and sale of molybdenum reduced these increases.

The table below presents information regarding the volume of our copper sales by segment for the three months ended March 31, 2006 and 2005.

Copper Sales (pounds):

	Three Months Ended March 31,	
	2006	2005
Copper:		
Peruvian operations	187,086	176,628
Mexican Open-pit	174,500	238,220
Mexican IMMSA unit	9,693	63,953
Inter segment elimination	(37,299)	(118,486)
Total copper sales	333,980	360,315

The table below presents information regarding the volume of sales by segment of our significant byproducts for the three months ended March 31, 2006 and 2005.

Byproduct Sales

(in thousand of pounds except silver - in thousand ounces)	Three Months Ended March 31,	
	2006	2005
Peruvian operations		
Molybdenum contained in concentrates	5,676	6,554
Zinc-refined and in concentrate	10,486	
Silver	1,626	944
Mexican Open-pit		
Molybdenum contained in concentrates	1,623	2,172
Zinc-refined and in concentrate	9,473	25,351
Silver	1,417	2,826
Mexican IMMSA unit		
Zinc-refined and in concentrate	73,717	76,015
Silver	2,927	2,703
Intersegment elimination		
Zinc-refined and in concentrate	(13,946)	(22,203)
Silver	(1,165)	(1,455)

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Total Byproduct sales		
Molybdenum contained in concentrates	7,299	8,726
Zinc-refined and in concentrate	79,730	79,163
Silver	4,805	5,018

At March 31, 2005, the Company has recorded provisionally priced sales of 134.4 million pounds of copper, at an average forward price of \$2.47 per pound. Also the Company has recorded provisionally priced sales of 5.7 million pounds of molybdenum at an average price of \$22.60 per pound. These sales are subject to final pricing based on the average monthly LME or COMEX copper prices and Dealer Oxide molybdenum prices in the future month of settlement, which will occur largely in the second quarter of 2006.

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

Operating Costs and Expenses: Operating costs and expenses were \$488.6 million in the first quarter of 2006 compared with \$474.5 million in the first quarter of 2005. Cost of sales (exclusive of depreciation, amortization and depletion) for the three months ended March 31, 2006 was \$406.9 million compared with \$389.6 million in the comparable 2005 period. The increase in cost of sales is attributable to an increase of \$9.6 million in production cost due to the adoption of a new accounting policy which requires that all mine stripping costs for operating properties be charged to production. Additionally 2006 includes \$14.9 million in increased fuel and power cost, \$1.4 million of mining royalties partially offset by an increase in inventory of \$30.6 million.

Selling and administrative expenses for the three months ended March 31, 2006 were \$24.0 million compared with \$ 18.6 million in the third quarter of 2005. The increase of \$5.4 million is mainly attributable to an increase in fees for consulting services of \$ 2.2 million, an increase in salaries and wages of \$ 2.3 million and the tax on financial transactions in Peru.

Non-Operating Income (Expense): Interest expense in the first quarter of 2006 was approximately 15.2% lower than the comparable 2005 period. This decrease is largely attributable to reductions in debt levels and lower interest rates.

In the three months ended March 31, 2005 we recorded a loss on derivative instruments of \$7.3 million. See note F to our condensed consolidated combined financial statements for more information on these programs. The Company did not hold any derivative instruments in the first quarter of 2006.

In the three months ended March 31, 2005 we recorded a loss on debt prepayments of \$1.7 million, related to a prepayment penalty on the retirement of our Peruvian bonds.

Interest income was \$9.3 million in the first quarter of 2006 compared to \$5.5 million in the first quarter of 2005. This increase was principally the result of higher cash balances in the period.

Taxes on Income: Taxes on income for the first quarter ended March 31, 2006, was \$199.9 million compared with \$146.1 million for the same period of 2005. The increase was principally due to higher earnings in 2006. The effective tax rate for the three months ended March 31, 2006, was 32.1% compared to 32.8% for the same period in 2005.

Segment Results Analysis

Peruvian Open Pit Operations

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The following table set forth net sales, operating cost and expenses and operating income for our Peruvian open pit operations segment, for the three months ended March 31, 2006 and 2005:

	Three Months ended March 31,	
	2006	2005
	(in millions)	
Net sales	\$ 615.8	\$ 487.2
Operating costs and expenses	(299.0)	(202.4)
Operating income	\$ 316.8	\$ 284.8

Net sales in the first quarter 2006 increased \$128.6 million to \$615.8 million from \$487.2 million in the comparable period of 2005. The increase in net sales is principally the result of higher copper prices in the first quarter of 2006. Copper sales volume increased in 2006, principally as a result of the copper purchased from our Mexican operations. Molybdenum sales volume, however, decreased in 2006 period, due to lower production.

Operating cost and expenses in the first quarter of 2006 increased by \$96.6 million to \$299.0 million from \$202.4 million in the first quarter of 2005, principally due to higher cost of sales. Cost of sales (exclusive of depreciation, amortization and depletion) for the three months ended March 31, 2006 was \$267.5 million compared to \$172.3 million in the same period of 2005. The increase in cost of sales includes \$77.9 million of metals purchased from our Mexican operations, \$9.6 million of lower capitalized mine stripping cost, \$2.5 million of net higher fuel and power cost, \$5.0 million of higher workers participation and \$1.3 million of higher mining royalties.

Mexican Open Pit Operations

The following table sets forth net sales, operating cost and expenses and operating income for our Mexican open pit operations segment for the three months periods ended March 31, 2006 and 2005:

	Three Months ended March 31,	
	2006	2005
	(in millions)	
Net sales	\$ 484.8	\$ 475.9
Operating costs and expenses	(218.9)	(297.8)
Operating income	\$ 265.9	\$ 178.1

Net sales in the first quarter of 2006 increased \$8.9 million to \$484.8 million from \$475.9 million in the first quarter of 2005. The increase in net sales is principally result of higher copper and silver prices partially offset by lower copper sales volume.

Operating cost and expenses in the first quarter of 2006 decreased by \$78.9 million to \$218.9 million from \$297.8 million in the first quarter of 2005, principally due to lower cost of sales and depreciation, amortization and depletion. Cost of sales (exclusive of depreciation, amortization and depletion) decreased \$70.3 million to \$183.9 million from \$254.2 million in 2005. The decrease in cost of sales was principally due \$75.1 million of lower copper and other metals purchased from third parties, principally from IMMSA and an increase in metal inventory of \$21.6 million net of an increase of \$17.2 million in fuel and power costs. The decrease of \$10.0 million in depreciation, amortization and depletion was principally due to the amortization of capitalized mine stripping and leachable material cost in the 2005 quarter.

Mexican Underground Operations (IMMSA)

The following table set forth net sales, operating cost and expenses and operating income for our IMMSA segment, for the three months period ended March 31, 2006 and 2005.

	Three Months ended March 31,	
	2006	2005
	(in millions)	
Net sales	\$ 133.7	\$ 156.6
Operating costs and expenses	(87.3)	(134.0)
Operating income	\$ 46.4	\$ 22.6

Net sales in the first quarter 2006 decreased \$22.9 million to \$133.7 million from \$156.6 million in the comparable period of 2005. The decrease in net sales is principally the result of lower copper production in the first quarter 2006 due to strike activity and the accident at the Pasta de Conchos coal mine. Operating cost and expenses in the first quarter of 2006 decreased by \$46.7 million to \$87.3 million from \$134.0 million in the first quarter of 2005. Cost of sales (exclusive of depreciation, amortization and depletion) decreased \$48.5 million to \$74.9 million in the first quarter of 2006 from \$123.4 million in the first quarter of 2005 principally due to

\$66.1 million of lower purchases of metals from third parties, \$4.8 of lower power and fuel cost, partially offset by \$10.8 million of higher workers participation.

Intersegment Eliminations and Adjustments

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

CASH FLOW

The following table shows the cash flow for the three months ended March 31, 2006 and 2005.

	Three Months Ended	
	March 31,	
	2006	2005
	(in millions)	
Net cash provided from operating activities	\$ 437.7	\$ 352.5
Net cash used for investing activities	\$ (144.9)	\$ (105.1)
Net cash used for financing activities	\$ (407.3)	\$ (219.8)

Net cash provided by operating activities was \$437.7 million in the first quarter of 2006, compared with \$352.5 million in the 2005 period. The increase of \$85.2 million was principally due to higher earnings.

Net cash used in investing activities was \$144.9 million in the first quarter of 2006 compared with \$105.1 million in the first quarter of 2005 and included \$143.1 million for capital expenditures. The capital expenditures included investments at our Peruvian operations of \$63.3 million for the Ilo smelter modernization project and \$21.2 million for various other replacement expenditures. In addition, we spent \$58.6 million for replacement assets at our Mexican operations, \$ 50.8 million of which belongs to our Mexican open pit operations and \$7.8 million in our IMMSA unit. In the first quarter of 2005, cash used for investing activities was \$105.1 million; this amount includes capital spending of \$75.3 million, \$30.6 million of which was in the Ilo smelter modernization project, \$19.8 million from other replacement expenditures in Peru and \$24.9 million from replacement expenditure in Mexico. Investing activities also includes net purchases of marketable securities of \$29.1 million in the first quarter of 2005.

Net cash used in financing activities in the first quarter of 2006 was \$407.3 million, compared with \$219.8 million in the first quarter of 2005. The first quarter of 2006 includes a dividend distribution of \$404.9 million, compared with a distribution of \$100.0 million in the first quarter of 2005. The first quarter of 2005 also includes a net debt pay-down of \$119.0 million.

LIQUIDITY AND CAPITAL RESOURCES

On March 3, 2006, the Company paid a quarterly dividend of \$2.75 per share, totaling \$404.9 million. On April 25, 2006 the Board of Directors approved a quarterly dividend of \$2.75 per share, totaling \$404.9 million, to be paid on June 2, 2006 to shareholders of record as of May 16, 2006.

The Company's biggest outstanding capital investment project is the Ilo smelter modernization. This project will modernize the smelter and bring SCC into compliance with PAMA requirements. In July 2003, we awarded the contract to provide the technology and basic engineering for the modernization of the Ilo smelter to Fluor Chile S.A. and Xstrata plc (formerly M.I.M. Holding Limited). The project is using the Australian ISASMELT technology and the Company believes that it will comply with the current environmental regulations. It is estimated that the construction of the project will be completed before January 2007, the deadline established by the PAMA.

The estimated cost of this project is \$500 million including \$451.8 million expended through March 31, 2006.

We expect that we will meet our cash requirements for 2006 and beyond from internally generated funds, cash on hand and from additional external financing if required.

At March 31, 2006 the Company's debt as a percentage of total capitalization (the total of debt, minority interest and stockholders equity) was 27.0% as compared with 26.0% at December 31, 2005. At March 31, 2006, the Company's cash and cash equivalent amounted to \$775.6 million compared to \$876.0 million at December 31, 2005.

NON-GAAP INFORMATION RECONCILIATION

Reconciliation of operating cash cost to GAAP cost of sales in millions of dollars and cents per pound.

	2006		Three Months Ended March 31,		2005	
	\$ million	¢ per pound	\$ million	¢ per pound	\$ million	¢ per pound
CASH COST						
Cost of sales (including depreciation, amortization and depletion) GAAP	\$ 460.0	131.5	\$ 450.5	122.7		
Add:						
Selling, general and administrative expenses	24.0	6.9	18.6	5.1		
Treatment and refining charges	12.2	3.5	4.6	1.3		
Less:						
By products revenue	(333.4)	(95.3)	(410.4)	(111.7)		
Depreciation, amortization and depletion	(53.1)	(15.2)	(61.0)	(16.6)		
Workers participation	(61.6)	(17.6)	(56.8)	(15.5)		
Royalty charge and other	(7.4)	(2.2)	(8.2)	(2.4)		
Inventory change	34.2	9.8	3.5	1.0		
Operating cash cost	74.9	21.4	(59.2)	(16.1)		
Add byproduct revenue	333.4	95.3	410.4	111.7		
Operating cash cost, without byproduct revenue	\$ 408.3	116.7	\$ 351.2	95.6		
Total pounds of copper produced and purchased (in millions)		349.7		367.3		

Impact of New Accounting Standards

Please see note K to our condensed consolidated combined financial statements.

Cautionary Statement:

Forward-looking statements in this report and in other Company statements include statements regarding expected commencement dates of mining or metal production operations, projected quantities of future metal production, anticipated production rates, operating efficiencies, costs and expenditures as well as projected demand or supply for the Company's products. Actual results could differ materially depending upon factors including the risks and uncertainties relating to general U.S. and international economic and political conditions, the cyclical and volatile prices of copper, other commodities and supplies, including fuel and electricity, availability of materials, insurance coverage, equipment, required permits or approvals and financing, the occurrence of unusual weather or operating conditions, lower than expected ore

grades, water and geological problems, the failure of equipment or processes to operate in accordance with specifications, failure to obtain financial assurance to meet closure and remediation obligations, labor relations, litigation and environmental risks as well as political and economic risk associated with foreign operations. Results of operations are directly affected by metal prices on commodity exchanges that can be volatile.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of March 31, 2006, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There was no change in the Company's internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that occurred during the quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Mexico City, May 2, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying condensed consolidated balance sheet of Southern Copper Corporation and subsidiaries as of March 31, 2006 and the related condensed consolidated combined statements of earnings and cash flows for each of the three-month periods ended March 31, 2006 and 2005. These interim condensed consolidated combined financial statements are the responsibility of the Company's management.

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

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

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2005, and the related consolidated combined statement of earnings, changes in stockholder's equity and cash flows for the year then ended, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 and the effectiveness of the Company's internal control over financial reporting as of December 31, 2005; and in our report dated March 13, 2006, we expressed unqualified opinions thereon. The consolidated combined financial statements and management's assessment of the effectiveness of internal control over financial reporting referred to above are not presented herein. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of March 31, 2006, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

PRICEWATERHOUSECOOPERS

Part II - OTHER INFORMATION

Item 1. - Legal Procedures

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

Item 6. Exhibits

Exhibit No.	Description of Exhibit
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.
32.2	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. This document is being furnished in accordance with SEC Release No. 33-8238.

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN COPPER CORPORATION
(Registrant)

/s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha
President and Chief Executive Officer

Date: May 2, 2006

/s/ J. Eduardo Gonzalez Felix
J. Eduardo Gonzalez Felix
Vice President, Finance and Chief
Financial Officer

Date: May 2, 2006

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Exhibit 31.1

CERTIFICATION PURSUANT TO

Section 302 of the Sarbanes-Oxley Act of 2002

I, Oscar Gonzalez Rocha, President and Chief Executive Officer of Southern Copper Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Copper Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the condensed consolidated combined financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f) for the registrant and we have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated combined financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha
President and Chief Executive Officer

Date: May 2, 2006

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Exhibit 31.2

CERTIFICATION PURSUANT TO

Section 302 of the Sarbanes-Oxley Act of 2002

I, J. Eduardo Gonzalez Felix, Vice President, Finance and Chief Financial Officer of Southern Copper Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Copper Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the condensed consolidated combined financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15-d-15(f) for the registrant and we have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated combined financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ J. Eduardo Gonzalez Felix
J. Eduardo Gonzalez Felix
Vice President, Finance and Chief
Financial Officer

Date: May 2, 2006

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Exhibit 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Southern Copper Corporation (the "Company") on Form 10-Q for the period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Oscar Gonzalez Rocha, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Oscar Gonzalez Rocha
Oscar Gonzalez Rocha
President and Chief Executive Officer

Date: May 2, 2006

A signed original of this written statement required by section 906 has been provided to Southern Copper Corporation and will be retained by Southern Copper Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Southern Copper Corporation (the Company) on Form 10-Q for the period ending March 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, J. Eduardo Gonzalez Felix, Vice President, Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Eduardo Gonzalez Felix
J. Eduardo Gonzalez Felix
Vice President, Finance and Chief
Financial Officer

Date: May 2, 2006

A signed original of this written statement required by section 906 has been provided to Southern Copper Corporation and will be retained by Southern Copper Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Annex D: Definitive Proxy Statement on Schedule 14A

March 29, 2006

Dear Common Stockholder:

You are cordially invited to attend the annual meeting of stockholders, which will be held at the offices of Grupo Mexico, S.A. de C.V., Baja California No. 200, Fifth Floor, Colonia Roma Sur, Mexico City, Mexico, on Thursday, April 27, 2006, at 5:00 P.M., Mexico City time. We hope you can be with us.

At the meeting, you will be asked to elect thirteen directors, to approve amendments to our by-laws and our Amended and Restated Certificate of Incorporation, and to ratify the selection of PricewaterhouseCoopers S.C. as our independent accountants.

The meeting also provides you with an opportunity to review our activities and our plans and prospects for the future.

It is important that your shares be represented at the meeting whether or not you are able to attend in person. Therefore, you are asked to vote, sign, date, and mail the enclosed proxy card. Please do so today. In Peru, you may deliver your signed proxy card to our offices in Lima, Toquepala, and Cuajone.

Sincerely,

Germán Larrea Mota-Velasco
Chairman of the Board

Oscar González Rocha
President and Chief
Executive Officer

2575 E. Camelback Road, Suite 500, Phoenix, Arizona 85016 TEL (602) 977-6595
Avenida Caminos del Inca No. 171, Chacarilla del Estanque, Santiago de Surco, Lima 33, Peru
TEL (511) 372-1414, ext. 3312 (Spanish), ext. 3325 (English)

**2575 E. Camelback Road, Suite 500,
Phoenix, Arizona 85016**

**Avenida Caminos del Inca No. 171,
Chacarilla del Estanque, Santiago de Surco,
Lima 33, Peru**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held on April 27, 2006

To the Common Stockholders of Southern Copper Corporation:

The annual meeting of stockholders of Southern Copper Corporation will be held at the offices of Grupo Mexico, S.A. de C.V. (Grupo Mexico), Baja California No. 200, Fifth Floor, Colonia Roma Sur, Mexico City, Mexico, on Thursday, April 27, 2006, at 5:00 P.M., Mexico City time, for the following purposes:

- (1) To elect our thirteen directors, who will serve until the 2007 annual meeting;
- (2) To amend our by-laws to:
 - (a) eliminate certain extraneous provisions relating to our retired series of Class A Common Stock;

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- (b) introduce a new provision for advance notice to shareholders seeking to nominate directors or to propose other business at annual or special meetings of the Common Stockholders (as applicable);
 - (c) substitute Grupo Mexico for ASARCO Incorporated (Asarco) in the Change in control definition in our by-laws; and
 - (d) eliminate the 80% supermajority vote requirement for certain corporate actions;
- (3) To amend our Amended and Restated Certificate of Incorporation to increase the number of shares of common stock which we are authorized to issue from 167,207,640 shares to 320,000,000 shares (as described in more detail in the proxy statement accompanying this notice);
- (4) To ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers S.C. as our independent accountants for calendar year 2006; and
- (5) To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 23, 2006 (the record date) will be entitled to vote at the annual meeting. Stockholders of record who attend the annual meeting in person may withdraw their proxies and vote in person if they wish.

