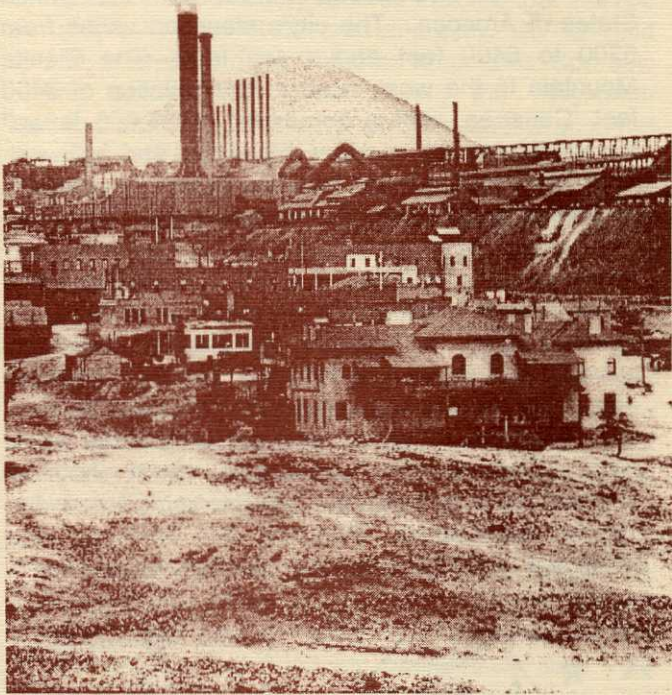


**CANANEA PAST, PRESENT  
AND FUTURE**



*Smelter and general offices. 1906.*

**MEXICANA DE CANANEA  
S.A. DE C.V.**



**GRUPO MEXICO**



## CANANEA HISTORIC AND PROMINENT COPPER COMMUNITY

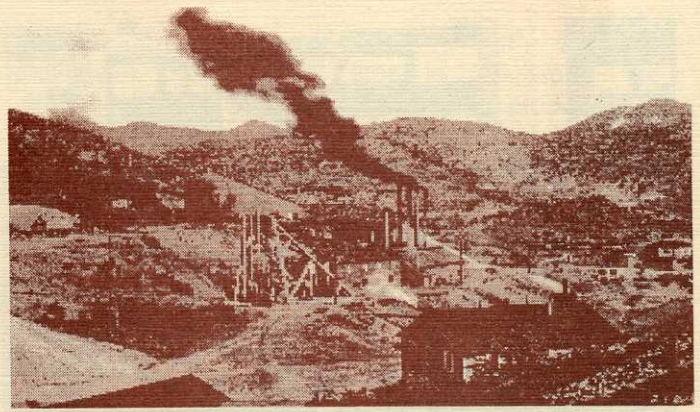
Cananea is a hard working mining community committed to the progress of Mexico. Throughout the years, the mining operations at Cananea have greatly contributed to the industrialization of Mexico by supplying related industries with copper for the country's internal demand as well as exporting to international markets.

The Cananea mining district is located in the north-central part of the State of Sonora, and 25 miles south of the international border with the United States of America. The city's elevation varies from 5200 to 5400 feet above sea level. The Elenita Mountain to the west, rises to an elevation of 8400 feet. Cananea, with a population of 34,000 is well communicated by modern highways and railways. The Municipal airport handles small to medium aircraft as well as executive business jets.

Mexicana de Cananea, S.A. de C.V. (MCA) is a major copper producer. It operates a conventional open-pit mine, a flotation concentrator, leaching-solvent extraction-electrowinning (SX-EW) facilities and a conventional reverberatory smelter. Resources of copper porphyry type are considered world class. The smelter processes about half of concentrate output with the balance being shipped to various destinations, including the relatively near Mexicana de Cobre smelter in the State of Sonora.



LOCATION MAP



*"El Capote" Mine. 1906.*

Cananea's mining history records indicate that in 1760 Jesuit Missionaries discovered and extracted rich gold and silver ores from the Cananea Mountains. Sporadic mining activity took place during the nineteenth century. In 1860 General Ignacio Pesqueira acquired the first mining properties named "El Ronquillo", "Chivatera", "La Plomosa", "La Tordilla", "El Cobre" and "San Ignacio". Headquarters for the operation was located where today is known as "Cananea Vieja" or Old Cananea.

