SECURITIES AND EXCHANGE COMMISSION
FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2001

OR

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

Commission file number 1-14370

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A.
(Exact name of Registrant as specified in its charter)

BUENAVENTURA MINING COMPANY INC.
(Translation of Registrant's name into English)

REPUBLIC OF PERU
(Jurisdiction of incorporation or organization)

CARLOS VILLARAN 790
SANTA CATALINA, LIMA 13, PERU
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares, nominal (par) value of four Peruvian Nuevos Soles per share	New York Stock Exchange Inc.* Lima Stock Exchange
American Depositary Shares (ADSs) representing two Common shares each	New York Stock Exchange Inc.

* Not for trading but only in connection with the registration of ADSs pursuant to the requirements of the Securities Exchange Commission

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Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Common shares nominal (par) value of S/.4.00 per share 137,444,962*
Investment shares nominal (par) value of S/.4.00 per share 372,320

*Prior to May 3, 2002, the Company had Series A common shares, Series B common shares and Investment shares. Since that date, following the redesignation of Series B common shares as Series A common shares and thereafter of Series A common shares as Common shares, the Company has Common shares and Investment shares.

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 ☐

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ☐ Item 18 ☒

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INTRODUCTION

Presentation of Financial Information

As used in this Form 20-F (the "Annual Report" or the "Form 20-F"), unless the context otherwise requires, the "Company" or "Buenaventura" means Compañía de Minas Buenaventura S.A.A. and its consolidated subsidiaries. Unless otherwise specified or the context otherwise requires, references to "$", "US$", "Dollars" and "U.S. Dollars" are to United States Dollars, and references to "S/.", "Nuevo Sol" or "Nuevos Soles" are to Peruvian Nuevos Soles, the legal currency of the Republic of Peru ("Peru").

Buenaventura and its subsidiaries maintain their financial books and records in Nuevos Soles and present their financial statements in conformity with accounting principles generally accepted in Peru ("Peruvian GAAP"). See Note 39 to the audited consolidated financial statements of the Company as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 (the "Company Financial Statements") beginning at page F-2 for a description of the significant differences between the accounting principles followed by the Company under Peruvian GAAP and accounting principles generally accepted in the United States of America ("U.S. GAAP"), and Note 40 to the Company Financial Statements for a reconciliation to U.S. GAAP of net income and shareholders' equity for the periods covered. Pursuant to the rules of the United States Securities and Exchange Commission (the "Commission"), this Annual Report includes certain separate financial statements and other financial information of Minera Yanacocha S.R.L. ("Yanacocha"). Yanacocha maintains its financial books and records in U.S. Dollars and presents its financial statements in accordance with U.S. GAAP. See Note 17 to the audited financial statements of Yanacocha as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 (the "Yanacocha Financial Statements") beginning at page F-68 for a description of the significant differences between the accounting principles followed by Yanacocha under U.S. GAAP and Peruvian GAAP, and Note 18 to the Yanacocha Financial Statements for a reconciliation to Peruvian GAAP of net income and shareholders' equity for the periods covered. Pursuant to Peruvian GAAP, financial data for all periods in the financial statements of the Company included herein have been adjusted for inflation using the *Indice de Precios al por Mayor a Nivel Nacional* (the National Wholesale Price Index for Peru, or the "IPM") published by the *Instituto Nacional de Estadística e Informática* (the National Institute of Statistics, or the "INEI"). See Note 3 to the Company Financial Statements. Unless otherwise specified, financial data regarding the Company are presented herein in accordance with Peruvian GAAP and in constant Nuevos Soles as of December 31, 2001, and financial data regarding Yanacocha is presented herein in accordance with U.S. GAAP and in U.S. Dollars.

The Company Financial Statements record the Company's investment in Yanacocha in accordance with the equity method. The Company's interest in Yanacocha has been calculated at 43.65 percent for the years ended December 31, 2000 and 2001 as described in "Item 5. Operating and Financial Review and Prospects—The Company—General" and Note 11 to the Company Financial Statements.

In 1989, the Peruvian accounting standards board approved the inclusion in the financial statements of each Peruvian company of the *Resultado por Exposición a la Inflación* ("Result from Exposure to Inflation"), which seeks to account for the effects of inflation or deflation by adjusting the value of non-monetary assets and liabilities by a factor corresponding to the inflation or deflation rate during the period covered by the financial statements. Monetary assets and liabilities are not adjusted. The net result of the adjustment is reflected in the "Result from Exposure to Inflation" line item of the income statement. This requirement was applied to the Company in 1991 and thereafter. See Note 3 to the Company Financial Statements. The inflation adjustment factors used in the calculation of the Result from Exposure to Inflation since 1991 are a function of the IPM. The IPM increased by 5.0 percent in 1997, 6.5 percent in 1998, 5.5 percent in 1999, 3.8 percent in 2000 and decreased by 2.2 percent in 2001.

Exchange Rates

This Annual Report contains translations of certain Nuevo Sol amounts into Dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Nuevo Sol amounts actually represent such equivalent Dollar amounts or could be converted into Dollars at the rate indicated as of the dates mentioned herein or at all. Unless otherwise indicated, such Dollar amounts have been translated from Nuevos Soles at an exchange rate of S/.3.446 = US$1.00, the average of the market exchange rates for the purchase and sale of Dollars on December 31, 2001. The translation of amounts expressed in nominal or constant Nuevos Soles with purchasing power as of a specified date by the then-prevailing exchange rate may result in presentation of Dollar amounts that differ from the Dollar amounts that would have been obtained by translating nominal or constant Nuevos Soles with purchasing power as of another specified date by the prevailing exchange rate on that specified date. See "Item 3. Key Information—Exchange Rates" for information regarding the average rates of exchange between the Nuevo Sol and the Dollar for the periods specified therein.