By order of the Board of Directors,
/s/ Armando Ortega Gómez
Armando Ortega Gómez,
Secretary

Phoenix, Arizona, March 29, 2006

Your Vote is Important
Please mark, sign, date and return your enclosed proxy card

PROXY STATEMENT

This proxy statement is furnished as part of the solicitation by the Board of Directors of Southern Copper Corporation (SCC , us , our , or the Company), 2575 E. Camelback Road, Suite 500, Phoenix, Arizona 85016, USA, and Avenida Caminos del Inca No. 171, Chacarilla del Estanque, Santiago de Surco, Lima 33, Peru, of the proxies of all holders of common stock (the Common Stockholders or you), par value \$0.01 per share entitled to vote at the annual meeting to be held on April 27, 2006, and at any adjournment thereof. This proxy statement and the enclosed form of proxy are being mailed commencing on or about April 4, 2006, to the Common Stockholders of record on March 23, 2006. Additional copies will be available at our offices in the United States, Lima and other locations in Peru.

Any proxy in the enclosed form given pursuant to this solicitation and received in time for the annual 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 the proposal to elect directors, for approval of the amendments to our by-laws, the approval of the amendments to the Amended and Restated Certificate of Incorporation (the Certificate), and for the proposal to ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers S.C. (PwC), as our independent accountants for the calendar year 2006. Any proxy may be revoked at any time prior to the exercise thereof by notice from you, received in writing by our Secretary, or by written ballot voted at the meeting or by delivery of a later dated proxy card.

Our outstanding shares consist of Common Stock, par value \$0.01 per share (the Common Stock). At the close of business on March 23, 2006 we had outstanding 147,228,025 shares of Common Stock. Each share of Common Stock outstanding on March 23, 2006, the record date for the annual meeting, is entitled to vote at the meeting. Each share of Common Stock is entitled to one vote.

VOTING SECURITIES

Our Certificate provides for a Board of Directors to be fixed from time to time by resolution of a majority of the Board of Directors, provided that the number of directors shall not be less than six or more than fifteen. The Board of Directors at its meeting held on January 26, 2006 fixed

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the number of directors at thirteen. The directors are elected by the Common Stockholders, with each share of Common Stock outstanding at the March 23, 2006 record date entitled to one vote at the annual meeting.

Our by-laws provide that the presence in person or by proxy of the Common Stockholders of record holding a majority of the outstanding shares of Common Stock entitled to vote at the meeting shall constitute a quorum for the purpose of electing directors. A plurality of the votes cast by you is required for the election of the thirteen directors. Abstentions and broker non-votes are counted for quorum purposes but are not counted either as votes cast For or Against any nominee. 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.

The presence in person or by proxy of the holders of the outstanding shares of Common Stock entitled to cast a majority of the votes at the meeting shall constitute a quorum for purposes of voting on proposals other than the election of directors.

The proposal to eliminate extraneous provisions of our by-laws will be adopted upon the affirmative vote of 80% of the voting power of all shares of Common Stock entitled to vote. The proposal to amend the advance notice requirements of our by-laws will be adopted upon the affirmative vote of the holders of a majority of our Common Stock. The proposal to amend the definition of Change in Control will be adopted upon the affirmative vote of a majority of the votes cast at the annual meeting by stockholders entitled to vote at the meeting. The proposal to eliminate 80% supermajority vote requirement will be

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adopted upon the affirmative vote of 80% of the voting power of all shares of Common Stock entitled to vote.

Except with respect to the amendment substituting Grupo Mexico for Asarco in the definition of "Change in Control", abstentions and broker non-votes will have the same effect as a vote "Against" the foregoing proposals to amend our by-laws. Abstentions and broker non-votes are counted for quorum purposes but are not counted either as votes cast "For" or "Against" the proposal to substitute Grupo Mexico for Asarco in the definition of "Change in Control" in Section 9.15 of Article IX of our by-laws.

Pursuant to Sections 242 and 245 of the Delaware General Corporation Law ("DGCL"), the amendments to our Certificate must be approved by the holders of a majority of our issued and outstanding shares of Common Stock. Abstentions and broker non-votes will have the same effect as a vote "Against" the proposal to amend our Certificate.

The affirmative vote of a majority of the votes cast at the meeting by the holders of shares of Common Stock entitled to vote thereon is required to ratify the selection of the independent accountants described in this proxy statement. Abstentions and broker non-votes are counted for quorum purposes but are not counted either as votes cast "For" or "Against" the proposal to ratify the selection of the independent accountants described in this proxy statement.

When a Common Stockholder participates in the Dividend Reinvestment Plan applicable to our Common Stock, the Common Stockholder's 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 you do not send any proxy, the shares held for you account in the Dividend Reinvestment Plan will not be voted. Shares of Common Stock, owned under our Savings Plan, will be voted by the trustee under the plan in accordance with the instructions contained in the proxy submitted by the beneficial Common Stockholder. 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.

No Dissenters' or Appraisal Rights

Stockholders who do not consent to the amendments of the Certificate and the by-laws as described in this proxy statement are not entitled to assert dissenters' or appraisal rights under Section 262 of the DGCL.

ELECTION OF DIRECTORS

Thirteen nominees are proposed for election by you at the annual meeting. The nominees to be voted on by you are Emilio Carrillo Gamboa, Jaime Fernando Collazo González, Xavier García de Quevedo Topete, Oscar González Rocha, J. Eduardo González Félix, Harold S. Handelsman, Germán Larrea Mota-Velasco, Genaro Larrea Mota-Velasco, Armando Ortega Gómez, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, Juan Rebolledo Gout, and Carlos Ruiz Sacristán. All of the nominees are currently serving as directors.

The Certificate requires the 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 ("NYSE") (or any other exchange or association on which the Common Stock is listed) and (ii) is nominated by a Special Nominating Committee of the Board of Directors.

The Special Nominating Committee, composed of Messrs. Luis Miguel Palomino, Carlos Ruiz Sacristán (each a Special Designee) and Armando Ortega Gómez (the Board Designee), has nominated Messrs. Harold S. Handelsman, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, and Carlos Ruiz Sacristán as special independent directors. In addition, the Board of Directors at its January 26, 2006 meeting selected Mr. Emilio Carrillo Gamboa as our fifth independent director. For further information please see the section on "Special Independent Directors/Special Nominating Committee."

Proxies in the enclosed form will be voted, unless authority is withheld, for the election of the nominees named below. If any person should be unavailable for election, proxies will be voted for another individual chosen by the Board of Directors as a substitute for the unavailable nominee.

NOMINEES FOR ELECTION AS DIRECTORS

The following thirteen individuals have been nominated for election to the Board of Directors.

Common Stock Director	Age	Position
Germán Larrea Mota-Velasco	52	Chairman of the Board and Director
Oscar González Rocha	67	President, Chief Executive Officer, and Director
Emilio Carrillo Gamboa	68	Director
Jaime Fernando Collazo González	54	Director
Xavier García de Quevedo Topete	59	Executive Vice President, Chief Operating Officer and Director
J. Eduardo González Félix	37	Vice President, Finance and Chief Financial Officer, and Director
Harold S. Handelsman	59	Director
Genaro Larrea Mota-Velasco	45	Director
Armando Ortega Gómez	45	Vice President, Legal, General Counsel, Secretary, and Director
Luis Miguel Palomino Bonilla	46	Director
Gilberto Perezalonso Cifuentes	63	Director
Juan Rebolledo Gout	55	Director
Carlos Ruiz Sacristán	56	Director

Germán Larrea Mota-Velasco, Director. Mr. Larrea has been Chairman of the Board since December 1999, Chief Executive Officer from December 1999 to October 2004, and a director of the Company since November 1999. He has been Chairman of the Board of Directors, President and Chief Executive Officer of Grupo Mexico (holding) since 1994. Mr. Larrea is also the Chairman and Chief Executive Officer of Americas Mining Corporation (AMC) (mining division) since 2003. Mr. Larrea has been Chairman of the Board of Directors and Chief Executive Officer of Grupo Minero México (mining division) since 1994, and of Grupo Ferroviario Mexicano (railroad division) since 1997. Mr. Larrea was previously Executive Vice Chairman of Grupo Mexico, and has been member of the Board of Directors since 1981. He is also Chairman of the Board of Directors and Chief Executive Officer of Empresarios Industriales de México (holding); Perforadora México (drilling company), México Compañía Constructora (construction company), Fondo Inmobiliario (real estate company), since 1992. He founded Grupo Impresa, a printing and publishing company in 1978, remaining as the Chairman and Chief Executive Officer until 1989 when the company was sold. He is also a director of Grupo Financiero Banamex, (Citigroup) S.A. de C.V., Banco Nacional de México, S.A., Consejo Mexicano de Hombres de Negocios, and Grupo Televisa, S.A. de C.V. He and Mr. Genaro Larrea Mota-Velasco are brothers.

Oscar González Rocha, Director. Mr. Oscar González Rocha has been our Chief Executive Officer since October 21, 2004 and its President since December 1999. He has been a director of the Company since November 1999. Previously, he was our General Director and Chief Operating Officer from December 1999 to October 20, 2004. Mr. González has been a director of Grupo Mexico from 2002 to present and Managing Director of Mexicana de Cobre, S.A. de C.V. from 1986 to 1999 and of Mexicana de Cananea, S.A. de C.V. from 1990 to 1999. He has been an alternate director of Grupo Mexico from 1988 to April 2002.

Emilio Carrillo Gamboa, Director. Mr. Emilio Carrillo Gamboa has been a director of the Company since May 30, 2003 and is our fifth independent director nominee. Mr. Carrillo Gamboa is a prominent lawyer in Mexico and has been a partner of the law firm Bufete Carrillo Gamboa, S. C., a law firm

specializing in corporate, financial, commercial, and public utility issues, for the last five years. Mr. Carrillo Gamboa has extensive business experience and currently serves on the boards of many prestigious international and Mexican corporations as well as charitable organizations. Since March 9, 2005 he is Chairman of the Board of the Mexico Fund, Inc. (NYSE: msxf), a nondiversified closed-end management investment company. He is also Chairman of the Board of Holcim-Apasco, S.A. de C.V. (cement company). Mr. Carrillo was Director General of Teléfonos de Mexico S.A. de C.V. (TELMEX) and from July 1987 to February 1989, he was Mexico's Ambassador to Canada. Mr. Carrillo is a director of the following companies: Grupo Modelo, S.A. de C.V. (beer brewing), Kimberly-Clark de México, S.A. de C.V. (consumer products), San Luis Corporacion, S.A. de C.V. (automotive parts), Empresas ICA Sociedad Controladora, S.A. de C.V. (construction), Holcim Apasco, S.A. de C.V., The Mexico Fund, Inc., Bank of Tokyo Mitsubishi (México), S.A., Gasoductos de Chihuahua, S. de R.L. de C.V. and subsidiaries, Innova, S. de R.L. de C.V. and subsidiaries, and Grupo Mexico and subsidiaries. He is member of the Valuation, Contract Review and Nominating and Corporate Governance Committees of the Mexico Fund and a member of the Audit Committee of the following companies: Empresas ICA Sociedad Controladora, S.A. de C.V. since 2002, Holcim-Apasco, S.A. de C.V. since 2002, Grupo Modelo, S.A. de C.V. since 2002, Kimberly-Clark de México, S.A. de C.V. since 2002, San Luis Corporacion, S.A. de C.V. since 2002, The Mexico Fund, Inc. since 2002, and Grupo Mexico since 2003. Except for Bank of Tokyo Mitsubishi (México), S.A., Gasoductos de Chihuahua, S. de R.L. de C.V., and Innova, S. de R.L. de C.V., which are private companies, the rest are public companies listed on the Mexican Stock Exchange, and two are listed on the NYSE: The Mexico Fund, Inc., and Empresas ICA Sociedad Controladora, S.A. de C.V. Mr. Carrillo Gamboa has a law degree from the Autonomous National University of Mexico, attended a continuous legal education program at Georgetown University Law School, and practiced at the World Bank.

Jaime F. Collazo Gonzalez, Director. Mr. Collazo has been a director of the Company since April 28, 2004 and our Vice President, Finance and Chief Financial Officer from April 28, 2004 to March 10, 2005. He has been Director of Administration, Auditing and Information Technology of Grupo Mexico since March 2004. From 1998 to 2003, Mr. Collazo González held the position of Managing Partner of Administration and Business Consulting, SC (a business consulting firm). Previously, he held several positions with IBM de Mexico, S.A., the last one being Vice President and Chief Financial Officer, prior to his retirement in 1998. He holds a Bachelor's degree in Administration from Universidad Tecnológica de México and a Master degree in Business Administration from Instituto Tecnológico y de Estudios Superiores de Monterrey.

Xavier García de Quevedo Topete, Director. Mr. García de Quevedo has been a director of the Company since November 1999 and our Executive Vice President and Chief Operating Officer since April 12, 2005. He has been the President and Chief Executive Officer of Minera Mexico, S. A. de C. V. from September 2001 to April 2005. He was Managing Director of Grupo Ferroviario Mexicano, S.A. de C.V. and of Ferrocarril Mexicano, S.A. de C.V. from December 1997 to December 1999, and Director General of Exploration and Development of Grupo Mexico from 1994 to 1997. He has been a Director of Grupo Mexico since April 2002.

J. Eduardo González Félix, Director. Mr. Eduardo González Félix has been a director of the Company and our Vice President, Finance and Chief Financial Officer since March 11, 2005. He has been the President and Chief Financial Officer of Grupo Mexico's Mining Division (Americas Mining Corporation or AMC) from January 2004 to March 2005 and its Chief Financial Officer from 1999 to March 2003. Mr. González has been the Chief Financial Officer of Minera Mexico from mid-2001 to December 2003. He had also headed Grupo Mexico's Treasury and Investor Relations departments from 1999 to 2001. Prior to joining Grupo Mexico, Mr. González was a Senior Associate at McKinsey & Company, Inc., heading work for clients in various countries and industry sectors. Mr. González holds two degrees from the University of Arizona in Economics and Political Science and a Master in Business Administration in Finance and International Business from the University of Chicago, Graduate School of

Business. He has also concluded extensive graduate studies and research in Political Philosophy and European Union Economics at the Oxford University in England. Mr. González has also worked at the Kimberly-Clark Corporation and at the Chicago Board of Trade.

Harold S. Handelsman, Director. Mr. Handelsman has been a director of the Company since August 2002 and is a special independent director nominee. Mr. Handelsman has been Executive Vice President and General Counsel of The Pritzker Organization, LLC, a private investment firm, since 1998. Mr. Handelsman has also been a senior executive officer of the Hyatt Corporation since 1978 and currently serves as Executive Vice President of Global Hyatt Corporation, and is a director of a number of private corporations. He received a B.A. degree from Amherst College in 1968 and a J.D. degree from Columbia University in 1973.

Genaro Larrea Mota-Velasco, Director. Mr. Larrea was our Vice President, Commercial from December 1999 until April 25, 2002, and has been a director since November 1999. He was Managing Commercial Director of Grupo Mexico from 1994 to August 30, 2001, and has been a director of Grupo Mexico since 1994. He and Mr. Germán Larrea Mota-Velasco are brothers.

Armando Ortega Gómez, Director. Mr. Ortega has been our Vice President-Legal and Secretary since April 25, 2002 and a director since August 2002. He has been our General Counsel since October 23, 2003. Previously, he was our Assistant Secretary from July 25, 2001 to April 25, 2002. He has been General Counsel of Grupo Mexico since May 2001. He is also Assistant Secretary of Grupo Mexico. Previously, he headed the Unit on International Trade Practices of the Ministry of Economy of Mexico with the rank of Deputy Vice Minister from January 1998 to mid-May 2001, and was negotiator for international matters for said Ministry from 1988 to May 2001.

Luis Miguel Palomino Bonilla, Director. Mr. Luis Miguel Palomino Bonilla has been a director of the Company since March 19, 2004 and is a special independent director nominee. Mr. Palomino has been the principal and senior consultant of Proconsulta International (a financial consulting firm) since 2003. Previously he was First Vice President and Chief Economist, Latin America for Merrill Lynch Pierce Fenner & Smith, New York (investment banking) from 2000 to 2002. He was Chief Executive Officer, Senior Country and Equity Analyst of Merrill Lynch, Peru (investment banking) from 1995 to 2000. Mr. Palomino has held various positions with banks and financial institutions as an economist, financial advisor and analyst. He has a PhD in finance from the Wharton School of the University of Pennsylvania, Philadelphia, and graduated from the Economics Program of the University of the Pacific, Lima, Peru.

Gilberto Perezalonso Cifuentes, Director. Mr. Gilberto Perezalonso Cifuentes has been a director of the Company since June 2002 and is a special independent director nominee. From 1980 until February 1998, Mr. Perezalonso held various positions with Grupo Cifra S.A. de C.V., the most recent position being that of General Director of Administration and Finance. From 1998 until April 2001, he was Executive Vice President of Administration and Finance of Grupo Televisa, S.A. Mr. Perezalonso was the Chief Executive Officer of Aeroméxico (Aerovías de México, S.A. de C.V.) from 2004 until December 2005. He is also currently Treasurer of the Asociación Vamos México A.C., consultant to the Presidency of Grupo Televisa, S.A. and a member of its Board and its Executive Committee. He is also a member of the investment committee of IBM de México. He is a member of the advisory council of Banco Nacional de México, S.A. de C.V., the board and of the investment committee of Afore Banamex, the board and of the investment committee of Sifore Banamex No. 1, and is a member of the Boards of Gigante, S.A. de C.V., International Center for Human Development, Costa Rica, Masnegocio Co. S. de R.L. de C.V., and Financiera Compartamos, S.A. de C.V., SFOL. Mr. Perezalonso is a member of the Audit Committee of Televisa S.A. de C.V. and Cablevision, S.A. de C.V. Mr. Perezalonso has a law degree from the Iberoamerican University and a Master's Degree in Business Administration from the Business Administration Graduate School for Central America (INCAE). Mr. Perezalonso has also attended the Corporate Finance program at Harvard University.