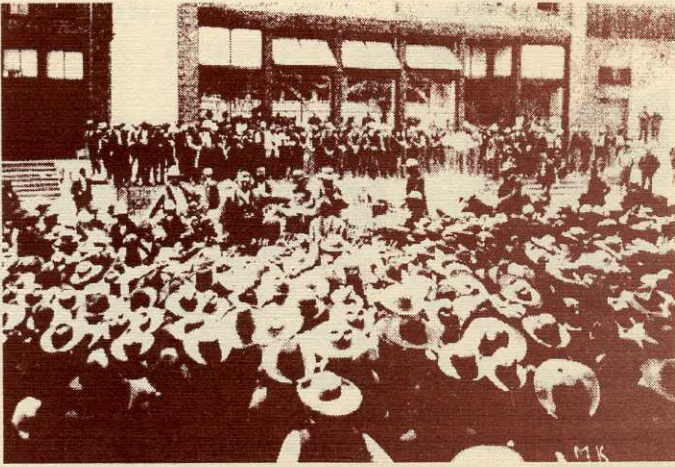
By 1868, General Pesqueira organized and systematized the underground mining of ore from various mines. The rich ore was directly smelted to matte and then transported by mules to the gulf port of Guaymas, from where it was shipped to England, the principal European market at that time.

The modern mining era in Cananea begun on September 30, 1899, when William Cornell Greene acquired the mining rights of "Empresa Minera Mexicana". Through financing provided by New York bankers, W.C. Greene organized and established "The Greene Cananea Copper Company" predecessor to "The Cananea Consolidated Copper Company" generally known with the "4C" trademark.

*William Cornell  
Greene, founder of  
The Cananea  
Consolidated  
Copper Company.  
1900.*



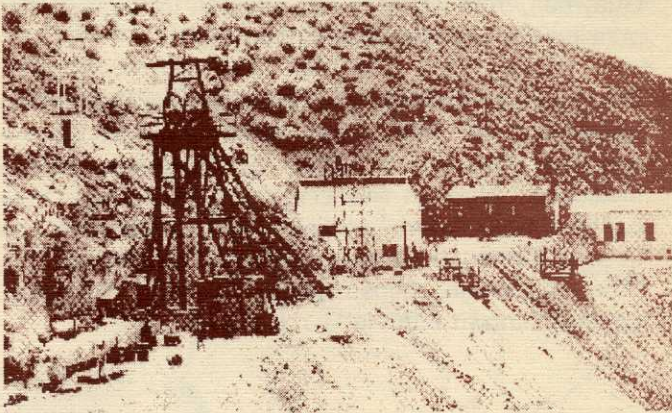




*William C. Greene and Rafael Izabal (Governor of Sonora), negotiating with strikers. 1906.*

Cananea's historic labor strike of June 1st., 1906, motivated by improved working conditions principally in the underground mines, is considered by historians as one of the sparks that ignited the 1910 Mexican Revolution which later transformed the social and political structures of the Country.

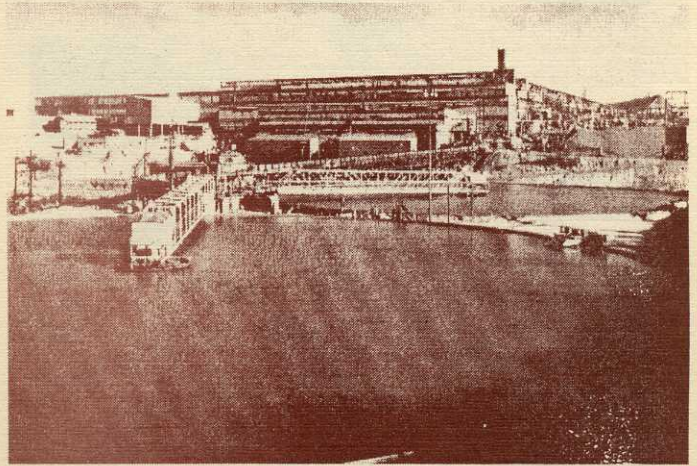
In 1917, following the Mexican Revolution, Cananea Consolidated Copper Company was acquired by The Anaconda Company.