Certain amounts and percentages have been rounded for presentation purposes and may not sum exactly.

Forward-Looking Statements

Certain statements contained in this Annual Report contain "forward-looking" information (as defined in the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties, including those concerning the Company's and Yanacocha's costs and expenses, results of exploration, the continued improving efficiency of operations, prevailing market prices of gold, silver and other metals mined, the success of joint ventures, estimates of future exploration, development and production, subsidiaries' plans for capital expenditures, estimates of reserves and Peruvian political, economic and legal developments. These forward-looking statements reflect the Company's view with respect to the Company's and Yanacocha's future financial performance. Actual results could differ materially from those projected in the forward-looking statements as a result of a variety of factors discussed elsewhere in this Annual Report, including but not limited to those discussed under "Item 3. Key Information—Risk Factors".

PART I

ITEM 1. Identity of Directors, Senior Management and Advisers

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

Selected Financial Data

Company Selected Financial Information and Operating Data

The following information should be read in conjunction with, and is qualified in its entirety by reference to, the Company Financial Statements including the Notes thereto appearing elsewhere in this Annual Report. The selected financial information as of December 31, 2000 and 2001, and for the three years ended December 31, 1999, 2000 and 2001, is derived from the Company Financial Statements appearing elsewhere in this Annual Report. The report of Medina, Zaldivar y Asociados (a member firm of Arthur Andersen) on the Company Financial Statements appears elsewhere in this Annual Report. The Company Financial Statements are prepared and presented in accordance with Peruvian GAAP, which differ in certain respects from U.S. GAAP. Note 39 to the Company Financial Statements provides a description of the principal differences between Peruvian GAAP and U.S. GAAP as such differences relate to the Company, and Note 40 to the Company Financial Statements provides a reconciliation to U.S. GAAP of the Company's net income for the years ended 1999, 2000 and 2001, and shareholders' equity as of December 31, 2000 and 2001. The selected financial information as of December 31, 1997, 1998 and 1999 and for the years ended December 31, 1997 and 1998 has been derived from the Company's financial statements as of and for the years then ended, which have been audited by Medina, Zaldivar y Asociados, but are not included in this Annual Report. The operating data presented below is derived from the Company's records and has not been subject to audit. The financial information and operating data presented below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects—The Company" and the Company Financial Statements and the related Notes thereto and other financial information included in this Annual Report.

	As of and for the year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(In thousands of constant S/.)[1]					(In thousands of US$)[1][2]
Income statement data:						
Peruvian GAAP						
Net sales	216,955	203,909	354,023	421,255	505,307	146,636
Royalty income	0	38,218	49,234	51,559	54,248	15,742
Total revenues	216,955	242,127	403,257	472,814	559,555	162,378
Costs of operation						
Operating costs	(167,401)	(166,467)	(242,597)	(272,922)	(286,235)	(83,063)
Exploration and development costs in operative mining sites	(21,541)	(43,339)	(32,822)	(30,640)	(55,992)	(16,248)
Royalties	(8,574)	(5,776)	(4,647)	(9,486)	(13,051)	(3,787)
Total costs of operation	(197,516)	(215,582)	(280,066)	(313,048)	(355,278)	(103,098)
Gross margin	19,439	26,545	123,191	159,766	204,277	59,280
Operating expenses						
General and administrative	(42,273)	(47,646)	(62,994)	(62,521)	(59,405)	(17,239)
Assets impairment loss and write-off	0	0	(3,258)	0	(22,961)	(6,663)
Exploration costs in non-operative mining areas	(11,672)	(18,775)	(43,425)	(40,405)	(46,223)	(13,414)
Sales	(13,270)	(13,009)	(25,926)	(28,536)	(25,888)	(7,512)
Total operating expenses	(67,215)	(79,430)	(135,603)	(131,462)	(154,477)	(44,828)
Operating results	(47,776)	(52,885)	(12,412)	28,304	49,800	14,452
Other income (expenses)						
Share in affiliated companies	230,378	180,834	209,427	273,862	196,830	57,118
Interest income	40,106	22,892	4,479	6,381	13,347	3,873
Result from exposure to inflation	(3,117)	13,527	4,369	2,444	1,599	464
Amortization of mining concessions and goodwill	(67,612)	(29,633)	(5,717)	(5,991)	(14,699)	(4,266)
Interest expense	(10,930)	(6,532)	(10,103)	(8,865)	(17,429)	(5,058)
Other, net	(18,181)	12,773	(8,027)	74,071	5,429	1,575
Total other income, net	170,644	193,861	194,428	341,902	185,077	53,706
Income before unusual items, workers' profit sharing, income tax, minority interest and cumulative effect of changes in accounting principles	122,868	140,976	182,016	370,206	234,877	68,158
Unusual item – write-off of oil operations	0	(13,871)	0	0	0	0
Workers' profit sharing	0	0	0	(4,270)	(678)	(197)
Income tax	0	(11,311)	(14,708)	(26,890)	(24,527)	(7,118)
Income before minority interest and cumulative effect of changes in accounting principles	122,868	115,794	167,308	339,046	209,672	60,843
Minority interest	1,883	(7,986)	(5,950)	(31,600)	3,905	1,133
Cumulative effect of changes in accounting principles	0	0	0	(62,512)	0	0
Net income	124,751	107,808	161,358	244,934	213,557	61,976
Income per share[3]	0.91	0.85	1.28	1.94	1.69	0.49
Income per ADS[3]	1.82	1.70	2.56	3.88	3.38	0.98
Dividends per share[3]	0.22	0.26	0.26	0.27	0.36	0.10
Average number of shares outstanding	137,818,282	126,252,152	126,252,152	126,252,152	126,608,152	126,608,152