Juan Rebolledo Gout, Director. Mr. Rebolledo has been a director of the Company since May 30, 2003. Mr. Rebolledo has been International Vice President of Grupo Mexico since 2001. He was Deputy Secretary of Foreign Affairs of Mexico from 1994 to 2000 and Deputy Chief of Staff to the President of Mexico from 1993 to 1994. Previously, he was Assistant to the President of Mexico (1989-1993), director of the National Institute for the Historical Studies of the Mexican Revolution of the Secretariat of Government (1985-1988), Dean of Graduate Studies at the National Autonomous University of Mexico, Political Science Department (1984-1985), and professor of said university (1981-1983). Mr. Rebolledo holds a law degree from the National Autonomous University of Mexico, an MA in philosophy from Tulane University, and an LLM from Harvard Law School.

Carlos Ruiz Sacristán, Director. Mr. Carlos Ruiz Sacristán has been a director of the Company since February 12, 2004 and is a special independent director nominee. Since November 2001, he has been the owner and managing partner of Proyectos Estrategicos Integrales, a Mexican investment banking firm specialized in agricultural, transport, tourism, and housing projects. Mr. Ruiz has held various distinguished positions in the Mexican government, the most recent being that of Secretary of Communication and Transportation of Mexico from 1995 to 2000. While holding that position, he was also Chairman of the Board of Directors of the Mexican-owned companies in the sector, and member of the Board of Directors of development banks. Mr. Ruiz holds a bachelor's degree in business administration from the Anahuac University of Mexico City, and an MBA degree from Northwestern University of Chicago.

Security Ownership of Certain Beneficial Owners

Set forth below is certain information with respect to those persons who are known by us to have been, as of January 31, 2006, except as otherwise indicated, beneficial owners of more than five percent of our outstanding Common Stock.

	Common Stock Shares of Common Stock Beneficially Owned	Percent of Outstanding Common Stock
Americas Mining Corporation 2575 East Camelback Road Suite 500 Phoenix, AZ 85016(a)	110,556,589	75.09 %

(a) Pursuant to Amendment No. 12 to the Schedule 13D filed by Grupo Mexico, Grupo Minero México Internacional, S.A. de C.V. (GMMI), AMC and SPHC II Incorporated (SPHC II) on May 23, 2005. As of May 23, 2005, Grupo Mexico, GMMI, AMC and SPHC II each had the sole power to vote or direct the vote of 0 shares; the sole power to dispose or direct the disposition of 0 shares; and had the shared power to dispose or direct the disposition of 110,556,589 shares. Of the 110,556,589 shares, 67,207,640 were held by AMC and 43,348,949 were held by SPHC II, both subsidiaries of Grupo Mexico. On September 6, 2005, SPHC II merged with and into AMC pursuant to a Certificate of Ownership and Merger filed by AMC with the Secretary of State of the State of Delaware. As a result of the merger, AMC currently owns 110,556,589 shares of our Common Stock.

Beneficial Ownership of Management

The information set forth below as to the shares of our Common Stock beneficially owned by the nominees, directors and executive officers named in the Summary Compensation Table below and by all nominees, directors and officers as a group is stated as of January 31, 2006.

	Southern Copper Corporation Shares of the Our Common Stock Beneficially Owned(a)	Percent of Outstanding Common Stock
Germán Larrea Mota-Velasco(c)	1,400	(b)
Xavier García de Quevedo Topete	400	(b)
Oscar González Rocha	0	
J. Eduardo González Félix	0	
Juan Rebolledo Gout	0	
Jaime Fernando Collazo Gonzalez	0	
Emilio Carrillo Gamboa	600	(b)
Carlos Ruiz Sacristán	600	(b)
Harold S. Handelsman	800	(b)
Genaro Larrea Mota-Velasco	400	(b)
Armando Ortega Gómez	800	(b)
Gilberto Perezalonso Cifuentes	1,000	(b)
Luis Miguel Palomino Bonilla	600	(b)
All nominees, directors and officers as a group (16) individuals)(d)	6,680	

(a) Information with respect to beneficial ownership is based upon information furnished by each nominee, director or officer. Except as noted below, all nominees, 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 our shares owned by AMC, which in turn is controlled by Grupo Mexico.

(d) Includes 80 shares of Mr. Jose N. Chirinos, our Comptroller.

In addition, the following information is provided in satisfaction of applicable rules of the Securities and Exchange Commission (SEC). Grupo Mexico is a Mexican corporation with its principal executive offices located at Baja California 200, Colonia Roma Sur, 06760 Mexico City, Mexico. Grupo Mexico's principal business is to act as a holding company for shares of other corporations engaged in the mining, processing, purchase and sale of minerals and other products and railway services. Grupo Mexico shares are listed on the Mexican Stock Exchange.

The largest shareholder of Grupo Mexico is Empresarios Industriales de Mexico, S.A. de C.V., a Mexican corporation (EIM). 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, including Mr. Germán Larrea, 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 Mexico.

Director/Officer	Beneficial Ownership
Genaro Larrea Mota-Velasco	29,040,000
Oscar González Rocha	682,240
Jaime F. Collazo González	17,170
Vidal Muhech Dip	5,000
Armando Ortega Gómez	10,461
Juan Rebolledo Gout	100,000
Total	29,854,871

Except as set forth above, and to our knowledge, none of the nominees, directors and executive officers named in the Summary Compensation Table beneficially own any equity security of Grupo Mexico.

Committee Reports on Executive Compensation

Compensation Committee

The Compensation Committee is comprised of Messrs. Germán Larrea Mota-Velasco, Oscar González Rocha, Xavier García de Quevedo Topete, and Gilberto Perezalonso Cifuentes. The Committee did not meet in 2005.

The Compensation Committee of the Board of Directors has general responsibility for the administration, interpretation and oversight of all aspects of remuneration, including compensation, benefits and perquisites, of all of our executive officers and our other key employees and our subsidiaries.

The Compensation Committee has the authority to delegate any of its authority to subcommittees designated by the Compensation Committee to the extent permitted by law. The Compensation Committee may delegate its administrative duties to the Chief Executive Officer or other members of senior management, as permitted by applicable law and regulations. The Compensation Committee has the sole authority to retain and terminate any counsel or other advisors, including sole authority to approve fees and other retention terms.

The Compensation Committee produces the Compensation Committee Report on Executive Compensation for inclusion in our SEC filings and furnished the following report on compensation of executive officers in 2005.

In 2005, the only executive officers compensated by us were Messrs. Oscar González Rocha, our President and Chief Executive Officer and Jose N. Chirinos, our Comptroller. The base salary of Mr. González Rocha was determined by us and is reflected in an employee agreement mandated by Peruvian law. The base salaries of Messrs. Oscar González Rocha and Jose N. Chirinos follow the guidelines of salaries of our other key employees in Peru. The other items of the compensation paid in 2005 to Messrs. Oscar González Rocha and Jose N. Chirinos are consistent with compensation paid to our other key employees in Peru or are mandated by Peruvian law. For 2005 we approved an incentive cash payment to Messrs. Oscar González Rocha and Jose N. Chirinos in recognition of their performance. The incentive cash payments to Messrs. Oscar González Rocha and Jose N. Chirinos are reflected in the Summary Compensation Table.

In 2005, the Compensation Committee did not award cash incentive compensation under the Southern Copper Corporation Incentive Compensation Plan to Messrs. Oscar González Rocha and Jose N. Chirinos. The Compensation Committee under the Southern Copper Corporation Incentive Compensation Plan determines annual cash incentive payments to our key salaried employees. A target level of annual incentive compensation is established for each eligible employee based on the level of responsibility attached to such employee's position. For executive officers these targets are set at competitive median levels. The Compensation Committee determines the officers' levels of responsibility after review of substantially equivalent positions among our peers.

Under the Incentive Compensation Plan, awards to employees are established from a predetermined target level, based upon performance measured in the areas of production, safety and environmental at two levels: individual and company-wide.

Under Section 162(m) of the Internal Revenue Code of 1986, as amended, we may not deduct, with certain exceptions, compensation in excess of \$1 million to the Chief Executive Officer and the four other highest paid executive officers as required to be reported in our proxy statement. The Compensation Committee does not believe that Section 162(m) will have any immediate material impact on us because, among other things, officer salaries principally enter into the calculation of non-US source taxable income. Due to the availability of foreign tax credits, the Company will not normally incur a U. S. tax liability on its non-US source taxable income. The Compensation Committee will, however, continue to monitor our executive compensation programs to ensure their effectiveness and efficiency in light of our needs, including Section 162(m).

The Compensation Committee:

	Germán Larrea Mota-Velasco
	Xavier García de Quevedo Topete
	Gilberto Perezalonso Cifuentes
	Oscar González Rocha

Stock Incentive Plan Committee

Our Stock Incentive Plan Committee of the Board of Directors administers our Stock Incentive Plan. The members of the Committee currently are Messrs. Emilio Carrillo Gamboa, Luis Miguel Palomino Bonilla, and Gilberto Perezalonso Cifuentes. The Committee did not meet in 2005.

The Stock Incentive Plan Committee selects officers and other employees for participation in this plan and decides upon the timing, pricing and amount of awards and benefits granted under the Stock Incentive Plan.

No long-term incentive compensation was awarded in 2005. Long-term incentive compensation consists of awards of restricted stock and/or stock options and are designed to link the interests of executive officers and selected employees with those of stockholders by providing an incentive to manage our business as an owner with an equity stake. Awards generally are made to selected officers and employees, and are made within long-term incentive targets based upon analyses by us and consideration of each executive's and employee's performance. In the case of the Chief Executive Officer, the Stock Incentive Plan Committee also considers the Chief Executive Officer's performance and responsibility in directing our performance.

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Audit Committee Report

In 2005, the Southern Copper Corporation Audit Committee was comprised of three independent directors, Messrs. Emilio Carrillo Gamboa, Luis Miguel Palomino Bonilla and Gilberto Perezalonso Cifuentes. Mr. Perezalonso has been a member of the Audit Committee since June 2002.

Mr. Emilio Carrillo Gamboa was elected to the Board on May 30, 2003 and to the Audit Committee in July 2003. Mr. Carrillo chairs the Audit Committee. Mr. Luis Miguel Palomino Bonilla was elected to the Board and the Audit Committee on March 19, 2004.

Our Board of Directors determined that Messrs. Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, and Emilio Carrillo are independent of management and financially literate in accordance with the qualifications of the NYSE and the SEC, as such qualifications are interpreted by our Board of Directors in its business judgment. In addition, the Board of Directors determined that Messrs. Luis Miguel

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Palomino Bonilla and Gilberto Perezalonso Cifuentes are Audit Committee financial experts, as the Board of Directors interprets this qualification in its business judgment. The Board of Directors also determined that Messrs. Palomino and Perezalonso satisfy the accounting or related financial management expertise standard required by the NYSE, as the Board of Directors interprets this qualification in its business judgment. The Audit Committee met six times in 2005, with 100% attendance by Messrs. Emilio Carrillo Gamboa, Gilberto Perezalonso Cifuentes, and Luis Miguel Palomino Bonilla of the meetings each committee member was eligible to attend.

The Board of Directors has adopted a written charter for the Audit Committee, which is posted on our web site and is included as Appendix A to this proxy statement. The charter for the Audit Committee sets forth the authority and responsibilities of the Audit Committee. The functions of the Committee include approving the engagement of independent accountants, reviewing and approving the fees, scope and timing of their other services, and reviewing the audit plan and results of the audit. The Committee also reviews our policies and procedures on internal auditing, accounting and financial controls. The implementation and maintenance of internal controls are understood to be primarily the responsibility of management.

In connection with those responsibilities, the Audit Committee has taken the following actions:

- (1) reviewed and discussed the consolidated audited financial statements with management and the independent accountants;
- (2) discussed with the independent accountants, PwC, the matters required to be discussed by Statements on Auditing Standards No. 61, as amended (Audit Committee Communications);
- (3) received the written disclosures and the letters from PwC required by the Independence Standards Board Standard No. 1, (Independence Discussions with Audit Committees) and has discussed with PwC its independence from us and our management;
- (4) discussed with our internal and independent accountants, PwC, the overall scope and plans of their respective audits. The Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, the evaluations of our internal controls and the overall quality of our financial reporting;
- (5) recommended, based on the reviews and discussions referred to above, to the Board of Directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2005, for filing with the SEC; and

(6) selected PwC as our independent accountants for year 2006. Such selection is submitted for ratification by you at this annual meeting.

The Audit Committee:
Emilio Carrillo Gamboa
Luis Miguel Palomino Bonilla
Gilberto Perezalonso Cifuentes

Principal Accountant Fees and Services

The following is a summary of fees we were billed by PwC for professional services rendered for the 2004 and 2005 fiscal years.

Fee Category	2005 Fees
Audit Fees	\$ 687,000
Audit-Related Fees	1,391,000
Tax Fees	
All Other Fees	1,778,018
Total Fees	\$ 3,856,018

Fee Category	2004 Fees
Audit Fees	\$ 305,000
Audit-Related Fees	375,000
Tax Fees	10,000
All Other Fees	220,000
Total Fees	\$ 910,000

Audit Fees

Audit fees consist of fees for professional services rendered for the audit of our financial statements included in our Annual Report on Form 10-K, and reviews of the financial statements included in our quarterly reports on Form 10-Q.

Audit-Related Fees

Audit-Related Fees consist of fees for professional services provided by PwC not described above under **Audit Fees** in connection with their audit of the effectiveness of our internal control over financial reporting required by the Sarbanes-Oxley Act of 2002, which amounted to \$1,391,000 for the 2005 fiscal year and \$375,000 for the 2004 fiscal year.

Tax Fees

PwC provided no tax services in 2005. In 2004, PwC provided tax services amounting to \$10,000. The fees related primarily to tax compliance and tax advice in Peru.

All Other Fees

In 2005 all other fees for services, other than those described above, consisted primarily of fees for services provided by PwC in connection with financial statements requirements and the registration process and other procedures related to the filing of a Form S-3 in the amount of \$1,590,393, a non-audit fee of \$4,500 to update documentation of the Lima office personnel, and review of accounting issues

relating to comments from the SEC relating to our 2004 annual report filed on Form 10-K and our quarterly reports filed on Forms 10-Q for 2004 in the amount of \$170,000, and \$13,125 for services provided by PwC in connection with a Consulting Investment and Bond Plan review. In 2004 all other fees for services, other than those described above consisted primarily of fees for services provided by PwC in connection with their re-auditing of fiscal year 2002 financial statements in connection with the stockholder-approved merger transaction in the amount of \$200,000, and in connection with consulting services and statutory and regulatory filings in the amount of \$20,000.

Audit Committee Pre-Approval Policies and Procedures

Our management defines and communicates specific projects and categories of service for which the advance approval of the Audit Committee is requested. The Audit Committee reviews these requests and advises management if the Committee approves the engagement of PwC. In 2005, all services provided by PwC were approved in advance by the Committee.

Executive Compensation

Set forth below is certain information concerning the compensation for services in all capacities to us for each of the three fiscal years ended December 31, 2005 of Mr. Oscar González Rocha, our President and Chief Executive Officer, and for each of the two fiscal years ended December 31, 2005 of Mr. Jose N. Chirinos, our Comptroller. Mr. Germán Larrea, our Chairman received no compensation from us in 2003, 2004 and 2005 for services other than as a director. In addition, during 2003, 2004 and 2005 we paid no compensation to any other executive officer other than director's fees to those executive officers also serving as directors of the Company.

Summary Compensation Table

Name and Principal Position	Annual Compensation			Other Annual Compensation (a)	All Other Compensation (b)
	Year	Salary	Bonus		
Oscar González Rocha President and CEO	2005	\$ 370,229	\$ 76,010	\$ 111,260	\$ 427,128
	2004	347,104	286,399	89,314	281,273
	2003	325,308	106,965	83,935	91,364
José N. Chirinos Comptroller	2005	155,400	32,787	108,779	269,620
	2004	142,420	21,377	102,687	185,922

(a) Other Annual Compensation consists of mainly programs sponsored by us and compensation mandated by Peruvian law. Amounts shown for Mr. Oscar González Rocha, consist of: \$31,131, \$28,419 and \$26,641 as vacation bonuses, mandated by Peruvian Law, in 2005, 2004 and 2003, respectively; \$64,772, \$58,798 and \$55,167 as annual bonuses for national holidays and Christmas in 2005, 2004 and 2003, respectively, also mandated by Peruvian law; \$0, \$2,097 and \$2,127 for vacation travel in 2005, 2004 and 2003, respectively; and \$15,357 for 2005 related to a Peruvian mandated benefit that provides for the payment of five percent of the monthly salary for each period of five years of service. Amounts shown for Mr. José N. Chirinos, consist of: \$14,583 and \$13,685 as vacation bonuses, mandated by Peruvian Law, in 2005 and 2004, respectively; \$37,778 and \$37,254 as annual bonuses for national holidays and Christmas in 2005 and 2004, respectively, also mandated by Peruvian law; \$2,028 and \$1,900 for vacation travel in 2005 and 2004, respectively; and \$54,390 and \$49,848 for 2005 and 2004, respectively related to a Peruvian mandated benefit that provides for the payment of five percent of the monthly salary for each period of five years of service.

(b) Amounts shown reflect (1) a maintenance fee for a corporate residence of the President and Chief Executive Officer in Lima, Peru, (2) profit participation mandated by Peruvian law in the earnings of our Peruvian Branch, and (3) severance benefits and other compensation mandated by Peruvian law. Mr. Oscar González Rocha received \$5,943 for each of the three years ended December 31, 2005 as a maintenance fee for his corporate residence, which he uses when he conducts business activities for the Company in Lima, Peru. Mr. Oscar González Rocha has residences at the Company's operations provided by the Company, as mandated by Peruvian law. Peruvian law requires the payment of a profit participation in the pre-tax earnings of our Peruvian Branch. Under this program, Mr. Oscar González Rocha received \$381,413, \$246,648 and \$51,509 in 2005, 2004 and 2003, respectively. Additionally, as a severance benefit, Peruvian law requires a deposit of one twelfth of an employee's annual salary, vacation, travel, national holidays, Christmas, dependents and service award bonus, each year, for each employee (whether Peruvian or expatriate) working in Peru, as applicable, in a bank account of the employee's choosing, which accrues interest paid by the bank, until the employee terminates employment, at which time the employee is eligible to receive the funds. Under this program, \$39,772, \$28,682 and \$33,912 in severance benefits were deposited on behalf of Mr. Oscar González Rocha in 2005, 2004 and 2003, respectively.