*"La Colorada" Mine Shaft. 1929.*

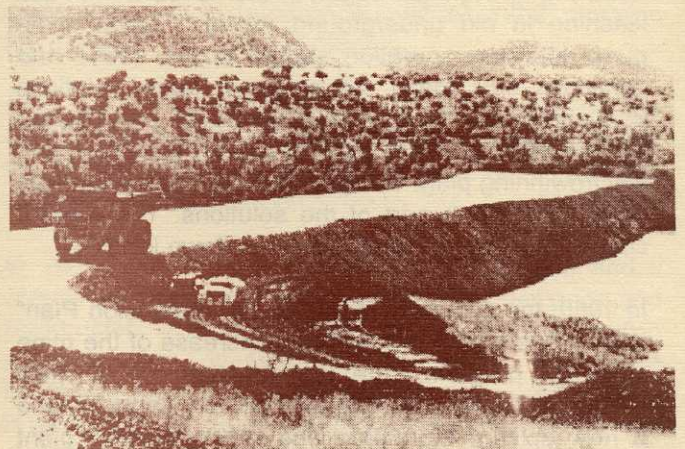
In 1926, the worldwide famous "La Colorada" ore deposit was discovered. This mineral deposit produced 7 million tons of ore, averaging 6% copper and 0.4% molybdenum, plus important amounts of gold and silver. The richness of this deposit allowed Anaconda to overcome the economic world crisis of the late twenties and early thirties, and helped modernize the mine and metallurgical installations.

During the mining of "La Colorada", Cananea achieved, for the first time in the world, the beneficiation of molybdenum as a by-product of a copper deposit. Molybdenum concentrate was shipped to the United States and Europe. In 1940, stripping begun for the first time in an open pit mine operation in Cananea in a large low grade ore deposit. A new 12,000 ton per day concentrator was built to process the ore starting operations in 1944.



*Concentrator 1944.*

After the initial open pit operation in the early 1940s, it was decided to move the tailings impoundment to an area about 10 km. East of the mining operation, a taking advantage of the topography. This general area has contained all the tailings produced since then. The No. 3 tailings impoundment is considered as the final tailings dam with a capacity to contain all of the tailings to be generated in the 15-year mine plan and beyond.



*Tailings Dam Construction*



In 1948, blister copper from the Cananea smelter was shipped for the first time to the copper refinery in Mexico City. Before, all blister copper produced was exported to the United States. Since that time Cananea has supplied about 50% of the total copper demanded for the industrial development of Mexico. By 1950, the concentrator capacity was increased to 16,000 tons per day and by 1979 the capacity of the mill had nearly doubled to 30,000 tons per day.

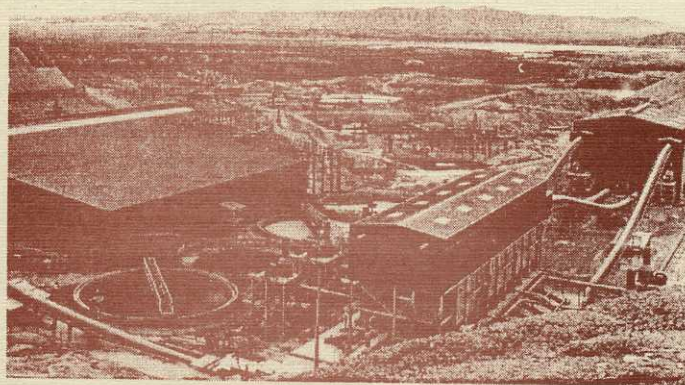


*Kino Open Pit. 1979.*

In November 1971, The Anaconda Company sold 51% of Compañía Minera de Cananea stock to Mexican interests, including 23% to Mexican Government agencies, concluding the Mexicanization process.