	As of and for the year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(In thousands of constant S/.)(1)					(In thousands of US$)(1)(2)
U.S. GAAP						
Operating results	(97,016)	(95,926)	(89,345)	(15,380)	7,572	2,197
Net income	127,159	93,963	135,036	232,785	160,343	46,530
Income per share(3)	0.92	0.74	1.07	1.84	1.27	0.37
Comprehensive income per share	0.92	0.74	1.17	1.18	1.19	0.35
Income per ADS (3)	1.84	1.48	2.14	3.68	2.54	0.74
Balance sheet data:						
Peruvian GAAP						
Total assets	1,194,932	1,130,986	1,316,443	1,598,706	1,857,950	539,162
Total debt	244,480	89,589	63,299	103,674	246,904	71,650
Shareholders' equity	895,113	957,454	1,085,479	1,303,266	1,484,859	430,893
U.S. GAAP						
Total assets	1,169,724	1,094,180	1,263,800	1,576,914	1,852,355	537,538
Shareholders' equity	871,228	927,991	1,044,570	1,237,838	1,356,917	393,766
Operating data (unaudited):(4)						
Production:						
Gold (oz.)	61,520	35,944	55,072	131,475	208,874	
Silver (oz.)	9,995,469	10,951,769	10,917,023	10,736,024	12,473,284	
Proven and probable reserves						
Gold (oz.)	78,135	99,481	184,204	246,861	206,232	
Silver (oz.)	44,034,247	48,665,395	61,498,606	63,856,169	59,967,350	

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(1) Except per share, per ADS, outstanding share and operating data.

(2) Translated into U.S. Dollars at the rate of S/.3.446=US$1.00, the average of the market exchange rates for the purchase and sale of U.S. Dollars as of December 31, 2001 as published by the *Superintendencia de Banca y Seguros* (Superintendency of Banks and Insurance or "SBS").

(3) The earnings and dividends per share have been calculated for each year as net income divided by average number of shares outstanding during the year. The average shares outstanding includes Series A Shares, Series B Shares and Investment Shares. The earnings per ADS have been calculated on the basis of two Series B Shares per ADS. As of December 31, 2001, the total number of Series A Shares, Series B Shares, ADSs and Investment Shares outstanding was 43,088,754, 94,356,208 and 372,320, respectively.

(4) The amounts in this table are calculated to reflect the percentages owned by the Company in each year, 1997 through 2001. As of December 31, 2001, the Company's ownership percentages for the relevant companies were as follows: Julcani, 100%; Uchucchacua, 100%; Orcopampa, 100%; Recuperada, 100%; Ishihuinca, 78.04%; Antapite, 78.04%; Minera Shila, 100%; Minera Paula 49, 51.0%; Huallanca, 100%; Colquijirca, 59.66%; (El Brocal, 30.45%); Chaupiloma, 60.0%; Cedimin, 100% and Minas Conga, 60.0%.

Yanacocha Selected Financial Information and Operating Data

The following table presents selected financial information and operating data for Yanacocha at the dates and for each of the periods indicated. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Yanacocha Financial Statements, which have been audited by Medina, Zaldivar y Asociados. The report of Medina, Zaldivar y Asociados on the Yanacocha Financial Statements appears elsewhere in this Annual Report. The Yanacocha Financial Statements are prepared and presented in accordance with U.S. GAAP, which differ in certain respects from Peruvian GAAP. Note 17 to the Yanacocha Financial Statements provides a description of the principal differences between U.S. GAAP and Peruvian GAAP, as such differences relate to Yanacocha, and Note 18 to the Yanacocha Financial Statements provides a reconciliation to Peruvian GAAP of Yanacocha's net income for the years ended 1999, 2000 and 2001 and partners' equity as of December 31, 2000 and 2001. The operating data presented below, which is based on 100 percent of Yanacocha's production and reserves, is derived from Yanacocha's records and has not been subject to audit. The financial information presented below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects—Yanacocha" and the Yanacocha Financial Statements and the related Notes thereto and other financial information included in this Annual Report.

	As of and for the year ended December 31,				
	1997	1998	1999	2000	2001
	(In thousands of US$)[1]				
Income statement data:					
U.S. GAAP					
Sales and other income:					
Sales	344,299	392,522	464,361	491,791	517,800
Interest and other	4,148	3,225	3,851	3,602	1,767
	348,447	395,747	468,212	495,393	519,567
Costs and expenses:					
Costs applicable to sales	(103,173)	(142,546)	(189,296)	(172,439)	(242,125)
Depreciation and depletion	(34,377)	(49,754)	(51,888)	(62,357)	(75,924)
Exploration costs	(10,807)	(11,194)	(9,455)	(10,349)	(12,020)
Remediation costs	-	-	-	(9,965)	(220)
Total operating expenses	(148,357)	(203,494)	(250,639)	(255,110)	(330,289)
Operating income	200,090	192,253	217,573	240,283	189,278
Interest expense and other	(6,743)	(11,121)	(14,562)	(6,516)	(13,698)
Pre-tax income	193,347	181,132	203,011	233,767	175,580
Income tax provision	(58,331)	(45,092)	(54,049)	(41,897)	(40,705)
Net income before cumulative effect of change in accounting principles	135,016	136,040	148,962	191,870	134,875
Cumulative effect of change in accounting principle, net	0	0	0	(4,986)	0
Net income and comprehensive income	135,016	136,040	148,962	186,884	134,875
Peruvian GAAP					
Operating income	163,566	157,904	182,486	162,786	97,209
Net income	113,222	122,006	134,548	136,734	80,927
Balance sheet data:					
U.S. GAAP					
Total assets	310,014	381,479	495,890	726,581	919,093
Total debt	121,825	103,853	101,102	141,277	198,301
Partners' equity	127,948	190,766	259,728	386,546	511,421
Peruvian GAAP					
Total assets	238,556	289,375	359,381	516,450	628,507
Partners' equity	76,034	124,818	179,366	256,034	326,961
Operating data (unaudited):					
Gold produced (oz.)	1,052,806	1,335,754	1,655,830	1,795,398	1,902,489
Gold proven and probable reserves (thousands of oz.)	13,882	20,615	32,862	36,553	34,173
Average cash production cost (US$ per oz.)[2]	95	104	111	96	123

(1) Except operating data.
(2) Cash production cost is calculated by dividing costs applicable to sales (excluding non-cash provisions for reclamation and closure costs) by the number of ounces of gold produced.