Amounts shown reflect (1) profit participation mandated by Peruvian law in the earnings of our Peruvian Branch, and (2) severance benefits and other compensation mandated by Peruvian law. Peruvian law requires the payment of a profit participation in the pre-tax earnings of our Peruvian Branch. Under this program, Mr. José N. Chirinos received \$230,083 and \$152,889 in 2005 and 2004, respectively. Additionally, as a severance benefit, Peruvian law requires a deposit of one twelfth of an employee's annual salary, vacation, travel, national holidays, Christmas, dependents and service award bonus, each year, for each employee (whether Peruvian or expatriate) working in Peru, as applicable, in a bank account of the employee's choosing, which accrues interest paid by the bank, until the employee terminates employment, at which time the employee is eligible to receive the funds. Under this program, \$22,142 and \$16,194 in severance benefits were deposited on behalf of Mr. José N. Chirinos in 2005 and 2004, respectively. As other payments, the Company paid \$17,395 and \$16,839 to Mr. José N. Chirinos in 2005 and 2004, respectively pursuant to the requirements of the Peruvian private pension system (AFP).

Option Grants, Exercises, and Fiscal Year-End Values

No options were granted in 2005.

Option Exercises and Fiscal Year-End Values

No options were exercised in 2005.

Retirement Plans

None of our executive officers are covered by our pension plans.

Severance Benefit

As described in Note (b) to the Summary Compensation Table above, we provide severance benefits as required by Peruvian law.

Employment Agreements

Pursuant to Peruvian laws concerning expatriate employees, Mr. Oscar González Rocha entered into an employment agreement. The employment agreement is in effect for a term of one year and may be extended for additional periods. In accordance with the terms of the employment agreement, the Company has agreed to provide Mr. Oscar González Rocha (and any other expatriate employees) with benefits as required by Peruvian law. Under the employment agreement, Mr. Oscar González Rocha may resign at any time by providing us with 30 days notice. The employment agreement also provides that we may dismiss Mr. Oscar González Rocha for serious offenses as established by Peruvian law.

Terminated employees are also entitled to receive severance benefits as required by Peruvian law.

Certain Transactions

Grupo Mexico, the ultimate parent and our majority indirect stockholder, and our other affiliates, provide various services to us. In 2005, these activities were principally related to accounting, legal, tax, financial, treasury, human resources, price risk assessment and hedging, purchasing, procurement and logistics, sales and administrative and other support services. Grupo Mexico is reimbursed for these services. The total amount paid by us to Grupo Mexico for such services in 2005 was \$13.8 million. We expect to continue to pay for these support services going forward in an amount of \$13.8 million per year.

The former holders of our Class A Common Stock (the Class A Common Stock) until June 2005 and their affiliates purchase copper products and other products from us from time to time at prices determined by reference to the LME and COMEX market price for copper and published prices for other products, if available.

In 2005, we purchased from Asarco \$1.1 million and sold to Asarco \$11.6 million of products, principally sulfuric acid and silver.

Sociedad Minera Cerro Verde S.A., an affiliate of Phelps Dodge Overseas Corporation and Climax Molybdenum B.V., our stockholders until June 2005, purchased \$1.5 million of acid products from us in 2005 (through June).

Cerro Wire and Cable LLC, an affiliated company of one of our shareholders until June 2005, purchased \$13.7 million of copper products from us in 2005.

On January 15, 2004, we entered into a tolling agreement with Asarco. Under terms of the agreement, in the first quarter of 2004 we, through our wholly owned US subsidiary, Southern Peru Limited (SPL), commenced delivering to Asarco, at its Amarillo, Texas refinery, copper cathodes for conversion into copper rods, which we sell to customers in the United States. We delivered 29,000 tons of copper during 2005 to the Asarco refinery. On July 8, 2005 Asarco declared Force Majeure, notifying SPL that because of a strike at their facilities, they would be unable to accept shipments from us. Accordingly, deliveries to the refinery were suspended and we had redirected the copper otherwise intended for delivery to the refinery to other customers. At December 31, 2005 we did not have copper at the Asarco refinery. We paid Asarco a tolling charge upon our receipt of copper rods. These charges, \$1.6 million in 2005, are based on competitive market terms. Through June 9, 2005 we sold a portion of the copper treated by Asarco, approximately \$13.7 million, to The Marmon Group Cerro Wire, our stockholder until June 9, 2005.

Additionally, in 2005 we purchased \$3.3 million and \$0.7 million of industrial material from Higher Technology S.A.C. and Servicios y Fabricaciones Mecánicas S.A.C., respectively. Mr. Carlos González, a son of our President and Chief Executive Officer, is the principal owner of these companies. In addition, we purchased \$0.2 million in 2005 of industrial materials from Société Française des Bandes

Transporteuses, a French corporation. Mr. Alejandro González, a son of our President and Chief Executive Officer, is a sales representative with this company.

We paid \$0.5 million in 2005 in interest expense related to borrowings from Grupo México.

In 2005, we had other receivables from affiliates, including Asarco, of \$0.3 million and other payables of \$0.9 million.

Our Mexican operations paid fees of \$21.0 million in 2005, primarily for freight services provided by Ferrocarril Mexicano, S.A. de C.V., an indirect subsidiary of Grupo Mexico.

In addition, our Mexican operations paid fees of \$29.7 million in 2005 for construction services provided by Mexico Constructora Industrial, S.A. de C.V., an indirect subsidiary of Grupo Mexico. At December 31, 2005 we had a balance due of \$5.0 million for advances provided to this company.

The Larrea family controls a majority of the capital stock of Grupo México, and has extensive interests in other businesses, including oil drilling services, construction and real estate. We engage in certain transactions in the ordinary course of business with other entities controlled by the family relating to mining and refining services, the lease of office space, and air transportation and construction services. These transactions amounted to approximately \$3.7 in 2005.

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

On March 28, 2005, our stockholders at a special meeting approved a transaction pursuant to which our majority shareholder, Grupo Mexico, through its subsidiary, AMC, sold to us its approximately 99.1463% shareholding in Minera Mexico (MM), in return for the issuance to AMC of 67,207,640 million of our shares. The transaction resulted in Grupo Mexico increasing its ownership share in us to 75.1% from its prior 54.2%.

On October 20, 2005 our Board of Directors approved the acquisition of 6,386,521 shares of MM from Grupo Mexico. The acquired shares represent 0.81833% of the outstanding shares of MM and were purchased for \$30,276,420.

We lend to and borrow from our affiliates from time to time to fund acquisitions and for other corporate purposes. We believe these financing transactions bear interest at market rates.

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Shareholder Return Performance Presentation

Set forth below is a line graph comparing the yearly change in the cumulative total return on our Common Stock against the cumulative total return on the S&P composite 500 Stock Index and the S&P DIV Metals Index for the five-year period ending December 31, 2005. Our Common Stock commenced trading on the NYSE on January 5, 1996. The chart below analyzes the total return on SCC's Common Stock for the period commencing December 31, 2000 and ending December 31, 2005, compared to the total return of the S&P 500 and the S&P Metals for the five-year period commencing December 31, 2000 and ending December 31, 2005. In 2001, SCC's stock provided a positive return of 0.76% compared to a negative return of 13.04% for the S&P 500 and a negative return of 27.79% for the S&P DIV Metals Group. In 2002, SCC's Stock provided a positive return of 20.51% compared to a negative return of 23.37% and a positive 5.77% for the S&P 500 and the S&P DIV Metals, respectively. In 2003, SCC's Stock increased 225.41% compared to a positive return of 26.39% for the S&P 500 and a positive return of 143.69% for the S&P DIV Metals Group. In 2004, SCC's stock return was positive 0.75% compared to a positive return of 8.99% for the S&P 500 and a positive return of 16.21% for the S&P DIV Metals Index. In 2005 SCC's stock return was positive 41.88% compared to a positive return of 3.00% for the S&P 500 and a positive return of 44.13% for the S&P DIV Metals Index.

Comparison of Five Year Cumulative Total Return*

SCC Stock, S&P 500 Index and S&P DIV Metals Index.**

* Total Return assumes reinvestment of dividends

** The Comparison assumes \$100 dollars invested on December 31, 2000

S&P DIV Metals Index components: Phelps Dodge and Freeport McMoran

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Compensation Committee Interlocks and Insider Participation in Compensation Decisions

Our directors representing Grupo Mexico are executive officers of Grupo Mexico or its affiliates. Messrs. Germán Larrea Mota-Velasco, Oscar González Rocha, Xavier Garcia de Quevedo Topete, and Gilberto Perezalonso Cifuentes comprise the Compensation Committee of the Board. The Compensation Committee did not meet in 2005. See also Certain Transactions.

Controlled Company Exception to NYSE Rules.

A company of which more than 50% of the voting power is held by a single entity, a controlled company, need not comply with the requirements of the NYSE corporate governance rules requiring a majority of independent directors and independent compensation and nomination/corporate governance committees.

We are a controlled company as defined by the rules of the NYSE. Grupo Mexico currently owns indirectly 75.1% of our stock. We have taken advantage of the exceptions to the corporate governance rules of the NYSE. We have four special independent directors nominated by the Special Nominating Committee, Messrs. Harold S. Handelsman, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes and Carlos Ruiz Sacristán. At its meeting on January 26, 2006, the Board of Directors determined that Messrs. Harold S. Handelsman, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes and Carlos Ruiz Sacristán are independent of management in accordance with the qualifications of the SEC and NYSE as such qualifications are interpreted by our Board of Directors in its business judgment. At the same meeting, the Board determined that Mr. Emilio Carrillo Gamboa also met the SEC and NYSE independence qualifications.

Corporate Governance Guidelines, Committee Charters and Code of Ethics

We have adopted Corporate Governance Guidelines for the Board of Directors and charters for the Audit, Special Nominating, Governance, and Compensation Committees. We also have in place a Code of Business Conduct and Ethics that apply to our principal executive officer, principal financial officer, comptroller, all officers, directors and our employees, including the persons performing accounting or financial functions. The Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Committee charters, may be accessed free of charge by visiting our web site at www.southerncoppercorp.com. Copies of these documents are also available in print by written request directed to our Secretary, at Southern Copper Corporation, 2575 E. Camelback Rd. Suite 500, Phoenix, AZ 85016 or at Southern Copper Corporation, Av. Caminos del Inca 171, Lima-33, Peru.

In accordance with Section 303A.03 of the corporate governance rules of the NYSE, an executive session of non-management directors is scheduled on the occasion of each of our regularly scheduled Board meetings. For such purpose, our Chairman invites the non-management directors to hold the executive session and all other members are asked to leave the boardroom. The non-management directors decide on each occasion if there are matters that warrant holding the executive session and the directors designate for each session, the director who will preside at each executive session. This policy is disclosed in Section 5.4 of our Corporate Governance Guidelines posted on the Company's web site at www.southerncoppercorp.com.

We intend to report any amendments to, or waiver from, a provision of the Code of Business Conduct and Ethics that applies to the principal executive officer, principal financial officer, principal accounting officer, comptroller and other persons performing similar functions.

Corporate Governance Committee

The primary functions of the Corporate Governance Committee are (a) to consider and make recommendations to the Board concerning the appropriate function and needs of the Board, (b) to develop and recommend to the Board corporate governance principles, and (c) to oversee evaluation of the Board and management.

The Committee has the authority to delegate any of its authority to subcommittees designated by the Corporate Governance Committee, to the extent permitted by law. The Corporate Governance Committee has the sole authority to retain and terminate any counsel or other advisors, including sole authority to approve the fees and other retention terms.

Special Independent Directors/Special Nominating Committee

On April 12, 2005, the Board of Directors discontinued the Nominating Committee in view of the creation of the Special Nominating Committee pursuant to an amendment of our Certificate, filed on March 29, 2005. The Special Nominating Committee functions as a special committee to nominate special independent directors to the Board. Pursuant to our Certificate, a special independent director is any director who (i) satisfies the independence requirements of the NYSE Listed Company Manual (or any other exchange or association on which the Common Stock is listed) and (ii) is nominated by the Special Nominating Committee. The Special Nominating Committee has the right to nominate a number of special independent directors based on the percentage of our Common Stock owned by all holders of our Common Stock, other than Grupo Mexico and its affiliates.

The Special Nominating Committee consists of three directors, two (2) of whom are Luis Miguel Palomino and Carlos Ruiz Sacristán (each an Initial Member and, together with their successors, Special Designees) and such other director, who was initially Oscar González Rocha and is currently Armando Ortega, 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.

The Certificate provides that 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 the stockholders (other than Grupo Mexico and its affiliates), rounded up to the next whole number. Notwithstanding the foregoing, the total number of persons nominated as special independent directors cannot be less than two or greater than six.

The Special Nominating Committee has nominated Messrs. Harold S. Handelsman, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, and Carlos Ruiz Sacristán as special independent directors. At its meeting on January 26, 2006, the Board of Directors approved the nomination and determined that Messrs. Harold S. Handelsman, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, and Carlos Ruiz Sacristán are independent of management in accordance with the qualifications of the SEC and NYSE as such qualifications are interpreted by our Board of Directors in its business judgment. At the same meeting, the Board determined that Mr. Emilio Carrillo Gamboa also met the SEC and NYSE independence qualifications.

Notwithstanding the foregoing, the power of the Special Nominating Committee to nominate special independent directors is subject to the rights of the stockholders to make nominations in accordance with the by-laws.

The Special Nominating Committee did not meet in 2005. The Special Nominating Committee considers and makes recommendations to the Board of Directors with respect to the nominations for special independent directors. The Committee considers recommendations for special independent director nominees to the Board of Directors from all sources. Recommendations for special independent director nominees should be sent in writing to our Secretary.

The Special Nominating Committee's Charter sets forth that it shall have the authority to:

- consider and recruit candidates to fill the positions on the Board allocated to special independent directors taking into account the Board's current composition and core competencies and the needs of the Board as a whole;
- apply criteria for Board membership that require special independent directors to satisfy the independence requirements, possess financial and business competency, high ethical standards and integrity, intelligence and judgment, sufficient time to devote to our matters, and a history of achievement;
- review and consider candidates from all sources;
- conduct appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates;
- recommend the special independent director nominees for approval by the Board and you;
- fill any vacancy created by the removal, resignation or retirement from the Board of any special independent director; and
- evaluate annually the Committee's own performance and the adequacy of the charter, and report on the same to the Board.

The Committee has the authority to delegate any of its authority to subcommittees designated by the Committee, to the extent permitted by law. However, the Committee has the sole authority to retain and terminate any advisor, including counsel and any search firm used to identify special independent director candidates, and to approve the fees and other retention terms of said advisors.

Affiliate Transaction Committee

The amendment to the Certificate 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 must satisfy the independence standards of the NYSE (or any other exchange or association on which the 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 Mexico or one of its affiliates (other than us or any of the 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.

Compensation of Directors

Each director receives compensation in the amount of \$20,000 per year and \$6,000 for attendance in person at each meeting. For attendance by telephone conference the compensation is \$1,000 for each meeting.

We have a Directors' Stock Award Plan pursuant to which directors who are not compensated as our employees are entitled to an award of 200 shares of Common Stock upon election to the Board and 200 additional shares of Common Stock following each annual meeting of stockholders thereafter. This Plan will expire by its terms on January 31, 2016.

Attendance of Directors

The Board of Directors met four times in 2005, with 75% attendance by Mr. Perezalonso and Mr. Carrillo Gamboa, and 100% attendance by all of the directors.

We do not have a policy requiring attendance by directors at the annual meeting of stockholders. Mr. Oscar González Rocha, our President, chaired the 2005 annual meeting of stockholders. Messrs. Armando Ortega Gómez, Jaime Fernando Collazo González, J. Eduardo González Félix and Juan Rebolledo Gout attended. The absence of all other directors was excused.

Shareholder Communications with Directors

You or other persons wishing to write to our Board of Directors or a specified director or committee of the Board should send correspondence to our Secretary at Southern Copper Corporation, 2575 E. Camelback Rd. Suite 500, Phoenix, AZ 85016 or at Southern Copper Corporation, Av. Caminos del Inca 171, Lima-33, Peru.

All communications so received from you or other interested parties will be forwarded to the members of the Board of Directors, or to a specific Board member or committee if so designated by such person. Anyone who wishes to communicate with a specific Board member or committee should send instructions asking that the material be forwarded to the director or to the appropriate committee chairman.

Shareholder Nominations

Under the by-laws in effect on the date hereof, a Common Stockholder seeking to nominate a director for election by Common Stockholders generally must give written notice to our Secretary at least 90 days in advance of the anniversary date of the immediately preceding annual meeting, or within 10 business days of the giving of notice of a special meeting. The notice must provide specific biographical data with respect to each nominee, including such information as is required to be included in our proxy statement, and a representation by the Common Stockholder that he or she is a holder of record entitled to vote at the meeting and that he or she intends to appear in person or by proxy to make the nomination. Nominations for our 2007 annual meeting of stockholders must be received by January 26, 2007.

If the amendment to our by-laws introducing a new provision for advance notice to shareholders seeking to nominate directors or to propose other business at annual or special meetings of the Common Stockholders is approved, Common Stockholders seeking to nominate a director or propose business to be considered at an annual meeting of stockholders must give written notice to our Secretary regarding the proposed nominee and/or proposed business to be considered no less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is advanced by more than 30 days, or delayed by more than 60 days, from such anniversary date, notice by the stockholder to be timely must be delivered not earlier than 120 days and not later than 90 days prior to such annual meeting or 10 days following the day on which public announcement of the date of such meeting is first made. Accordingly, if the amendments to our by-laws are approved, your nominations or proposals intended to be presented at our 2007 annual meeting of stockholders must be received by us by January 26, 2007 (unless the date of the 2007 annual meeting is advanced by more than 30 days or delayed by more than 60 days).

Section 16(a) Beneficial Ownership Reporting Compliance

Based on our records and other information, we believe that all filing requirements of the SEC applicable to our executive officers, directors, and ten percent or more owners were complied with for 2005

except that Mr. Juan Rebolledo Gout, a director, filed one late report covering the sale of 600 shares in January 2006.

APPROVAL OF PROPOSALS BY STOCKHOLDERS

The Board of Directors recommends that you vote FOR the following proposals.

PROPOSAL TO ELECT OUR THIRTEEN DIRECTORS

The Board of Directors recommends that you vote in favor of the election of Emilio Carrillo Gamboa, Jaime Fernando Collazo González, Xavier García de Quevedo Topete, Oscar González Rocha, J. Eduardo González Félix, Harold S. Handelsman, Germán Larrea Mota-Velasco, Genaro Larrea Mota-Velasco, Armando Ortega Gómez, Luis Miguel Palomino Bonilla, Gilberto Perezalonso Cifuentes, Juan Rebolledo Gout, and Carlos Ruiz Sacristán as directors of the Company to represent you.