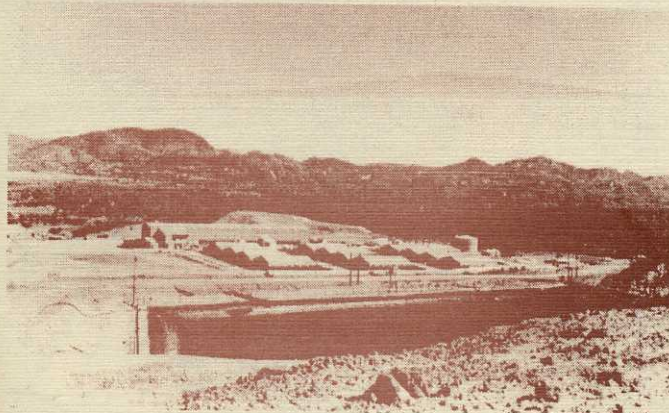
Leaching in Cananea began in the 1940s with in-situ leaching in old underground mines. Large scale dump leaching operation started in the 1950s and continues until today. All pregnant leach solutions produced were treated in a series of precipitation plants until 1980 when the first solvent extraction and electrowinning plant started operation with a capacity of 32 t/d treating part of the solutions. The cement copper precipitation plant was shut down in 1988.

In 1980, the company redefines its "Expansion Plan" which consisted in a substantial increase of the mine stripping program, the construction of a new concentrator with a 62,500 tons per day capacity, and a new solvent extraction and electrowinning plant with 60 tons capacity of cathode copper per day.



*New Concentrator 1986.*

The new concentrator was completed in 1986, and the start up on September of that year and the second SX-EW Plant start up in 1989.



*SX-EW II Plant 1989.*

As a result of Mexico's unstable economic situation of the late 80's and the Company's financial burdens imposed by the Expansion program, a bankruptcy declaration was enacted on August 20, 1989, stopping the operation for over two months.

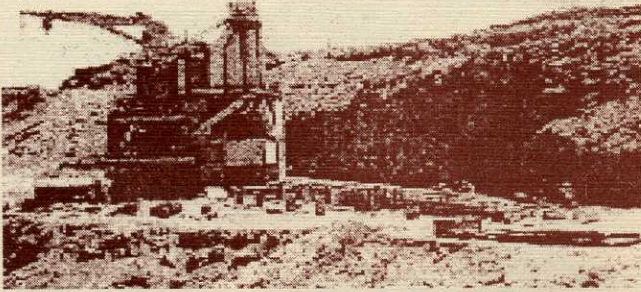
After approximately one year of operations by the Court's appointee, in 1990 the Company was acquired by Grupo Mexico, and the company's name was changed to Mexicana de Cananea, S.A. de C.V.

In 1994, the old mill crusher was rehabilitated and a conveying system for leach material was designed and constructed. The capacity of this system is 10 million tons per year. In 1996, the first in-pit washing and conveying system for leach material was designed and is being built with a capacity of 17.5 million tons per year and start up is planned for 1997.



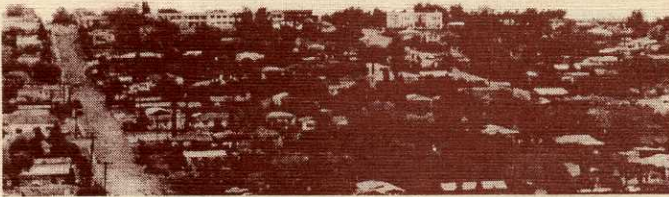
Traditionally, Cananea has supplied most of the copper demanded by the Country. Medium and long range plans of Mexicana de Cananea are considering increasing production from 120,000 to 220,000 tons of copper per year. This production differential will be based principally from a substantial increase in the mine and hydrometallurgical operations, including the optimization of the Concentrator and Smelter.

An additional in-pit crushing and conveying system is being planned for both leach and ore materials to reduce haulage costs and increase recovery from leach dumps.



*In-pit crusher for leach ore. 1997*

Since 1990, Mexicana de Cananea has implemented environmental actions, with the philosophy that mining should be done in an efficient way and in harmony with the environment. Its ongoing and future plans for clean air, water, forest and energy savings are an integral part of the operation.



This is Cananea, this is the "Copper City" which throughout time has continued to emerge triumphantly from economic chaos and critical situations often beyond her control, to rise again, progressive, optimistic and confident of the future and its people who are always willing to contribute to the improvement of the economic conditions of the community and the Country.

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