Exchange Rates

The following table sets forth the high and low month-end rates and the average and end-of-period offered rates for the sale of Nuevos Soles in U.S. Dollars for the period indicated, as published by the SBS. The Federal Reserve Bank of New York does not report a noon buying rate for Nuevos Soles.

Exchange Rates
(Nuevos Soles per US$)(1)

Year	High(2)	Low(2)	Average(3)	Period end(4)
1997	2.729	2.641	2.662	2.729
1998	3.154	2.768	2.928	3.154
1999	3.508	3.331	3.470	3.508
2000	3.531	3.487	3.493	3.525
2001	3.623	3.434	3.506	3.444
2001	**High(5)**	**Low(5)**	**Average(6)**	**Period end(7)**
December	3.446	3.441	3.444	3.446
2002				
January	3.478	3.476	3.477	3.478
February	3.471	3.469	3.470	3.471
March	3.446	3.445	3.446	3.446
April	3.435	3.433	3.434	3.435
May	3.450	3.448	3.449	3.450
June (through June 19)	3.474	3.464	3.468	3.474

(1) Expressed in nominal (not inflation adjusted) Nuevos Soles.
(2) Highest and lowest of the twelve month-end exchange rates for each year based on the offered rate.
(3) Average of month-end exchange rates based on the offered rate.
(4) End of period exchange rates based on the offered rate.
(5) Highest and lowest of the exchange notes based on the offered rate on the last day of each month.
(6) Average of the exchange rates based on the offered rate on the last date of each day in the relevant month.
(7) The exchange rate based on the offered rate on the last day of each relevant month.
Source: SBS

On June 19, 2002, the offered rate for Dollars as published by the SBS was S/.3.474 = US$1.00.

Capitalization and Indebtedness

Not applicable.

Reasons for the Offer and Use of Proceeds

Not applicable.

Risk Factors

Factors Relating to the Company

Dependence on Joint Ventures

An integral part of the Company's operations is the participation in joint venture projects with experienced mining companies. At the date of this Annual Report, the Company was participating in several joint-operating agreements, joint ventures and other joint exploration and mining enterprises and companies, including Yanacocha. Joint venture projects benefit the Company by providing a source of outside funds for exploration of mining rights, by giving the Company access to the holdings of outside parties without the risk and costs of outright acquisition and by associating Company senior management, geologists and engineers with their counterparts from other organizations and thus expanding their scope of knowledge and experience. The Company can be highly dependent upon its partners, co-venturers or other shareholders in a joint venture carrying out their obligations under the applicable joint venture agreement or joint operating agreement. Such partners, co-venturers and other shareholders in a joint venture may contribute capital to cover the expenses of the joint venture project or provide critical technological expertise and/or management and organizational expertise. See "Item 4. Information on the Company—Yanacocha—Overview" for a description of how the Company and Newmont Mining Corporation, a Delaware corporation ("Newmont Mining"), have joined together to participate in Yanacocha and how Yanacocha is dependent upon Newmont Peru Limited, Peruvian Branch ("Newmont Peru") to provide management and other expertise to the Yanacocha project. If, however, a partner, a co-venturer or in certain cases another shareholder does not carry out its obligations under the applicable joint venture agreement, joint operating agreement, by-laws or shareholders agreement, the value of the Company's investment in the joint venture could be adversely affected and the Company could incur significant expense in enforcing its rights or pursuing remedies. There can be no assurance that the Company's current or future partners will fulfill their obligations under such agreements. See "Item 4. Information on the Company—Yanacocha" and "Item 4. Information on the Company—The Company—Business Overview—Exploration".

Prices of Gold and Silver

Because the Company's revenues are derived primarily from the sale of ore concentrates containing gold and silver, and Yanacocha's revenues are derived primarily from the sale of gold and silver, the prices the Company and Yanacocha obtain for gold and silver and concentrates containing such metals, and the Company's and Yanacocha's earnings, are directly related to world market prices for such metals. Such prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including the overall demand for and worldwide supply of gold, silver and other metals, the availability and price of competing commodities, international economic trends, currency exchange fluctuations, expectations of inflation, actions of commodity markets participants, consumption and demand patterns and political events in major producing countries. For information on gold and silver prices for each of the years in the five-year period ended December 31, 2001, see "Item 4. Information on the Company—The Company—Business Overview—Sales of Metal Concentrates". On December 31, 2001 and May 31, 2002, the morning fixing price for gold on the London Bullion Market was US$276.50 per ounce and US$326.60 per ounce, respectively. On December 31, 2001 and May 31, 2002, the afternoon fixing spot price of silver on the London market (the "London Spot") was US$4.61 per ounce and US$5.02 per ounce, respectively.