PROPOSALS TO AMEND OUR BY-LAWS

The Board urges you to read our amended by-laws (which are attached hereto as Appendix B) carefully before voting on the proposed amendments to our by-laws below. The proposed amendments would become effective immediately if they are approved by the Common Stockholders as provided below. The proposed amendments are not conditioned on the approval of all of the amendments and will become effective independent of each other. Under the amended by-laws, your nominations for directors and proposals for business intended to be presented at our 2007 annual meeting of stockholders must be received by us at our principal executive office in the United States (2575 E. Camelback Rd. Suite 500, Phoenix, AZ 85016, USA) by January 26, 2007.

Proposal to Eliminate Extraneous Provisions

On May 19, 2005, all of the holders of our former Class A Common Stock, par value \$0.01 per share voluntarily converted (the Conversion), on a share-for-share basis, all of their shares of Class A Common Stock, totaling in the aggregate 65,900,833 shares, into 65,900,833 newly-issued shares of Common Stock.

As a result of the Conversion, (1) no shares of Class A Common Stock remain outstanding and no shares of Class A Common Stock will be reissued, and (2) the number of authorized shares of Common Stock is now 167,207,640 and there are outstanding 147,228,025 shares of Common Stock. Upon the Conversion, the rights of the holders of Class A Common Stock (1) to vote as a separate class with respect to the election of directors of the Company, (2) to elect thirteen of the fifteen members of the Board of Directors of the Company (3) and to have five votes per share of Class A Common Stock when voting as a single class with the Common Stock on all matters other than the election of directors were eliminated. All holders of Common Stock now vote as a single class on all matters submitted to a vote of stockholders, with each share of Common Stock entitled to one vote.

Our Board of Directors believes that it is in the best interests of the Company and its stockholders to amend our by-laws to eliminate the extraneous provisions relating to the retired series of Class A Common Stock. Such action would simplify our bylaws and more accurately reflect the capital structure of the Company. These amendments will have no effect on the rights of our Common Stockholders and are reflected in Sections 1.02 and 1.08 of Article I, Section 2.02, 2.03, 2.04, 2.09 and 2.11 of Article II, Section 8.05 of Article VIII, and Sections 9.15 and 9.17 of Article IX of our amended by-laws, which are attached hereto as Appendix B and are incorporated herein by reference. This proposal will be adopted upon the affirmative vote of 80 % of the voting power of all shares of Common Stock entitled to vote.

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Proposal to Amend Advance Notice Requirements

Our Board of Directors believes that it is in the best interests of the Company and its stockholders to amend our by-laws to introduce a new provision for advance notice to shareholders seeking to nominate directors or to propose other business at annual or special meetings of the Common Stockholders. The effect of this amendment is that Common Stockholders will have to comply with more stringent notice requirements when seeking to nominate directors or propose business at the Company's annual or special meetings of Common Stockholders. For instance, shareholders will generally not be able to make nominations or proposals for business more than one hundred and twenty (120) days or less than ninety (90) days prior to the first anniversary of the preceding year's annual meeting or the date of a scheduled special meeting (in addition to

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previously established notice requirements). The new notice requirements are reflected in Section 2.03 of our amended by-laws attached hereto as Appendix B and incorporated herein by reference. This proposal will be adopted upon the affirmative vote of the holders of a majority of our Common Stock.

Proposal to Amend the Definition of Change in Control

Our Board of Directors believes that it is in the best interests of the Company and its stockholders to amend our by-laws to substitute Grupo Mexico for Asarco in the Change in Control definition in the by-laws. The effect of the substitution of Grupo Mexico in the Change in Control definition is that a Change in Control will be triggered when Grupo Mexico and its affiliates cease to own at least 51% of the Company, rather than when Asarco no longer owns 35,000,000 shares of Class A Common Stock. This change is appropriate since the Class A Common Stock no longer exists and Asarco's former interest in the Company is owned entirely by Grupo Mexico. This amendment is reflected in Section 9.15 of our amended by-laws attached hereto as Appendix B and incorporated herein by reference. This proposal will be adopted upon the affirmative vote of a majority of the votes cast at the annual meeting by stockholders entitled to vote at the meeting.

Proposal to Eliminate 80% Supermajority Vote Requirement

Our Board of Directors believes that it is in the best interests of the Company and its stockholders to amend our by-laws to eliminate the 80% supermajority vote requirement. The current 80% supermajority vote requirement requires that at least 80% of the voting power of the outstanding Common Stock approve certain corporate actions relating to Section 1.02 of Article I, Sections 2.02, 2.04 and 2.09 of Article II and the proviso to Section 8.05 of Article VIII of our by-laws relating to the amendment of the foregoing Sections of the by-laws. The foregoing Sections of the by-laws relate to Special Meetings, the Number, Term of Office and Qualifications of the Board of Directors and the Election and Removal of Directors. The effect of this amendment is that the Board can more easily amend these Sections of the by-laws in the future because the Board will no longer be obligated to seek stockholder approval for an amendment of these Sections. This amendment is reflected in the deletion of the proviso to Section 8.05 of Article VIII of our by-laws attached hereto as Appendix B and incorporated herein by reference. This proposal will be adopted upon the affirmative vote of 80% of the voting power of all shares of Common Stock entitled to vote.

PROPOSAL TO AMEND OUR CERTIFICATE TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

On January 26, 2006, the Board of Directors unanimously adopted a resolution recommending that our stockholders approve an amendment to our Certificate to increase the aggregate number of shares of Common Stock which we are authorized to issue from 167,207,640 shares to 320,000,000 shares. The Board urges you to carefully read the entire text of this amendment, which is included in Appendix C to this proxy statement and incorporated herein by reference.

Our Board of Directors believes that it is in our best interest to increase the number of authorized shares of Common Stock. The amendment will have the effect of allowing the Company to issue more shares of Common Stock in the future. The Company's management is considering recommending a stock split to the Board of Directors, but there can be no assurance that the Board of Directors will take any action to effect a stock split. 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 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.

Pursuant to Sections 242 and 245 of the DGCL, the amendments to our Certificate must be approved also by the holders of a majority of our issued and outstanding shares of Common Stock. If approved by the Common Stockholders, this proposed amendment will become effective upon the filing of our Certificate with the Secretary of State of the State of Delaware. The amendment is reflected in Article Four of the form of our Certificate, which is attached hereto as Appendix C and incorporated herein by reference.

PROPOSAL TO RATIFY THE SELECTION OF INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers S.C. were our independent accountants continuously from 1962 until 1999. PricewaterhouseCoopers S.C. is a world-class global auditing firm and is the world's leading auditing firm for the mining industry. They have been our independent accountants since 2003. On January 25, 2006, the Audit Committee selected PricewaterhouseCoopers S.C. as our independent accountants for 2006.

The Board of Directors recommends that you ratify the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers S.C. as our independent accountants for the calendar year 2006.

PricewaterhouseCoopers S.C. has advised us that neither the firm nor any of its members have any direct or material indirect financial interest in us or our subsidiaries. A representative of PricewaterhouseCoopers S.C. will be present at the stockholders' meeting. The representative will have an opportunity to make a statement and will be available to respond to appropriate questions.

PROPOSALS OF STOCKHOLDERS

Under SEC rules, proposals of stockholders intended to be presented at our 2007 annual meeting of stockholders must be received by us at our principal executive office in the United States (2575 E. Camelback Rd. Suite 500, Phoenix, AZ 85016, USA) by November 29, 2006 to be considered for inclusion in our proxy statement and form of proxy. Additionally, if our by-laws are approved and once they become effective, your proposals intended to be presented at our 2007 annual meeting of stockholders must be received by us by January 26, 2007.

OTHER INFORMATION

We are not aware of any other matters to be considered at the 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.

The cost of soliciting proxies in the accompanying form will be borne by us. Georgeson Shareholder Communications Inc. has been employed to solicit proxies by mail, telephone or personal solicitation for net fees to be paid by us of \$1,500, plus reasonable out-of-pocket expenses. A number of our regular employees, without additional compensation, may solicit proxies personally or by mail or telephone.

Southern Copper Corporation
Armando Ortega Gómez,
Secretary

Phoenix, AZ, March 29, 2006

**Southern Copper Corporation
Audit Committee Charter**

The Audit Committee (the **Audit Committee** or **Committee**) of the Board of Directors shall be appointed by the Board of Directors (the **Board**) of Southern Copper Corporation (the **Company**).

The purposes of the Audit Committee of Southern Copper Corporation are (a) to assist the Board of Directors in overseeing (i) the quality and integrity of the Company's financial statements, (ii) the qualifications and independence of the Company's independent auditors (the **Independent Auditors**), (iii) the performance of the Company's internal audit function and of the Independent Auditors, and (iv) the Company's compliance with legal and regulatory requirements; and (b) to prepare the report of the Committee to be included in the Company's annual proxy statement. To perform its duties and responsibilities the Committee shall have the right to unrestricted access to members of management, employees, and any relevant information.

The Committee shall consist of three or more non-employee directors of the Company who are independent of management, are free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member, and that otherwise satisfy the independence requirements of the NYSE and other applicable requirements for audit committee service imposed by the Securities Exchange Act of 1934, as amended. Each member of the Committee must be financially literate or must become financially literate within a reasonable period of time after appointment to the Committee. At least one member of the Committee shall qualify as an audit committee financial expert, as such term is defined by the Securities and Exchange Commission (**SEC**). Qualifications of Committee members shall be determined by the Board in its business judgment.

The Committee members serve at the discretion of the Board. The Board shall designate one member of the Committee as its chairperson. The Committee shall meet as frequently as required to fulfill its duties and responsibilities but in any case not less than four times a year. The Committee shall set its own rules of procedure consistent with the Company's by-laws and applicable law.

The Committee shall:

1. Have the sole and direct responsibility and authority for the appointment, retention and termination (subject, if applicable, to shareholder ratification), compensation, evaluation and oversight of the work of the Independent Auditors, including resolving disagreements between management and the Independent Auditors regarding financial reporting. The Independent Auditors shall report directly to the Committee. The Committee shall have the responsibility and authority to approve in advance all audit and non-audit services to be provided by the Independent Auditors and may delegate authority to grant such pre-approvals to one or more members of the Committee with the requirement that such member or members present any decisions made pursuant to such delegated authority to the full Audit Committee at its next scheduled meeting;
2. Discuss and review with the Independent Auditors the overall scope, plans, and staffing for their audit;
3. At least annually, obtain and review a report by the Independent Auditors describing (i) all relationships between the Independent Auditors and the Company (to assess the Independent Auditors' objectivity and independence, as required by Independence Standards Board Standard No.1, as amended or supplemented from time to time, and to enable the Committee to take, or recommend that the Board take, appropriate action to assure continuing independence of the Independent Auditors); (ii) the Independent Auditors' internal quality-control procedures; and (iii) any material issues raised by the most recent internal quality-control review, or peer review, of the

Independent Auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the Independent Auditors, and any steps taken to deal with any such issues ;

4. At least every six months, the Committee shall consider the qualifications of and service provided by the Independent Auditors' team, results of peer reviews, as well as feedback from management and internal audit, and its own observations in assessing whether to reappoint the external auditors (or to recommend their reappointment for shareholder ratification);
5. Review with management and the Independent Auditors the preparation of the financial statements and related disclosures contained in the Company's annual and quarterly reports prior to being filed with the SEC, including (i) the Company's disclosure under Management's Discussion and Analysis of Financial Condition and Result of Operations and the results of the Independent Auditors' timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices; (ii) their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used; (iii) the degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates and judgments; (iv) reports from the Independent Auditors with respect to the critical accounting policies and practices of the Company, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ratifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Independent Auditors and other material written communications between the Independent Auditors and management, such as any management letter or schedule of unadjusted differences; (v) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements; (vi) disclosure relating to related party transactions; and (vii) any difficulties encountered by the Independent Auditors in the course of the audit or disagreements or other matters brought to the Committee's attention, including management's response. After review, recommend to the Board the acceptance and inclusion of the annual audited consolidated financial statements in the Company's Annual Report on Form 10-K;
6. The Chair of the Audit Committee, or another member designated by the Committee, shall review and discuss with management, before release, the unaudited operating results in the Company's quarterly earnings release;
7. Discuss, at least annually, with the Independent Auditors (i) the matters required to be discussed by Statement on Auditing Standards No. 61, as amended or supplemented from time to time, relating to the conduct of the audit; (ii) the audit process, including any problems or difficulties encountered in the course of the performance of the audit, or significant disagreements (and management's response); (iii) the Company's internal controls; and (iv) material written communications between the Independent Auditors and the Company;
8. Obtain from the Independent Auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended;
9. Review and evaluate the Company's system of internal controls, and recommend to management changes or improvements thereto;
10. Review and evaluate the Company's internal audit function, including its independence, staffing and performance, and recommend to management changes or improvements thereto;
11. Review and evaluate the appropriateness of the internal audit plans for the forthcoming year, including risk assessments, scope of coverage, planning and staffing;

12. Meet separately, at least once every fiscal quarter, with management, with the Independent Auditors, and with the internal auditors;
13. Review and evaluate significant audit findings, including significant suggestions for improvements in systems and internal controls from the internal auditors and the Independent Auditors;
14. Review and discuss with management the Company's guidelines and policies with respect to the process by which the Company undertakes risk assessment and risk management, including discussion of the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
15. At least annually, review and discuss management's statement of its responsibility for and its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the Independent Auditors' report on management's assessment;
16. Review and discuss with management the Company's practices regarding earnings press releases and the provision of financial information and earnings guidance by management to analysts and ratings agencies;
17. Receive and review the reports of the Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley"), the certifications required by Sections 302 and 906 of Sarbanes-Oxley and the report and attestation required by Section 404 of Sarbanes-Oxley;
18. Review with management (including the Company's chief legal officer or appropriate delegates) and the Independent Auditors legal and regulatory matters that may have a material effect on the Company's financial statements or related compliance policies, any correspondence with regulators or governmental agencies and any external or employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies, and any material reports or inquiries received by the Company or any of its subsidiaries from regulators or governmental agencies;
19. Establish and maintain procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
20. Receive corporate attorney's reports of evidence of any material violation of securities laws, or any breach of fiduciary duty, or similar violations;
21. Engage such outside legal, accounting, and other advisors, as the Committee shall deem necessary or appropriate, and obtain the appropriate funding (as determined by the Committee) from the Company for payment of:
 - i. compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
 - ii. compensation to any advisers employed by the Audit Committee; and,
 - iii. ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties;
22. Oversee the Company's compliance with the requirements of all applicable audit regulations, and any amendments thereto, including reviewing codes of conduct applicable to directors, executive officers and employees of the Company and waivers granted there under;

23. Review and evaluate the lead audit partner of the Independent Auditors and assure the regular rotation of the lead audit partner and the audit partner responsible for reviewing the audit as required by law;
24. Set clear policies regarding the Company's hiring of employees or former employees of the Independent Auditors;
25. Report regularly to, and routinely communicate the results of all reviews and meetings with, the full Board of Directors;
26. Review and assess the adequacy of this charter annually and obtain the Board of Directors' approval for any changes to this charter;
27. Undertake and review with the Board an annual performance evaluation of the Committee;
28. Provide the report of the Committee required to be included in the Company's annual proxy statement; and
29. Perform such other duties and responsibilities, consistent with this Charter and governing law, delegated to the Committee by the Board.

It is the responsibility of the Company's management to prepare financial statements in accordance with generally accepted accounting principles and of the Independent Auditors to audit those financial statements. The Audit Committee's responsibility is one of oversight and review. The Audit Committee does not provide any expert or other special assurance as to such financial statements concerning compliance with laws, regulations, or generally accepted accounting principles. Nothing contained herein shall have the effect of altering the responsibilities or duties toward the Company of the Independent Auditors, which shall remain ultimately accountable to the Audit Committee in accordance with applicable accounting standards, statutory or otherwise.

Approved by the Board of Directors on October 21, 2004.

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Appendix B

[PLEASE NOTE THAT THE NEW TEXT IS BOLD AND UNDERSCORED, AND THE OLD TEXT IS CROSSED OUT.]

BY-LAWS

OF

SOUTHERN ~~PERU~~ COPPER CORPORATION

(A Delaware Corporation)

(As last amended on ~~February 3, 1998~~ April, 2006)

ARTICLE I.

MEETINGS OF STOCKHOLDERS.

SECTION 1.01. *Annual Meetings.* The annual meeting of the stockholders of the Corporation for the election of directors and for the transaction of such other business as properly may come before the meeting shall be held at 2 o'clock in the afternoon, or on such other date or at

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such other hour as shall be fixed by the Board of Directors (the Board), on the Thursday next following the last Wednesday of April in each year, commencing April 25, 1996, if not a legal holiday, or, if a legal holiday, then on the next succeeding day not a legal holiday.

SECTION 1.02. *Special Meetings.* Except as provided by Section 211(c) of the General Corporation Law of the State of Delaware with respect to meetings ordered by the Court of Chancery, special meetings of the stockholders may be called at any time but only by the Chairman of the Board, the President, the Board pursuant to a resolution approved by eight Directors or by a holder of shares representing at least 10% of the then outstanding number of shares of the Corporation ~~s Class A common stock (hereinafter referred to as Common Stock (as defined below)). In the event that all outstanding shares of Class A Common Stock shall be converted into shares of Common Stock in accordance with the provisions of Paragraph 4.9 of the Certificate of Incorporation, then a holder of shares representing at least 10% of the then outstanding number of shares of the Corporation s Common Stock may call a special meeting of the stockholders.~~

SECTION 1.03. *Place of Meeting.* All meetings of the stockholders shall be held at the principal office of the Corporation in New York City or at such other place, within or without the State of Delaware, as may be designated by the Board and stated in the notice of the meeting.

SECTION 1.04. *Notice of Meetings.* Except as otherwise required by statute, the Secretary or an Assistant Secretary shall cause notice of the time, place and purpose or purposes of each meeting of the stockholders (whether annual or special) to be mailed or otherwise delivered, at least ten (but not more than sixty) days prior to the meeting to each stockholder of record entitled to notice of and to vote at such meeting at his address as the same appears on the books of the Corporation at the time of such mailing or delivery. Notice of any meeting of stockholders shall not be required to be given to any person who may become a stockholder of record after such mailing or delivery of such notice and prior to the meeting, or to any stockholder who shall sign a waiver of such notice in writing, whether before or after the time of such meeting. Notice of any adjourned meeting of the stockholders of the Corporation shall not be required to be given, unless otherwise required by statute.

SECTION 1.05. *List of Stockholders Entitled to Vote.* At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder shall be prepared. Such list shall be open to the

examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 1.06. *Quorum.* Unless otherwise provided by statute or by the Certificate of Incorporation, the presence in person or by proxy of the holders of record of the shares entitled to cast a majority of the votes at any meeting of the stockholders shall constitute a quorum at such meeting. Unless otherwise provided by statute or by the Certificate of Incorporation, whenever the holders of any class or series of shares are entitled to vote separately on a specified item of business, the presence in person or by proxy of stockholders holding of record in the aggregate a majority of the outstanding shares of such class or series entitled to vote shall constitute a quorum for the transaction of such specified item of business. Whether or not a quorum shall be present at any meeting of the stockholders, the stockholders entitled to vote who are present in person or by proxy, or, if no stockholder entitled to vote is present in person or by proxy, any officer authorized to preside or act as Secretary of such meeting, without notice other than by announcement at such meeting, may adjourn such meeting from time to time for a period not exceeding thirty days at any one time. At any such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called. If a record date for the determination of the stockholders entitled to notice of and to vote at such meeting as originally called shall have been fixed as hereinafter provided, said record date shall apply to any such adjourned meeting unless the Board fixes a new record date for such adjourned meeting, in which case notice of said adjourned meeting shall be given to each stockholder of record on the new record date at least ten days before the date of said adjourned meeting.

SECTION 1.07. *Organization.* The Chairman of the Board, or in his absence the President, shall preside at all meetings of stockholders. If both are absent, any other officer designated by the Board shall preside. If no officer so designated is present, the stockholders present in person or represented by proxy may elect one of their number to preside. The Secretary shall act as secretary at all meetings of the stockholders; but in the absence of the Secretary the presiding officer may appoint any person to act as secretary of the meeting.

SECTION 1.08. *Voting.* At each meeting of the stockholders each stockholder having the right to vote shall be entitled to such vote for each share of stock held by him as may be provided in the Certificate of Incorporation. At each meeting of the stockholders each stockholder entitled to vote shall be entitled to vote in person or by proxy. Every proxy shall be executed in writing by the stockholder or his agent unless given by telegram or cable. A copy or facsimile telecommunication may be substituted or used in lieu of the original writing or transmission so long as such copy or facsimile telecommunication is a complete reproduction of the entire original writing or transmission. No proxy shall be valid after eleven months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall a proxy be valid after three years from the date of its execution, ~~except as provided in Section 2.4 of the Agreement Among Certain Stockholders, as executed by ASARCO Incorporated, Cerro Trading Company, Inc. and Phelps Dodge Overseas Capital Corporation, as the same may be supplemented or amended (the "Stockholders Agreement")~~. At all meetings of the stockholders, all matters, other than those the manner of deciding which is expressly regulated by statute or by the Certificate of Incorporation or by Sections 2.04 or 2.09 of Article II, shall be decided by a majority of the votes cast in person or by proxy by the holders of shares entitled to vote thereon. Shares belonging to the Corporation shall not be voted or counted in determining the total number of shares outstanding at any time.

SECTION 1.09. *Inspectors.* The Board shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting or any adjournment thereof. If inspectors are not so appointed or shall fail to qualify, the person presiding at such meeting shall appoint one or more inspectors

to act at such meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

SECTION 1.10. *Consent of Stockholders in Lieu of Meeting.* Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders of the Corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE II.

BOARD OF DIRECTORS.

SECTION 2.01. *General Powers.* The property, affairs and business of the Corporation shall be managed under the direction of the Board.

SECTION 2.02. *Number, Term of Office and Qualifications.* The number of directors ~~which shall constitute the entire Board of the Corporation~~ shall be ~~one, until such~~ **fixed from time to time** as such sole director shall increase the number of directors. At such time, the sole director shall increase the number **by resolution** of ~~directors to fifteen,~~ **a majority** of which one **the Board of Directors, provided that** the **number of** directors shall **not** be the President of the Corporation. The Certificate of Incorporation designates two series of capital stock of the Corporation, Common Stock, par value one cent (\$0.01) per share (the ~~Common Stock~~), and Class A Common Stock, par value one cent (\$0.01) per share (the ~~Class A Common Stock~~) and, together with the Common Stock, the ~~Common Shares~~) **less than six or more than fifteen**. The directors shall be elected annually at the annual meetings of the stockholders, and each director (whether elected at any annual meeting or to fill a vacancy or otherwise) shall hold office until his successor is elected and qualified or until his death or until he shall resign in the manner provided in Section 2.10, or shall have been removed in the manner provided in Section 2.09.

SECTION 2.03. Notice of Stockholder Business and Nominations.

(A) Annual Meeting of Stockholders.

(1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) by or at the direction of the Chairman of the Board or the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors or (b) by any stockholder of the Corporation who is entitled to vote at the meeting with respect to the election of directors or the business to be proposed by such stockholder, as the case may be, who complies with the notice procedures set forth in clauses (2) and (3) of paragraph (A) of this Section 2.03 and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation as provided below.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (b) of paragraph (A)(1) of this Section 2.03, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must be a proper subject for stockholder action under the Delaware General Corporation Law (the "GCL"). To be timely, a stockholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred and twenty (120) days prior to the first anniversary of the preceding year's annual meeting; provided, however, that if

the date of the annual meeting is advanced by more than thirty (30) days, or delayed by more than sixty (60) days, from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than one hundred and twentieth (120) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act), including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (A)(2) of this Section 2.03 to the contrary, if the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least eighty (80) days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by paragraph (A)(2) of this Section 2.03 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(B) Special Meeting of Stockholders.

Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) by or at the direction of the Chairman of the Board or the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors or (ii) by any stockholder of the Corporation who is entitled to vote at the meeting with respect to the election of directors, who complies with the notice procedures set forth in this paragraph (B) and who is a stockholder of record at the time such notice is delivered to the Secretary of the Corporation as provided below. Nominations by stockholders of persons for election to the Board of Directors may be made at such a special meeting of stockholders if the stockholder's notice as required by paragraph (A)(2) of this Section 2.03 shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not earlier than the one hundred and twentieth (120th) day prior to such special meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such special meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(C) General.

(1) Only persons who are nominated in accordance with the procedures set forth in this Section 2.03 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.03. Notwithstanding the foregoing provisions of this Section 2.03, the Special Nominating Committee of the Board shall have the power to nominate special independent directors, all as provided in the Certificate of Incorporation of the Corporation.

(2) Except as otherwise provided by law, the Certificate of Incorporation or this Section 2.03, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.03 and, if any proposed nomination or business is not in compliance with this Section 2.03, to declare that such defective nomination or proposal shall be disregarded.

(3) For purposes of this Section 2.03, public announcement shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(4) Notwithstanding the foregoing provisions of this Section 2.03, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.03. Nothing in this Section 2.03 shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy materials with respect to a meeting of stockholders pursuant to Rule 14a-8 under Exchange Act or (ii) of the holders of any series of Preferred Stock or any other series or class of stock as set forth in the Certificate of Incorporation to elect directors under specified circumstances or to consent to specific actions taken by the Corporation.

SECTION 2.03. ~~Nominations of Director Candidates.~~ (a) Nominations for the election of directors to be elected by a vote of the holders of Class A Common Stock (the ~~Class A Common Stock Directors~~) may be made by the Board, by a Committee appointed by the Board or by any holder of Class A Common Stock entitled to vote in the election of Class A Common Stock Directors, subject in each case to the provisions of the Stockholders' Agreement.

~~(b) Nominations for the election of directors to be elected by the holders of Common Stock (the ~~Common Stock Directors~~) may be made by the Board, by a committee appointed by the Board or by any holder of Common Stock entitled to vote in the election of the Common Stock Directors. Any holder of Common Stock entitled to vote in the election of Common Stock Directors may nominate one or more persons for election as Common Stock Directors at a stockholders' meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of stockholders, January 25, 1996 with respect to the 1996 annual meeting of stockholders, and with respect to subsequent annual meetings, 90 days prior to the anniversary date of the immediately preceding annual meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) each nominee's age and principal occupation or employment; (c) the number of shares of equity securities of the Corporation beneficially owned by each nominee; (d) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (e) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (f) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and (g) the consent of each nominee to serve as a director of the Corporation if so elected. A stockholder who does not comply with the foregoing procedure may be precluded from nominating a candidate for election as a director at a meeting of stockholders.~~

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SECTION 2.04. *Election of Directors.* At each meeting of the stockholders for the election of directors, ~~(i) the holders of Common Stock shall be entitled by class vote, exclusive of all other stockholders, to elect the Corporation's directors, with each share of Common Stock entitled to one vote, such directors to be elected by a plurality of the votes cast at such election by the holders of Common Stock entitled to vote, and~~ ~~(ii) the holders of Class A Common Stock shall be entitled by class vote, exclusive of all other stockholders, to elect the remaining thirteen directors of the Corporation, one of whom shall be the President of the Corporation. In the event that all outstanding shares of Class A Common Stock shall be converted into shares of Common Stock (the effective date of the conversion of the last outstanding share of Class A Common Stock being the ~~Total Conversion Date~~), then the thirteen members of the Corporation's Board of Directors who previously were elected by the holders of the Class A Common Stock pursuant to this Paragraph 2.04 shall, at the next annual meeting of stockholders following such Total Conversion Date (or at a special meeting called after the Total Conversion Date for the purpose of electing directors), be elected by the holders of Common Stock, with each share of Common Stock entitled to one vote.~~

SECTION 2.05. *Annual and Regular Meetings.* An annual meeting of the Board shall be held in each year on the day of the annual meeting of the stockholders, at such time as is convenient either before or after such meeting, at the place where such meeting is held or at such other place

as may be fixed by the Board, and if so held no notice of such annual meeting need be given to any director of the Corporation. If the annual meeting of the Board shall not be so held on the day of the annual meeting of stockholders in any year, such meeting shall be held as soon thereafter as practicable, upon the notice provided for in Section 2.06 of this Article II in the case of special meetings, at such time and place (which may be within or outside the State of Delaware) as may be specified in the notice or waiver of notice of such meeting. The Board from time to time may provide for the holding of other regular meetings of the Board and fix the time and place (which may be within or outside of the State of Delaware) thereof. Notice of regular meetings shall not be required to be given; *provided*, however, that in case the Board shall fix or change the time or place of regular meetings, notice of such action shall be mailed promptly to each director who shall not have been present at the meeting at which such action was taken, addressed to him at his usual place of business. Any or all directors may participate in meetings of the Board or Committees of the Board by means of conference telephone or by any means of communication by which all persons participating in the meeting are able to hear each other, and such participation shall constitute presence in person at such meeting.

SECTION 2.06. *Special Meetings; Notice.* Special meetings of the Board shall be held whenever called by the Chairman of the Board, the President, the Chairman of the Executive Committee or by three of the directors at such time and place (which may be within or outside of the State of Delaware) as may be specified in the respective notices or waivers of notice thereof; *provided* that, if the Chairman is unable to serve by reason of death, disability or other cause beyond his control, the available director who is most senior in terms of length of service as a director, or, if there is more than one such available director of equal seniority, any such director, shall promptly call a special meeting of the Board to appoint an interim or replacement chairman. Except as otherwise required by statute, notice of each special meeting shall be mailed to each director addressed to him at his usual place of business at least three days before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, cable, telex or facsimile, or if such notice is not feasible, shall be given by telephone or two-way radio, or shall be delivered personally, not later than one day before the day on which the meeting is to be held; *provided*, however, that if the meeting is to be held outside the United States, the notice, if mailed, shall be mailed at least ten days before the day on which the meeting is to be held, or, if sent by telegram, cable, telex or facsimile, or if such notice is not feasible, by telephone or two-way radio, or delivered personally, not later than five days before the day on which the meeting is to be held. Notice of any special meeting shall not be required to be given to any director who shall attend such meeting in person, or to any director who shall sign a waiver of

notice of such meeting, whether before or after the time of such meeting; and any such meeting shall be a valid meeting without any notice thereof having been given if all the directors shall be present thereat and none of them shall protest such lack of notice prior to the conclusion of the meeting. Notice of any adjourned meeting shall not be required to be given.

SECTION 2.07. *Quorum.* At meetings of the Board, the presence of eight Directors shall be necessary and sufficient to constitute a quorum for the transaction of business and the affirmative vote of a majority of the directors present shall be necessary for the adoption of any resolution or the taking of any action unless the matter is one for which by express provision of the Certificate of Incorporation or of these By-laws, or by law, a different vote is required. In the absence of a quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present.

SECTION 2.08. *Organization.* The Chairman of the Board, or in his absence the President, shall preside at all meetings of the Board. If both are absent, the Board shall appoint a temporary chairman from among the directors present. The Board shall follow such order of business at its meetings as it may from time to time determine.

SECTION 2.09. *Removal of Directors.* Any director may be removed at any time, either for or without cause, by the affirmative vote in person or by proxy of stockholders holding of record in the aggregate a majority of the outstanding shares of the class of stock of the Corporation entitled to vote for such director, voting as a class, given at a special meeting of said stockholders called for that purpose; *provided*, however, that with respect to the removal ~~of special independent directors nominated in accordance with the provisions of any director elected by the holders of the Corporation's Certificate of Class A Common Stock~~ of special independent directors nominated in accordance with the provisions of the Corporation's Certificate of Incorporation, a replacement ~~special independent~~ special independent director shall be concurrently designated and elected in accordance with the requirements of ~~Section 2.2 of the Corporation's Certificate of the Stockholders Agreement~~ Section 2.2 of the Corporation's Certificate of Incorporation.

SECTION 2.10. *Resignations.* Any director may resign at any time by giving written notice of such resignation to the Board, the Chairman of the Board, the President or the Secretary of the Corporation. Unless a subsequent time is specified in written notice, such resignation shall take effect upon receipt thereof by the Board or any such officer.

SECTION 2.11. *Vacancies.* If any vacancy shall occur in the Board by reason of death, resignation, disqualification, removal or other, the remaining directors shall continue to act. Subject to Section 2.09 of this Article and ~~Section 2.2 the provisions of the Stockholders Agreement~~ Section 2.2 of the Corporation's Certificate of Incorporation relating to special independent director vacancies, vacancies shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board. Any director elected in accordance with the preceding sentence shall hold office until the next succeeding annual meeting of stockholders, or a special meeting at which directors are elected, and until such director's successor shall have been duly elected and qualified.

SECTION 2.12. *Compensation of Directors.* Each director who is not compensated as an employee of the Company shall receive such compensation for attendance at meetings of the Board, or of any committee appointed by the Board, as the Board may fix and determine from time to time.

SECTION 2.13. *Designation as Director Emeritus.* The Board may, in its sole discretion, grant the honorary title of Director Emeritus to a former director of the Corporation in recognition of service to the Corporation. Such title shall be honorary only, and a Director Emeritus shall not be a Director as that term is used in these By-Laws or in any document of the Corporation. Any such Director Emeritus shall have no duties or responsibilities to the Corporation, nor any authority to act on behalf of the Corporation or receive any compensation from it solely by virtue of holding such title.

ARTICLE III.

EXECUTIVE COMMITTEE.

SECTION 3.01. *Powers.* During the intervals between meetings of the Board, the Executive Committee shall have and may exercise all the powers and authority of the Board, except as prohibited by statute, in the management of the business and affairs of the Corporation, including the power and authority of the Board to declare a dividend and to authorize the issuance of stock, and may authorize the seal of the Corporation to be affixed to all papers which may require it. In the discretion of the Board, the Executive Committee shall have such more limited or specific powers as the Board may from time to time designate.

SECTION 3.02. *Designation of Members; Qualifications; Term of Office; Alternate Members.* The Board, by resolution or resolutions passed in the manner provided in Section 2.07, shall designate from among its members an Executive Committee of five members, one of whom shall be the President of the Corporation. The Board, by resolution or resolutions passed in the manner provided in Section 2.07, shall designate, from among the five designees to the Executive Committee, a Chairman of the Executive Committee. Thereafter, members of the Executive Committee shall be designated annually, in like manner, at the annual meetings of the Board. Each member of the Executive Committee (whether designated at an annual meeting of the Board or to fill a vacancy or otherwise) shall be and remain a director and shall hold office until his successor shall have been designated or until he shall cease to be a director or until his death or until he shall resign in the manner provided in Section 3.05 of this Article or shall have been removed in the manner provided in Section 3.06 of this Article. The Board, by resolution or resolutions passed in the manner provided in Section 2.07, may appoint another member of the Board to serve as an alternate to any director appointed to the Executive Committee. During any meeting of the Executive Committee which shall be attended by an alternate so appointed and not attended by the member for whom such alternate was appointed as an alternate, the alternate shall be deemed a member of the Executive Committee for all purposes in the place of the member for whom he was appointed an alternate.

SECTION 3.03. *The Chairman of the Executive Committee.* The Board, by resolution or resolutions passed in the manner provided in Section 2.07, shall designate, from among the five designees to the Executive Committee, a Chairman of the Executive Committee. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee and shall perform such other duties as are given to him by these By-Laws or as from time to time may be assigned to him by the Board or the Executive Committee.

SECTION 3.04. *Meetings; Notices; Records.* The Executive Committee may hold regular and special meetings at such place or places (within or outside the State of Delaware) and at such time or times as it shall determine from time to time. Notice of regular meetings shall not be required to be given; provided, however, that whenever the time or place of regular meetings shall be fixed or changed, notice of such action shall be mailed promptly to each member who shall not have been present at the meeting at which such action was taken, addressed to him at his usual place of business. Notice of each special meeting shall be mailed to each member addressed to him at his usual place of business at least three days before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, cable, telex or facsimile, or if such notice is not feasible, shall be given by telephone or two-way radio, or shall be delivered to him personally, not later than two days before the day on which the meeting is to be held; *provided*, however, that if the meeting is to be held outside the United States, the notice, if mailed, shall be mailed at least ten days before the day on which the meeting is to be held, or, if sent by telegram, cable, telex or facsimile, or if such notice is not feasible, by telephone or two-way radio, or delivered personally, not later than five days before the day on which the meeting is to be held. Notice of any special meeting need not be given to any member who (or the alternate of whom) shall attend such meeting in person, or

who shall sign a waiver of notice of such meeting, whether before or after the time of such meeting; and any such meeting shall be a valid meeting without any notice thereof having been given if all the members shall be present thereat (a member being deemed present if his alternate is present) and none of them shall protest such lack of notice prior to the conclusion of the meeting. No notice need be given to any alternate member, and no notice need be given of any adjourned meeting. The Executive Committee shall keep a record of its proceedings.

SECTION 3.05. *Quorum and Manner of Acting.* (a) At all meetings of the Executive Committee the presence of at least four members shall be necessary and sufficient to constitute a quorum for the transaction of business, and the affirmative vote of all members who are present shall be necessary for the adoption of any resolution or the taking of any action. All questions on which such a vote shall not have been obtained shall be referred to the Board.