Impact of Government Regulation

The Company's and Yanacocha's activities in Peru are dependent on mining concessions for exploration and development (hereinafter referred to as "mining concessions") being obtained from the Peruvian Ministry of Energy and Mines ("MEM") and provisional permits for exploration and/or development rights of the area of the claim obtained also from the MEM (hereinafter referred to as "provisional permits," and together with mining concessions, hereinafter referred to as "mining rights"), and/or processing concessions for treatment of mining ores obtained from the MEM (hereinafter referred to as "processing concessions"), previously granted by the Peruvian government with respect to the Company's and Yanacocha's mining activities, as well as compliance by the Company and Yanacocha with certain agreements entered into with the Peruvian government. Under the current legal and regulatory regime in Peru, the Company's and Yanacocha's mining rights have an indefinite term and are maintained by meeting a minimum annual level of production or investment and by the annual payment of a concession fee. A fine is payable for the years in which minimum production or investment requirements are not met. Failure to pay such concession fees or fines for two consecutive years could result in the loss of one or more of the mining rights. The Company's and Yanacocha's processing concessions also have an indefinite term, subject to payment of a fee based on nominal capacity for the processing plant. Failure to pay such processing fees or fines for two consecutive years could result in the loss of the processing concessions. The Company is, and Yanacocha has informed the Company that Yanacocha is, current in the payment of all amounts due in respect of its mining and processing concessions.

Environmental and other Regulatory Matters

The Company's and Yanacocha's exploration, mining, milling, smelting and refining activities are also subject to a number of Peruvian laws and regulations, including environmental laws and regulations. Additional matters subject to regulation, include, but are not limited to, concession fees, transportation, production, water use and discharges, power generation and use, use and storage of explosives, surface rights, housing and other facilities for workers, reclamation, taxation, labor standards, mine safety and occupational health.

The Company anticipates that additional laws and regulations will be enacted over time with respect to environmental matters. The development of more stringent environmental protection programs in Peru could impose constraints and additional costs on the Company's and Yanacocha's operations and require the Company and Yanacocha to make significant additional capital expenditures in the future. Although the Company believes that it is substantially in compliance, and Yanacocha has advised the Company that Yanacocha is substantially in compliance, with all applicable environmental regulations of which it is now aware, there is no assurance that future legislative or regulatory developments will not have an adverse effect on the business or results of operations of the Company or Yanacocha. See "Item 4. Information on the Company—The Company—Regulatory Framework—Environmental Matters" and "—Permits" and "Item 4. Information on the Company—Yanacocha—Regulation, Permitting and Environmental Matters".

Hedging

The Company engages in gold, silver and zinc price hedging activities, such as forward sales and options contracts, to minimize its exposure to fluctuations in the prices of such metals. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk". The intended effect of hedging transactions is to lock in a minimum sales price for future production at the time of the transactions, thereby reducing the impact on the Company of a future fall in such metals' prices. However, no assurances can be given as to whether, when or at what prices or cost the Company will be able to enter into hedging transactions and whether the Company's hedging activities will effectively protect the Company from adverse consequences of price fluctuations. The effect of some hedging transactions will be to eliminate or limit to some extent revenues that the Company would otherwise receive as a result of increases in the price of gold, silver and zinc. A forward sale of gold, for example, would mean the Company would not realize any additional revenues above the gold price specified in the contract. The Company's profitability could be adversely affected if for any reason its production of gold is unexpectedly interrupted for a significant period of time and as a result it is unable to produce sufficient gold to cover any forward sales commitments it may have made. No assurance can be given that the Company will employ these or other hedging techniques in the future or that these or other hedging techniques, if employed, will be successful or achieve their desired effect.

Yanacocha has generally not engaged in, and is currently not engaged in, gold price hedging activities, such as forward sales or option contracts, to minimize its exposure to fluctuations in the price of gold. No assurance can be given, however, that Yanacocha will not enter into hedging transactions in the future or that such transactions, if entered into, will have the desired effect.

Speculative Nature of Precious Metals Exploration and Development

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

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

Capital Intensive Nature of Precious Metals Exploration and Development

Precious metals exploration and development requires substantial capital expenditures for the exploration, extraction, production and processing stages and for machinery, equipment and experienced personnel. There is no assurance that the Company or Yanacocha will generate sufficient cash flow and/or that it will have access to sufficient external sources of funds in the form of outside investment or loans to continue its exploration and development activities at the same or higher levels than in the past.

Reserves Estimates

The proven and probable ore reserve figures presented in this Annual Report are estimates of the Company and Yanacocha, and no assurance can be given that the indicated level of recovery of gold, silver and certain other metals will be realized. Reserve estimates may require revision based on actual production experience. Market price fluctuations of gold, silver and these other metals, as well as increased production costs or reduced recovery rates, may render proven and probable ore reserves containing relatively lower grades of mineralization uneconomic to exploit and may ultimately result in a restatement of proven and probable ore reserves. Moreover, short-term operating factors relating to the reserves, such as the processing of different types of ore or ore grades, could adversely affect the Company's or Yanacocha's profitability in any particular accounting period. See "Item 4. Information on the Company—Property, Plants and Equipment—The Company's Property—Reserves" and "Item 4. Information on the Company—Property, Plants and Equipment—Yanacocha's Properties—Reserves".

Replacement of Reserves

As the Company produces gold, silver, zinc and other metals, it depletes its reserves for those metals. The depleted reserves must be replaced by expanding known ore bodies or by locating new deposits in order for the Company to maintain its production levels over the long term. Success in exploration for gold, silver and the other metals the Company produces is very uncertain and there is a risk that the Company's depletion of reserves will not be offset by new discoveries.

Industry Risks

The business of mining, smelting and refining gold, silver and other metals is generally subject to a number of risks and hazards, including industrial accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards and weather and other natural phenomena such as earthquakes. Such occurrences could result in damage to, or destruction of, mining properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company and Yanacocha each maintain insurance against risks that are typical in the mining industry in Peru and in amounts that the Company and Yanacocha believe to be adequate but which may not provide adequate coverage in certain circumstances. Insurance against certain risks (including certain liabilities for environmental pollution or other hazards as a result of exploration and production) is not generally available to the Company or Yanacocha or to other companies within the industry.

Labor Matters

From time to time, the Company has experienced strikes which have had an adverse impact on its operations and operating results. Although the Company considers its relations with its employees to be good, there can be no assurance that this situation will continue and that the Company will not experience strikes or other labor-related work stoppages that could have a material adverse effect on its operations or its operating results. Yanacocha has not experienced strikes, has no labor unions and has not entered into any collective bargaining agreements since the beginning of its operations, and Yanacocha has informed the Company that it considers its relations with its employees to be good. However, there can be no assurance that this situation will continue and that Yanacocha will not experience strikes or other labor-related work stoppages that could have a material adverse effect on its operations or its operating results. See "Item 6. Directors, Senior Management and Employees—Employees" and "Item 4. Information on the Company—Yanacocha—Employees".

Investment Company Act

The Company owns a 43.65 percent partnership interest in Yanacocha. This partnership interest may constitute "investment securities" for purposes of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act").

Under the Investment Company Act, an investment company is defined in relevant part to include (i) any company that is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities and (ii) any company that owns or proposes to acquire investment securities having a value exceeding 40 percent of such company's total assets (exclusive of certain items) on an unconsolidated basis. Issuers that are investment companies within the meaning of the Investment Company Act, and which do not qualify for an exemption from the provisions of such act, are required to register with the Commission and are subject to substantial regulations with respect to capital structure, operations, transactions with affiliates and other matters. If the Company were deemed to be an investment company and did not qualify for an exemption from the provisions of the Investment Company Act, the Company would be required to register with the Commission and would be subject to such regulations which would be unduly burdensome and costly for the Company and possibly adversely impact the Company.

The Company received an order from the Commission on April 19, 1996 declaring it to be primarily engaged in a business other than that of an investment company and, therefore, not an investment company within the meaning of the Investment Company Act. The Company intends to conduct its operations and maintain its investments in a manner, and will take appropriate actions as necessary, to ensure it will not be deemed to be an investment company in the future. The Commission, however, upon its motion or upon application, may find that the circumstances that gave rise to the issuance of the order no longer exist, and as a result may revoke such order. There can be no assurance that such order will not be revoked.

Factors Relating to Peru

Exposure to Peruvian Political Risk

All of the Company's and Yanacocha's operations are conducted in Peru. Accordingly, the business, financial condition or results of operations of the Company and Yanacocha could be affected by changes in economic or other policies of the Peruvian government or other political, regulatory or economic developments in Peru.

During the past several decades, Peru has had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently played an interventionist role in the nation's economy and social structure. Among other things, past governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, have restricted the ability of companies to dismiss employees, have expropriated private sector assets (including mining companies) and have prohibited the remittance of profits to foreign investors.

During the 1980s, government policies restricted the ability of the Company, among other things, to repatriate funds and import products from abroad. In addition, currency exchange rates were strictly controlled, and all exports sales were required to be deposited in Peru's Banco Central de Reserva (the "Central Bank"), where they were exchanged from U.S. Dollars to Peruvian currency at less-than-favorable rates of exchange. These policies generally affected the results of operations of the Company. Controls on repatriation of funds limited the ability of the Company's shareholders to receive dividends outside of Peru, but did not limit the ability of the Company's shareholders to receive distributions of earnings in Peru. See "Item 10. Additional Information—Exchange Controls".

In July 1990, Alberto Fujimori was elected president, and his administration implemented a broad-based reform of Peru's political system, economy and social conditions, aimed at stabilizing the economy, restructuring the national government by reducing bureaucracy, privatizing state-owned companies, promoting private investment, developing and strengthening free markets, institutionalizing democratic representation and enacting programs for the strengthening of basic services related to education, health, housing and infrastructure. As part of Fujimori's program of reform, Congress was dissolved in April 1992, and a democratically elected congressional body was reestablished in November 1992. A new Constitution was enacted and ratified in the fourth quarter of 1993.

In April 1995, Fujimori was elected to a second five-year term of office as provided by the Constitution enacted in 1993. During Fujimori's second term, inflation continued to decrease and GDP increased.

On May 28, 2000, as a result of an election run-off with Alejandro Toledo, a former Peruvian business school professor, Fujimori was reelected to a third five-year term of office with approximately 74% of the votes counted. After several national and international institutions charged the elections were unfair and political scandal involving several government officials, Fujimori called for new elections to be held in 2001. Amid increasing pressure on Fujimori to resign, on November 19, 2000, Fujimori resigned his post from Tokyo, Japan, and has not returned to Peru since then. New elections were subsequently held on April 8, 2001 and a run-off election was held on June 3, 2001, in which Mr. Alejandro Toledo was elected President.

President Toledo's government has largely retained the economic policies of the previous government, focusing on promoting private investment, privatizing state-owned companies in various sectors including energy, mining and public services, eliminating exemptions to tributary obligations and reducing unemployment.

Risks of Inflation, Reduced Economic Growth and Currency Devaluation

Over the past several decades, Peru has experienced periods of high inflation, slow or negative economic growth and substantial currency devaluation. The inflation rate in Peru, as measured by the *Indice de Precios al Consumidor* ("IPC") and published by INEI, has fallen from a high of 7,649.7 percent in 1990 to 6.5 percent in 1997, 6.0 percent in 1998, 5.0 percent in 1999, 3.7 percent in 2000 and -2.2 percent in 2001. The Peruvian currency has been devalued numerous times during the last 20 years. The devaluation rate has decreased from a high of 4,019.3 percent in 1990 to 4.9 percent in 1997, 15.8 percent in 1998, 11.2 percent in 1999, 0.5 percent in 2000 and -2.3 percent in 2001. The Company's revenues are almost entirely denominated in U.S. Dollars, and its operating expenses are primarily denominated in Nuevos Soles. If inflation in Peru were to increase without a corresponding devaluation of the Nuevo Sol relative to the U.S. Dollar, the financial position and results of operations of the Company, and the market price of the Common Shares and the American Depository Shares ("ADSs"), could be affected. Although the Peruvian government's stabilization plan has significantly reduced inflation, and the Peruvian economy has experienced strong growth in recent years, there can be no assurance that inflation will not increase from its current level or that such growth will continue in the future at similar rates or at all.