(b) Minutes of all meetings of the Executive Committee will be delivered to the entire Board. Copies of all materials submitted to the Executive Committee will be made available to the entire Board.

SECTION 3.06. *Resignations.* Any member of the Executive Committee may resign at any time by giving written notice of such resignation to the Board, the Chairman of the Board, the President or the Secretary of the Corporation. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by the Board or any such officer.

SECTION 3.07. *Removal.* Any member of the Executive Committee may be removed at any time, either for or without cause, by resolution passed at any meeting of the Board in the manner provided in Section 2.07.

SECTION 3.08. *Vacancies.* If any vacancy shall occur in the Executive Committee by reason of disqualification, death, resignation, removal or otherwise, the remaining members shall continue to act and such vacancy may be filled at any meeting of the Board by resolution passed in the manner provided in Section 2.07.

ARTICLE IV.

OTHER COMMITTEES.

SECTION 4.01. *Committees of the Board.* The Board, by resolution passed in the manner provided in Section 2.07, may appoint from among its members one or more additional committees, each of which shall have at least two members and each of which, to the extent provided in the resolution, shall have and may exercise all the authority of the Board except as otherwise provided by statute. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board, and the quorum for the Audit Committee shall be the presence in person or by telephone of one member, but in no case less than one-third of the total number of members of the Audit Committee.

ARTICLE V.

OFFICERS.

SECTION 5.01. *Number.* The Board of Directors may elect a Chairman of the Board, who shall be a director, and shall elect a President, who shall be a director, one or more Vice Presidents, a Treasurer, a Comptroller, a Secretary and a General Auditor. The Board of Directors may elect such other officers as may be appointed in accordance with the provisions of Section 5.03. In addition, the Board may designate one or more of the Vice Presidents as Executive Vice President or Senior Vice President. Any two or more offices may be held by the same person but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law or the By-Laws to be executed, acknowledged, or verified by two or more officers.

SECTION 5.02. *Election, Term of Office and Qualifications.* Each officer (except such officers as may be appointed in accordance with the provisions of Section 5.03) shall be elected by the Board annually at its annual meeting, provided, however, that officers may be elected at any meeting of the Board to fill vacancies or additional offices. Each such officer (whether chosen at an annual meeting of the Board or to fill a vacancy or otherwise) shall hold office until the next annual meeting of the Board and until his successor shall have been elected and qualified, or until his death, or until he shall resign in the manner provided in Section 5.04 or shall have been removed in the manner provided in 5.05.

SECTION 5.03. *Appointed Officers and Agents.* In addition to the officers of the Corporation to be elected pursuant to Section 5.02, the Board, or the Chairman of the Board or the President with the approval of the Board, may from time to time appoint such other officers and agents as the Board or the officer making such appointment may deem necessary or advisable, to hold office for such period, have such authority and perform such duties as may be determined from time to time by the Board or the officer making such appointment.

SECTION 5.04. *Resignations.* Any officer may resign at any time by giving written notice of such resignation to the Board, the Chairman of the Board, the President or the Secretary. Unless a subsequent time is specified in such written notice, such resignation shall take effect upon receipt thereof.

SECTION 5.05. *Removal.* All officers, except those appointed in accordance with the provisions of Section 5.03, may be removed, either for or without cause, at any meeting of the Board called for that purpose, by resolution passed by a vote of a majority of the entire Board. The officers and agents appointed in accordance with the provisions of Section 5.03 may be removed, either for or without cause, at any meeting of the Board by resolution passed by a majority of a quorum, or by any superior officer or agent upon whom such power of removal shall have been conferred by the Board.

SECTION 5.06. *Vacancies.* A vacancy in any office by reason of death, resignation, removal, disqualification or any other cause shall be filled in the manner provided in this Article V for election or appointment to such office.

SECTION 5.07. *The Chairman of the Board.* The Chairman of the Board, if one shall have been elected, shall preside at all meetings of the stockholders and of the Board. He may sign certificates representing stock of the Corporation, the issuance of which shall have been authorized by the Board. He shall perform such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board. Subject to the discretion of the Board, the Chairman of the Board may be designated by the Board as the chief executive officer of the Corporation.

SECTION 5.08. *The President.* Unless the Board of Directors otherwise determines, the President shall be the chief executive officer of the Corporation. Subject to the direction of the Board and the Chairman of the Board, he shall have general charge of the business, affairs and property of the Corporation and general supervision over its officers and agents. He shall see that all orders and resolutions of the Board are carried into effect. Unless the Board of Directors otherwise determines, in the absence or in the case of the death or disability of the Chairman of the Board, or in the event of and during the period of a vacancy in that office, he shall have and exercise all powers of the Chairman of the Board. He may sign certificates of stock of the Corporation, the issuance of which shall have been authorized by the Board. From time to time he shall report to the Board all matters within his knowledge which the interests of the Corporation may require to be brought to its notice. He shall perform such other duties as are given to him by these By-Laws or as may from time to time be assigned to him by the Board or the Chairman of the Board.

SECTION 5.09. *Absence of the Chairman and President.* In the absence or in the case of the death or disability of the Chairman of the Board and the President, any officer designated by the Chairman of the Board or by the Board shall perform the duties of the Chairman of the Board and, when so acting, such officer shall have and exercise all the powers of the Chairman of the Board.

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SECTION 5.10. *The Vice Presidents.* Each Executive Vice President, Senior Vice President and Vice President shall have the power of signing deeds, contracts and other instruments requiring execution by the Corporation, and shall perform such other duties as shall be assigned to him by the Chairman of the Board or President from time to time. Any Executive Vice President, Senior Vice President or Vice President may sign certificates representing stock of the Corporation the issuance of which shall have been authorized by the Board. One of the Vice Presidents, as designated from time to time by the Chairman of the Board, shall act as the custodian of all deeds, leases, contracts and other legal documents and all other important papers and records of the Corporation which are delivered to him for safekeeping.

SECTION 5.11. *The Treasurer.* The Treasurer shall

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- (a) have charge of and be responsible for the funds of the Corporation;
- (b) cause the moneys of the Corporation to be deposited in the name and to the credit of the Corporation in such banks or trust companies or with such bankers or other depositories as shall be selected in accordance with Section 6.03 or to be otherwise dealt with in such manner as the Board may direct;
- (c) render to the Chairman of the Board, the President or the Board, whenever requested, a statement of all his transactions as Treasurer;
- (d) sign (unless the Secretary, an Assistant Secretary or an Assistant Treasurer shall sign) certificates representing stock of the Corporation the issuance of which shall have been authorized by the Board; and
- (e) in general, perform all duties incident to the office of Treasurer and such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board, the Chairman of the Board or the President.

SECTION 5.12. *The Comptroller.* The Comptroller shall be the chief accounting officer of the Corporation. He shall

- (a) establish and maintain accounting policies, practices and procedures, including an adequate system of internal controls to safeguard the assets and properly determine the liabilities of the Corporation;
- (b) cause appropriate accounting records to be maintained and reports rendered;
- (c) establish and administer the tax policy, planning and compliance functions;
- (d) prepare appropriate financial reports for government agencies, stockholders, creditors and stock exchanges;
- (e) be the custodian of all securities, negotiable instruments and other like assets of the Corporation;
- (f) be empowered from time to time to require from any and all officers or agents of the Corporation reports or statements giving such information as he may desire with respect to any and all transactions of the Corporation;
- (g) render to the Chairman of the Board, the President or the Board, whenever requested, such statements and accounts as may be required; and
- (h) in general, perform all duties incident to the office of Comptroller and such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board, the Chairman of the Board or the President.

SECTION 5.13. *The Secretary.* The Secretary shall

- (a) record all votes and the minutes of all meetings of the stockholders and the Board, and of committees of directors when required, in a book or books to be kept for that purpose;
- (b) cause all notices to be duly given in accordance with the provisions of these By-Laws and as required by statute;
- (c) be custodian of the seal of the Corporation, and cause such seal or a facsimile thereof to be affixed to all certificates representing stock of the Corporation prior to the issuance thereof and to all instruments the execution of which on behalf of the Corporation under its seal shall have been duly authorized in accordance with these By-Laws;
- (d) see that the books, reports, statements, certificates and other documents and records, other than the financial and stock books, required by statute, are properly kept and filed;
- (e) sign (unless the Treasurer, an Assistant Treasurer or Assistant Secretary shall sign) certificates representing stock of the Corporation the issuance of which shall have been authorized by the Board; and
- (f) in general, perform all duties incident to the office of Secretary and such other duties as are required of him by these By-Laws or as from time to time may be assigned to him by the Board, the Chairman of the Board or the President.

SECTION 5.14. *General Auditor.* The General Auditor shall be the chief auditing officer of the Corporation. He shall determine the adequacy of the system of internal control, investigate compliance with Corporation policy and procedures, verify the existence of assets of the Corporation, see that proper safeguards are maintained to prevent or discover fraud and check on the reliability of the accounting and reporting system. He shall render such reports as may be requested, and perform such other duties as may be assigned to him, by the Board, the Chairman of the Board or the President.

ARTICLE VI.

EXECUTION OF INSTRUMENTS, BORROWING OF MONEY AND DEPOSIT OF CORPORATE FUNDS.

SECTION 6.01. *Execution of Instruments.* All deeds, contracts and other instruments requiring execution by the Corporation shall be signed by the Chairman of the Board, the President, the Chairman of the Executive Committee, an Executive Vice President, a Senior Vice President, a Vice President, or the Treasurer, and attested or countersigned by the Comptroller, an Assistant Comptroller, the Secretary, an Assistant Secretary, or an Assistant Treasurer; *provided*, however, that authority to sign any deeds, contracts or other instruments requiring execution by the Corporation may be conferred by the Board upon any person or persons whether or not such person or persons be officers of the Corporation; and *provided*, further, that the Chairman of the Board, the President, the Chairman of the Executive Committee and any Executive Vice President may delegate, from time to time, by instrument in writing, all or any part of his or her authority to any other person or persons. Such authority may be general or confined to specific instances.

SECTION 6.02. *Indebtedness.* When so authorized by the Board, any officer or agent of the Corporation may effect loans and advances at any time for the Corporation secured by mortgage or pledge of the Corporation's property or otherwise, and may do every act and thing necessary or proper in connection therewith. Such authority may be general or confined to specific instances.

SECTION 6.03. *Deposits.* All funds of the Corporation not otherwise employed shall be deposited from time to time to its credit in such banks or trust companies or with such bankers or other depositories

as the Board may select, or as may be selected by any officer or officers, or agent or agents, authorized so to do by the Board.

SECTION 6.04. *Checks, Drafts, etc.* All notes, drafts, acceptances, checks, endorsements, and all evidences of indebtedness of the Corporation whatsoever, shall be signed by such officer or officers or such agent or agents of the Corporation and in such manner as the Board from time to time may determine.

SECTION 6.05. *Proxies.* Proxies to vote with respect to shares of stock of other corporations owned by or standing in the name of the Corporation may be executed and delivered from time to time on behalf of the Corporation by the Chairman of the Board, the President, the Chairman of the Executive Committee, an Executive Vice President, a Senior Vice President, a Vice President or the Treasurer, and attested or countersigned by the Secretary or an Assistant Secretary of the Corporation, or by any other person or persons thereunto authorized by the Board.

ARTICLE VII.

SHARES OF STOCK.

SECTION 7.01. *Certificates of Stock.* Every holder of stock in the Corporation shall be entitled to have a certificate, signed by the Chairman of the Board, the President, an Executive Vice President, a Senior Vice President, or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary, or an Assistant Secretary (or signed in such other manner as may be required or permitted by statute) certifying the number of shares owned by him in the Corporation. Each such certificate shall be signed by the Corporation's transfer agent or an assistant transfer agent and by the Corporation's registrar, at least one of whom shall not be an officer or employee of the Corporation. Any such signature required hereunder may be facsimile; and in case any officer, transfer agent, assistant transfer agent or registrar whose facsimile signature has been used on any such certificate shall cease to hold such office before it shall have been issued, such certificate shall nevertheless be deemed adopted and approved by the Corporation for issuance and delivery thereafter. Certificates representing shares of stock of the Corporation shall be in such form as shall have been approved by the Board and the seal of the Corporation or a facsimile thereof shall be affixed thereto. There shall be entered upon the stock books of the Corporation at the time of issuance of each share the number of the certificate issued, the name of the person owning the shares represented thereby, the number and class of such shares and the date of issuance thereof. Every certificate exchanged or returned to the Corporation shall be marked "Canceled," with the date of cancellation indicated thereon.

SECTION 7.02. *Transfer of Stock.* Transfer of shares of the stock of the Corporation shall be made on the books of the Corporation by the holder of record thereof, or by his attorney thereunto duly authorized by a power of attorney duly executed in writing and filed with the Secretary, and on surrender of the certificate or certificates representing such shares. The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the absolute owner thereof for all purposes, and accordingly shall not be bound to recognize any legal, equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise expressly provided by the statutes of the State of Delaware.

SECTION 7.03. *Regulations.* Subject to the provisions of this Article VII, the Board may make such rules and regulations as it may deem expedient concerning the issuance, transfer and registration of certificates for shares of the stock of the Corporation.

SECTION 7.04. *Transfer Agents and Registrars.* The Board shall appoint one or more transfer agents and one or more registrars with respect to the certificates representing shares of stock of the Corporation and all such certificates shall bear the signatures of at least one transfer agent and one registrar.

SECTION 7.05. *Fixing of Record Date.* For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining stockholders entitled to receive payment of any dividend or allotment or any right, or for the purpose of any other action, the Board may fix, in advance, a date as the record date for any such determination of stockholders. Such date shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

SECTION 7.06. *Lost or Destroyed Certificates.* The holder of any shares of stock of the Corporation shall immediately notify the Corporation and its transfer agents and registrars, if any, of any loss or destruction of the certificate representing the same. The Corporation may issue a new certificate in the place of any certificate theretofore issued by it alleged to have been lost or destroyed, and the Board may require the owner of the lost or destroyed certificate or his legal representatives to give the Corporation a bond in such sum or without limit as to amount as the Board may direct, and with such surety or sureties as may be satisfactory to the Board, to indemnify the Corporation against any claim that may be made against it or any such transfer agent or registrar with respect to any such certificate alleged to have been lost or destroyed. A new certificate may be issued without requiring any Bond when, in the judgment of the Board, it is proper so to do.

ARTICLE VIII.

MISCELLANEOUS.

SECTION 8.01. *Offices.* The Corporation may establish and maintain one or more offices outside of the State of Delaware, in such places as the Board from time to time may deem advisable.

SECTION 8.02. *Corporate Seal.* The corporate seal shall be circular in form and shall bear the name of the Corporation and shall otherwise be in such form as shall have been or shall be approved from time to time by the Board.

SECTION 8.03. *Fiscal Year.* The fiscal year of the Corporation shall begin on the first day of January in each year and shall end on the thirty-first day of the following December.

SECTION 8.04. *Word Usage.* Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

SECTION 8.05. *Amendments.* These By-Laws may be altered or amended at any meeting of the stockholders (annual or special) at which a quorum is present, if notice of the proposed alteration or amendment be contained in the notice of the meeting, by the affirmative vote of the holders of at least a majority of the voting power of all ~~shares of Common Stock~~ shares of the Corporation entitled to vote generally in the election of directors, ~~voting 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;~~ or at any regular or special meeting of the Board by the affirmative vote of eight Directors if notice of the proposed alteration or amendment be contained in the notice of such meeting or if all the directors are present; *provided*, however, that Section 1.02 of Article I, Sections 2.02, 2.04 and 2.09 of Article II and this proviso to Section 8.05 of Article VIII shall not be altered, amended or repealed, and no provision inconsistent with such provisions shall be adopted, except by the affirmative vote of the holders of at least 80% of the voting power of all Common Shares of the Corporation entitled to vote generally in the election of directors, voting 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; and *provided*, further, that Article IX shall not be altered, amended or repealed, and no provision inconsistent with its provisions shall be adopted, except in accordance with the provisions of Section 9.17 therein.

ARTICLE IX.

INDEMNIFICATION.

SECTION 9.01. *General.* The Corporation shall indemnify against Liabilities (as hereinafter defined) and advance Expenses (as hereinafter defined) to an Indemnitee (as hereinafter defined) to the fullest extent permitted by applicable law and as provided in this Article.

SECTION 9.02. *Proceedings Other Than Proceedings by or in the Right of the Corporation.* An Indemnitee shall be entitled to the indemnification provided in this Section 9.02 if, by reason of his being or having been a Corporate Agent (as hereinafter defined), he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding (as hereinafter defined), other than a Proceeding by or in the right of the Corporation. Pursuant to this Section 9.02, an Indemnitee shall be indemnified against Expenses and Liabilities actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

SECTION 9.03. *Proceedings by or in the Right of the Corporation.* An Indemnitee shall be entitled to the indemnification provided in this Section 9.03 if, by reason of his being or having been a Corporate Agent, he is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Corporation to procure a judgment in its favor. Pursuant to this Section 9.03, an Indemnitee shall be indemnified against Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding and against any amount paid in settlement of such Proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in such Proceeding as to which the Indemnitee shall have been adjudged to be liable to the Corporation, unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such Proceeding was brought shall decide that, despite the adjudication of liability, the Indemnitee is fairly and reasonably entitled to indemnity for such Expenses in view of all the circumstances of the case; *provided* further, that, with respect to indemnification for settlement of any such Proceeding, the Corporation shall provide indemnification only if either the amount paid in settlement is reasonable under all the facts and circumstances, including its relationship to the estimated expense of litigating the Proceeding to conclusion, or the Court of Chancery of the State of Delaware, or the court in which such Proceeding was brought or is pending, shall determine, upon application, that in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnification for such settlement. No indemnification for amounts paid in settlement of any such Proceeding shall be required unless the Corporation has given its prior consent to such settlement.

SECTION 9.04. *Indemnification for Expenses of a Party Who is Wholly or Partially Successful.* Notwithstanding any other provision of this Article, to the extent that an Indemnitee is, by reason of his being or having been a Corporate Agent, a party to any Proceeding and is successful, on the merits or otherwise, in such Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If an Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify such Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 9.04 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

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SECTION 9.05. *Indemnification for Expenses of a Witness.* Notwithstanding any other provision of this Article, to the extent that an Indemnitee is, by reason of his being or having been a Corporate Agent, a witness in any Proceeding, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

SECTION 9.06. *Advancement of Expenses.* The Corporation shall advance all reasonable Expenses incurred by or on behalf of an Indemnitee in connection with any Proceeding upon the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by the Indemnitee or refer to invoices or bills for Expenses furnished or to be furnished directly to the Corporation, and shall include or be preceded or accompanied by an undertaking by or on behalf of the Indemnitee to repay any Expenses advanced unless it shall ultimately be determined pursuant to Section 9.07 of this Article that the Indemnitee is entitled to be indemnified against such Expenses.