Among the economic circumstances that could lead to a devaluation would be the decline of Peruvian foreign reserves to inadequate levels. Peru's foreign reserves at December 31, 2001 were US$ 8.6 billion as compared to US$8.2 billion at December 31, 2000. There can be no assurance that Peru will be able to maintain adequate foreign reserves to meet its foreign currency denominated obligations, or that Peru will not devalue its currency should its foreign reserves decline. See "Item 3. Key Information—Exchange Rates".

Peru's current account deficit is being funded partially by foreign direct investment. There can be no assurance that foreign direct investment will continue at current levels, particularly if adverse political or economic developments in Peru arise, a development that may also contribute to devaluation pressure.

Exchange and Investment Controls

Peruvian law currently imposes no restrictions on the ability of companies operating in Peru to transfer foreign currency from Peru to other countries, to convert Peruvian currency into foreign currency or foreign currency into Peruvian currency or to remit dividends abroad or on the ability of foreign investors to liquidate their investment and repatriate their capital. Prior to 1991, Peru had restrictive exchange controls and exchange rates. During the latter part of the 1980s, exchange restrictions prevented payment of dividends to the Company's shareholders in the United States in U.S. Dollars.

Accordingly, should such or similar controls be instituted, dividends paid to holders of Common Shares and, consequently, holders of American Depositary Receipts ("ADRs"), could be affected. There can be no assurance that the Peruvian government will continue to permit such transfers, remittances or conversion without restriction. See "Item 10. Additional Information—Exchange Controls".

Corporate Disclosure and Accounting Standards

The Company prepares its financial statements using Peruvian GAAP, which differ in certain material respects from U.S. GAAP. Thus, the presentation of Peruvian financial statements and reported earnings may not be comparable to those companies whose financial statements are prepared in accordance with U.S. GAAP. See Note 39 to the Company Financial Statements for a description of the significant differences between Peruvian GAAP and U.S. GAAP, as such differences relate to the Company, and Note 40 for a reconciliation to U.S. GAAP of the Company's net income and shareholders' equity for the period included therein.

Enforceability of Civil Liabilities

The Company is organized under the laws of Peru. A significant majority of the Company's directors and officers reside outside the United States (principally in Peru). All or a substantial portion of the assets of such persons or the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or to enforce against them in federal or state courts in the United States judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The Company has been advised by its Peruvian counsel, that there is uncertainty as to the enforceability, in original actions in Peruvian courts, of liabilities predicated solely under the United States federal securities laws and as to the enforceability in Peruvian courts of judgments of United States courts obtained in actions predicated upon the civil liability provisions of the United States federal securities laws.

Factors Relating to the Common Shares and ADSs

Voting Rights; Effective Control by Principal Shareholders

The aggregate percentage of the economic interest of the outstanding share capital of the Company held by Alberto Benavides de la Quintana, the Company's Chairman and former Chief Executive Officer, and certain members of his immediate and extended family and their spouses (collectively, the "Benavides Family") as of December 31, 2001 was 28.23 percent. Because of the significant ownership interest the Benavides family holds in the Company and because the Investment Shares do not have voting rights, the Benavides Family has the power to elect a significant number of the outstanding directors and has a significant influence over the outcome of substantially all matters to be decided by a vote of shareholders. In addition, under the terms of the Amended and Restated Deposit Agreement dated May 3, 2002, among the Company, The Bank of New York, as depositary (the "Depositary"), and the owners and beneficial owners of ADSs (the "Amended and Restated Deposit Agreement") relating to the Company's ADRs, if holders of ADRs do not provide the Depositary with timely instructions for the voting of Common Shares represented by such ADRs, the Depositary will be deemed to be instructed to give a person designated by the Company, which person will likely be Alberto Benavides de la Quintana, a discretionary proxy to vote such shares, unless the Company informs the Depositary that the Company does not wish such proxy to be given.

Fewer and Less Well Defined Shareholders' Rights

The Company's shareholders have fewer and less well-defined rights under applicable Peruvian law than they might have as shareholders of a corporation incorporated in a jurisdiction of the United States or certain other countries.

Shares Eligible for Future Sale

Sales of a substantial number of shares of the Company by Alberto Benavides de la Quintana and certain other members of the Benavides Family could materially and adversely affect prevailing market prices for the Commmon Shares and ADSs. There is no contractual restriction on the disposition of shares of the Company's share capital by its shareholders, including the Benavides Family.

Possible Inability of ADS Holders to Exercise Preemptive Rights

Holders of the ADSs are, under Peruvian law, entitled to exercise preemptive rights and accretion rights on the Common Shares underlying the ADSs in the event of any future capital increase by the Company unless (x) the increase is approved, expressly stating that the shareholders have no preemptive rights to subscribe and pay for the Shares to be issued in such increase, by holders of Common Shares, holding at least 40 percent of the Common Shares, at a properly called meeting with a proper quorum and (y) the increase is not designed to improve directly or indirectly the shareholding of any shareholder. However, United States holders of ADSs may not be able to exercise through the Depositary for the ADSs the preemptive rights and accretion rights for Common Shares underlying their ADSs unless a registration statement under the Securities Act of 1933, as amended (the "Securities Act"), is effective with respect to such rights or an exemption from the registration requirement thereunder is available. Any such rights offering would have a dilutive effect upon shareholders who are unable or unwilling to exercise their rights. The Company intends to evaluate at the time of any rights offering the costs and potential liabilities associated with any registration statement as well as the benefits to it of enabling the holders of ADSs to exercise such rights and then will make a decision as to whether to file such a registration statement. Therefore, no assurance can be given that any such registration statement would be filed. To the extent that holders of ADSs are unable to exercise such rights because a registration statement has not been filed and no exemption from such registration statement under the Securities Act is available, the Depositary will, to the extent practicable, sell such holders' preemptive rights or accretion rights and distribute the net proceeds thereof, if any, to the holders of ADSs and such holders' equity interest in the Company would be diluted proportionately. The Depositary has discretion to make rights available to holders of ADSs or to dispose of such rights and to make any net proceeds available to such holders. If, by the terms of any rights offering or for any other reason, the Depositary is not able to make such rights or such net proceeds available to any holder of ADSs, the Depositary may allow the rights to lapse.