SECTION 9.07. *Procedure for Determination of Entitlement to Indemnification.*

(a) To obtain indemnification under this Article, an Indemnitee shall submit to the Corporation a written request for indemnification, and provide for the furnishing to the Corporation of such documentation and information as is reasonably available to the Indemnitee and is reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that the Indemnitee has requested indemnification.

(b) Upon written request by an Indemnitee for indemnification pursuant to Section 9.07(a) hereof, a written determination with respect to the Indemnitee's entitlement thereto shall be made: (i) if a Change in Control (as hereinafter defined) shall have occurred, by Independent Counsel (as hereinafter defined); (ii) if a Change in Control shall not have occurred, (A) by the Board by a majority vote of the Disinterested Directors (as hereinafter defined) even though less than a quorum, or (B) by a majority vote of a quorum of Disinterested Directors on a Committee of the Board, or (C) by Independent Counsel; and, if it is so determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made in a timely fashion. An Indemnitee shall cooperate with the person, persons or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by an Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Corporation (irrespective of the determination as to an Indemnitee's entitlement to indemnification).

(c) In the event the determination of entitlement is to be made by Independent Counsel pursuant to Section 9.07(b) of this Article, the Independent Counsel shall be selected as provided in this Section 9.07(c). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board or a Committee thereof, and the Corporation shall give written notice to the Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change of Control shall have occurred, the Independent Counsel shall be selected jointly by the Indemnitee and the Board or a Committee thereof. In the event that the Board or a Committee thereof cannot agree with the Indemnitee on the choice of Independent Counsel, such Counsel shall be selected by the Board or a Committee thereof from among the New York City law firms having more than 100 attorneys. The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 9.07(b) hereof, and the Corporation shall pay all reasonable fees and expenses incident to the

procedures of this Section 9.07(c), regardless of the manner in which such Independent Counsel was selected or appointed.

SECTION 9.08. *Presumptions and Effect of Certain Proceedings.*

(a) If a Change in Control shall have occurred, in making a determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall presume that an Indemnitee is entitled to indemnification under this Article if the Indemnitee has submitted a request for indemnification in accordance with Section 9.07(a) of this Article, and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

(b) If the person, persons or entity empowered or selected under Section 9.07 of this Article to determine whether an Indemnitee is entitled to indemnification shall not have made such determination in a timely fashion after receipt by the Corporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be entitled to indemnification, absent (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(c) The termination of any Proceeding or of any claim, issue or matter therein by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not (except as otherwise expressly provided in this Article) of itself adversely affect the right of an Indemnitee to indemnification or create a presumption that an Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that an Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) Every Indemnitee shall be presumed to have relied upon this Article in serving or continuing to serve as a Corporate Agent.

SECTION 9.09. *Indemnification of Estate; Standards for Determination.* If an Indemnitee is deceased and would have been entitled to indemnification under any provision of this Article, the Corporation shall indemnify the Indemnitee's estate and his spouse, heirs, administrators and executors. When the Board, a Committee thereof or Independent Counsel acting in accordance with Section 9.07 of this Article in determining the availability of indemnification under Sections 9.02, 9.03, 9.04 or 9.05 and when an Indemnitee is unable to testify on his own behalf by reason of his death or mental or physical incapacity, said Board, Committee or Counsel shall deem the Indemnitee to have satisfied applicable standards set forth in Sections 9.02, 9.03, 9.04 or 9.05 unless it is affirmatively demonstrated by clear and convincing evidence that indemnification is not available under Sections 9.02, 9.03, 9.04 or 9.05. When requested in writing by the spouse of an Indemnitee and/or the heirs, executors or administrators of an Indemnitee's estate, the Corporation shall provide appropriate evidence of this By-Law.

SECTION 9.10. *Limitation of Actions and Release of Claims.* No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Corporation or its affiliates (as hereinafter defined) against an Indemnitee, his spouse, heirs, executors or administrators after the expiration of two years from the date the Indemnitee ceases (for any reason) to serve as a Corporate Agent, and any claim or cause of action of the Corporation or its affiliates shall be extinguished and deemed released unless asserted by filing of a legal action within such two-year period.

SECTION 9.11. *Other Rights and Remedies of Indemnitee.*

(a) The Corporation, on behalf of Indemnitees, may arrange for such insurance covering such Liabilities and Expenses arising from actions or omissions of an Indemnitee in his capacity as a Corporate Agent as is obtainable and is reasonable and appropriate in cost and amount.

(b) In the event that (i) a determination is made pursuant to Section 9.07 of this Article that an Indemnitee is not entitled to indemnification under this Article, (ii) advancement of Expenses is not timely made pursuant to Section 9.06 of this Article, (iii) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 9.07(b) of this Article and such determination shall not have been made and delivered in a written opinion in a timely fashion after receipt by the Corporation of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 9.05 of this Article in a timely fashion after receipt by the Corporation of a written request therefor, or (v) payment of indemnification is not made in a timely fashion after a determination has been made that an Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 9.08 of this Article, the Indemnitee shall be entitled to an adjudication in the Court of Chancery of the State of Delaware, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advancement of Expenses. Alternatively, the Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association. The Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration in a timely manner following the date on which the Indemnitee first has the right to commence such Proceeding pursuant to this Section 9.11(b). The Corporation shall not oppose the Indemnitee's right to seek any such adjudication or award in arbitration.

(c) In the event that a determination shall have been made pursuant to Section 9.07 of this Article that an Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 9.11 shall be conducted in all respects as a *de novo* trial or arbitration on the merits, and the Indemnitee shall not be prejudiced by reason of that adverse determination. If a Change in Control shall have occurred, in any judicial proceeding or arbitration commenced pursuant to this Section 9.11 the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(d) If a determination shall have been made or deemed to have been made pursuant to Sections 9.07 or 9.08 of this Article that an Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 9.11, absent (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(e) The Corporation shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 9.11 that the procedures and presumptions of this Article are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Article.

(f) In the event that an Indemnitee, pursuant to this Section 9.11, seeks a judicial adjudication of, or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Article, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all expenses (of the types described in the definition of Expenses in Section 9.15 of this Article) actually and reasonably incurred by him in such judicial adjudication or arbitration, but only if he prevails therein. If it shall be determined in said judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of Expenses sought, the Expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

SECTION 9.12. *Non-Exclusivity; Survival of Rights; Subrogation.*

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Article shall not be deemed exclusive of any other rights to which an Indemnitee may at any time be

entitled under applicable law, the Certificate of Incorporation of the Corporation or any affiliate, the By-Laws of the Corporation or any affiliate, any agreement, any insurance policy maintained or issued, directly or indirectly, by the Corporation or any affiliate, a vote of stockholders, a resolution of Disinterested Directors, or otherwise. No amendment, alteration or repeal of this Article or of any provision hereof shall be effective as to any Indemnitee with respect to any action taken or omitted by such Indemnitee as a Corporate Agent prior to such amendment, alteration or repeal. The provisions of this Article shall continue as to an Indemnitee whose status as a Corporate Agent has ceased and shall inure to the benefit of his heirs, executors and administrators.

(b) In the event of any payment under this Article, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

(c) The Corporation shall not be liable under this Article to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

SECTION 9.13. *Severability.* If any provision or provisions of this Article shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Article (including without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Article (including, without limitation, each portion of any Section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

SECTION 9.14. *Certain Persons Not Entitled to Indemnification or Advancement of Expenses.* Except as expressly provided in Section 9.11(b) and (f) of this Article, no person shall be entitled to indemnification or advancement of Expenses under this Article with respect to any Proceeding, or any claim therein, brought or made by him against the Corporation.

SECTION 9.15. *Definitions.* For purposes of this Article:

(a) Affiliate of a Person shall mean any Person (other than the Corporation) that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, the first Person. For the purposes of the above definition, the term control (including, with correlative meaning, the terms controlled by and under common control with), shall mean the possession, directly or indirectly, of more than 50% of the then outstanding voting stock entitled to elect directors of such Person. Person shall mean any natural person, firm, partnership, association, corporation, company, trust, business trust, joint venture, unincorporated organization or government or any department or agency thereof.

(b) affiliate and associate shall have the meanings given such terms under Rule 405 under the Securities Act of 1933, as amended.

(c) Change in Control shall mean either:

(i) a change in the membership of the Board such that one-half or more of its members were neither recommended nor elected to the Board by ~~ASARCO Incorporated~~ **Grupo Mexico S.A. de C.V.**, or its Affiliates; or

(ii) ~~ASARCO Incorporated~~ **Grupo Mexico S.A. de C.V.**, and its Affiliates cease to own at least ~~35,000,000~~ **51% of the** shares of ~~Class A~~ Common Stock of the Corporation.

(d) **Corporate Agent** is a person who is or was a director, officer, employee, agent or fiduciary of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Corporation.

(e) **Disinterested Director** means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by an Indemnitee.

(f) **Expenses** shall include all reasonable costs, disbursements and counsel fees.

~~(g) **Founding Stockholder** shall mean each of ASARCO Incorporated, Cerro Trading Company, Inc. and Phelps Dodge Overseas Capital Corporation and their respective successors and assigns qualifying pursuant to Section 4.3 of the Stockholders Agreement; provided that each of Cerro Trading Company, Inc. and Phelps Dodge Overseas Capital Corporation shall remain a Founding Stockholder for purposes hereof only for such time as it would also qualify as an Affiliate of The Marmon Corporation or Marmon Holdings, Inc. or Phelps Dodge Corporation, or their respective successors, as the case may be.~~

~~(h)~~ **Indemnitee** includes any person who is, or is threatened to be made, a witness in or a party to any Proceeding as described in Sections 9.02, 9.03, 9.04 or 9.05 of this Article by reason of his being or having been a Corporate Agent.

~~(i)~~ **Independent Counsel** means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Corporation or the Indemnitee or any affiliate or associate of any such person, in any matter material to any such person; or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term **Independent Counsel** shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Article.

~~(j)~~ **Liabilities** shall mean amounts paid or incurred in satisfaction of settlements, judgments, awards, fines and penalties.

~~(k)~~ **Proceeding** includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 9.11 of this Article to enforce his rights under this Article.

SECTION 9.16. *Notices.* Any notice, request or other communication required or permitted to be given to the Corporation under this Article shall be in writing and either delivered in person or sent by telex, telegram or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

SECTION 9.17. *Amendments.* This Article may be amended or repealed only by action of the Board approved by the favorable vote of a majority of the votes cast by stockholders entitled to vote thereon (with such stockholders voting 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~~) at a meeting of stockholders for which proxies are solicited in accordance with then applicable requirements of the Securities and Exchange Commission, except that (i) the Board, without stockholder approval, may make technical amendments that do not substantively affect the rights of an Indemnitee hereunder and (ii) following a Change in Control, as defined in Section 9.15(c) of this Article, there shall also be required for approval of any such amendment or repeal the favorable vote of a majority of the votes (voted 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~~) cast by persons other than any person or group of persons owning, directly or indirectly, more than 50% of the then outstanding voting stock of the Corporation (and any affiliate or associate of any such person or persons).

RESOLVED, that Article Four of the Certificate will be amended and replaced in its entirety to read as follows:

The total number of shares of stock which the Corporation shall have authority to issue is 320,000,000 shares of common stock, par value one cent (\$0.01) per share (hereinafter referred to as the Common Stock). Each holder of Common Stock shall have one vote in respect of each share of Common Stock held by such holder of record on the books of the Corporation for the election of directors and on all other matters on which holders of shares of Common Stock are entitled to vote. The holders of shares of Common Stock shall be entitled to receive, when and if declared by the Board of Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in stock or otherwise.

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**Offer to exchange all of our outstanding unregistered
U.S.\$400,000,000 7.500% Notes due 2035
for
U.S.\$400,000,000 7.500% Notes due 2035
which have been registered under the Securities Act of 1933**

PROSPECTUS
2006

UNTIL 2006, ALL DEALERS THAT EFFECT TRANSACTIONS IN THESE SECURITIES, WHETHER OR NOT PARTICIPATING IN THE EXCHANGE OFFER, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE DEALERS' OBLIGATION TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. Indemnification of Directors and Officers

Section 102(b)(7) of the Delaware General Corporation Law, or DGCL, enables a corporation in its certificate of incorporation to eliminate or limit the personal liability of a director for monetary damages for breach of the director's fiduciary duty, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit. Our restated certificate of incorporation, as amended, eliminates the liability of our directors to the fullest extent permitted by Delaware law.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation (a "derivative action")) if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. Section 145 of the DGCL provides that it is not exclusive of other indemnification that may be granted by a corporation's charter, by-laws, disinterested director vote, stockholder vote, agreement or otherwise. Our restated certificate of incorporation and our by-laws, as amended, provide for indemnification of our directors and officers to the fullest extent permitted by Delaware law and as provided in our by-laws.

Our by-laws provide indemnification rights to any of our officers or directors who, by reason of the fact that he or she is one of our officers or directors, is involved in a legal proceeding of any nature if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. Such indemnification rights will include reimbursement for expenses incurred by such officer or director in advance of the final disposition of such proceeding in accordance with the applicable provisions of Delaware law. Our by-laws provide that we may arrange for insurance covering such liabilities and expenses arising from actions or omissions of a director or officer in his or her capacity as a corporate agent as is obtainable and is reasonable and appropriate in cost and amount.

Item 21. Exhibits and Financial Statement Schedules

EXHIBIT INDEX

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation (as amended May 2, 2006).
3.2	By-Laws (as amended on April 27 and May 4, 2006).
4.1	Registration Rights Agreement, dated as of May 9, 2006, by and between Southern Copper Corporation and Citigroup Global Markets Inc. as Representative of the Initial Purchasers.
4.2	Indenture governing 7.500% Notes due 2035, by and between Southern Copper Corporation, The Bank of New York and The Bank of New York (Luxembourg) S.A. (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on August 1, 2005; File No. 001-14066).
4.3	Form of New 7.500% Note (included in exhibit 4.2).
5.1	Opinion of Milbank, Tweed, Hadley & McCloy LLP.
10.3	Tax Stability Agreement, dated August 8, 1994, between the Government of Peru and the Company regarding SX/EW facility (and English translation) (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement Form S-4; File No. 33-97790).
10.4	Incentive Compensation Plan of the Company (incorporated by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-4; File No. 33-97790).
10.5	Stock Incentive Plan of the Company (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-4; File No. 33-97790).
10.6	Form of Directors Stock Award Plan of the Company (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K filed March 13, 2006; File No. 001-14066).
10.7	Service Agreement entered into by the Company with a subsidiary of Grupo México S.A. de C.V., assigned upon the same terms and conditions to Grupo México S.A. de C.V. in February 2004 (incorporated by reference to Exhibit 10.10 to the Company's 2002 Annual Report on Form 10-K; File No. 001-14066).
10.8	Agreement and Plan of Merger, dated as of October 21, 2004, by and among Southern Copper Corporation, SCC Merger Sub, Inc., Americas Sales Company, Inc., Americas Mining Corporation and Minera México S.A. de C.V. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 22, 2004; File No. 001-14066).
12.1	Statement of computation of ratio of earnings to fixed charges.
15.1	Letter regarding unaudited interim financial information of PricewaterhouseCoopers, S.C., Independent Registered Public Accounting Firm.
21.1	List of Subsidiaries of Registrant.
23.1	Consent of Milbank, Tweed, Hadley & McCloy LLP (included as part of its opinion filed as Exhibit 5.1).
23.2	Consent of PricewaterhouseCoopers, S.C., Independent Registered Public Accounting Firm.
24.1	Power of Attorney (Included on the signature pages to the registration statement).

25.1 Form T-1 Statement of Eligibility and Qualification of Trustee for 7.500% notes due 2035.

99.1 Form of Letter of Transmittal.

99.2 Form of Notice of Guaranteed Delivery.

99.3 Form of Notice to Registered Holders and/or Participants of the Book-Entry Transfer Facility.

99.4 Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

99.5 Form of Letter to Clients.

99.6 Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 (included in Exhibit 99.1 and 99.2).

99.7 Form of Exchange Agent Agreement between the Company and the Bank of New York.

Item 22. Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) to include any prospectus required by Section (10)(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a)

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or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(6) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

(7) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Mexico City, Mexico, on June 20, 2006.

SOUTHERN COPPER CORPORATION

By: /s/ OSCAR GONZÁLEZ ROCHA

Oscar González Rocha

President and Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints J. Eduardo González Felix and Armand R. Ortega Gómez, Esq. and each of them, as true and lawful attorneys-in-fact and agents, with full powers of substitution and resubstitution, for them and in their name, place and stead, in any and all capacities, to sign any and all amendments (including pre-effective and post-effective amendments) to this registration statement and any additional registration statements filed pursuant to Rule 462 under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission (the "Commission"), and generally to do all such things in their names and in behalf of their capacities as officers and directors of Southern Copper Corporation to comply with the provisions of the Securities Act of 1933 and all requirements of the Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed the following persons in the capacities indicated on June 20, 2006.

Signature	Title
/s/ GERMÁN LARREA MOTA-VELASCO	
Germán Larrea Mota-Velasco	Chairman of the Board, Director
/s/ OSCAR GONZÁLEZ ROCHA	
Oscar González Rocha	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ XAVIER GARCÍA DE QUEVEDO TOPETE	
Xavier García de Quevedo Topete	Executive Vice President, Chief Operating Officer and Director
/s/ J. EDUARDO GONZÁLEZ FELIX	
J. Eduardo González Felix	Chief Financial Officer and Director (Principal Financial Officer)

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/s/ JOSÉ N. CHIRINOS FANO

José N. Chirinos Fano

Comptroller
(Principal Accounting Officer)

/s/ EMILIO CARRILLO GAMBOA

Emilio Carrillo Gamboa

Director

/s/ JAIME F. COLLAZO GONZÁLEZ

Jaime F. Collazo González

Director

/s/ HAROLD S. HANDELSMAN

Harold S. Handelsman

Director

/s/ GERMÁN LARREA MOTA-VELASCO

Genaro Larrea Mota-Velasco

Director

/s/ ARMANDO ORTEGA GÓMEZ

Armando Ortega Gómez

Director

/s/ LUIS MIGUEL PALOMINO BONILLA

Luis Miguel Palomino Bonilla

Director

/s/ GILBERTO PEREZALONSO CIFUENTES

Gilberto Perezalonso Cifuentes

Director

/s/ JUAN REBOLLEDO GOUT

Juan Rebolledo Gout

Director

/s/ CARLOS RUIZ SACRISTÁN

Carlos Ruiz Sacristán

Director

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