ITEM 4. Information on the Company

THE COMPANY

History and Development

Overview

Buenaventura is Peru's largest publicly-traded precious metals company. The Company is engaged in the mining, processing, development and exploration of gold, silver and, to a lesser extent, other metals, in Peru. The Company currently operates three mines (Julcani, Uchucchacua and Orcopampa) and has controlling interests in five mining companies which have controlling interests in the Antapite, Colquijirca, Ishihuinca, Shila and Paula mines. In March 2001, the Company ceased operations at the Recuperada mine, and in March 2002, the Company sold its 100 percent interest in Minera Huallanca S.A.C. ("Minera Huallanca") to BHL-Perú S.A.C. See "—Recent Developments—Suspension of Operations at Recuperada" and "—Sale of Interest in Minera Huallanca S.A.C." The Company also owns an electric power transmission company and an engineering services consulting company and has minority interests in several other mining companies, including a significant ownership interest in Yanacocha, a Peruvian partnership that operates South America's largest gold mine. In 2001, the Julcani, Uchucchacua, Orcopampa, Recuperada, Antapite, Colquijirca, Ishihuinca, Shila, Paula and Huallanca mines produced 222,625 ounces of gold, 14,830,993 ounces of silver and 69,735 short tons of zinc. Yanacocha produced approximately 1,902,489 ounces of gold and 1,466,172 ounces of silver. The Company's equity share of production in 2001 was 1,039,310 ounces of gold, 13,113,268 ounces of silver and 31,693 short tons of zinc including 830,436 ounces of gold and 639,984 ounces of silver for Yanacocha. For the year ended December 31, 2001, the Company's net sales were approximately S/.505.3 million (US$146.6 million), and its net income was approximately S/.213.6 million (US$62.0 million).

Compañía de Minas Buenaventura S.A.A., a *sociedad anónima abierta* (open stock company) under the laws of Peru, was originally established in 1953 as a *sociedad anónima* (company) under the laws of Peru, and currently operates under the laws of Peru. The Company's registered office is located at Carlos Villarán 790, Santa Catalina, Lima 13, Perú, telephone no. 5-11-419-2538. The Company's Internet Website address is http://www.buenaventura.com. The information on the Company's website is not a part of, nor incorporated into this document.

History

During its first 25 years, the Company's efforts focused on the exploration and development of silver mines. During this period, the Company built up its principal mines in Peru, commencing with the purchase of Julcani in 1953. The Company commenced exploration of the Orcopampa mine in 1962 and operations in 1965. The Company began exploring the Uchucchacua mine site in 1960, and, after operating a pilot project in the area in the early 1970s with successful results, it built an ore processing plant at the mine, which began operations in 1975.

Because of political uncertainties in Peru in the mid-1970s, the Company decided to consider mining possibilities in other countries in South America, including Colombia, Ecuador, Venezuela, Bolivia and Argentina. Exploration and development began on a small scale at the Toachi mine near Quito, Ecuador, but this project was discontinued in 1981 due to border disputes between Peru and Ecuador. At that time, the Company also decided to discontinue its exploration outside Peru and instead focus its efforts solely in Peru.

Following a sharp increase in silver prices, which peaked in 1980, the Company initiated a program to explore for gold and, to a lesser extent, other metals in Peru, to reduce its dependence on silver, as the Company believed that the high levels of silver prices could not be sustained. Faced with declining silver prices, throughout the 1980s, the Company expanded silver output to reduce its cash flow while at the same time continuing its exploration efforts for other metals. Exploration of gold anomalies in the Yanacocha district began in 1983 and expansion of the Orcopampa mine (which had operated since 1967 as a silver-producing mine) began in 1984 and was concluded in 1986, enabling the Company to develop newly-discovered gold veins. New gold mining operations commenced at the Ishihuinca mine in the early 1980s. However, Peru's economic and political crisis during the 1980's, which led to the imposition of exchange controls, restrictions on imports of supplies, lack of capital and international credit and the increasing incidence of terrorism, adversely affected mining companies in Peru, including the Company.

Since the late 1980s, the Company has continued its efforts to decrease its exposure to silver price fluctuations and has pursued a plan to increase its overall precious metals production and production efficiency. The Company has continued to expand its mineral resource base through the implementation of acquisition, development and exploration programs designed to increase its production and reserves of gold while maintaining its strong position in silver. As part of this strategy, the Company acquired an equity interest in Yanacocha and conducted exploration leading to the discovery of gold mineralization and subsequent production of gold in Orcopampa, Shila, Antapite and other Company mines. These initiatives have transformed the Company from primarily a silver producer into primarily a gold producer, based on allocated revenue. In 2000, gold, silver and other metals accounted for 73.69 percent, 15.18 percent and 11.13 percent, respectively, and in 2001, gold, silver and other metals accounted for 76.05 percent, 14.75 percent and 9.2 percent, respectively, of the Company's equity share of production value in its consolidated subsidiaries and Yanacocha.

The Company's emphasis on gold production has largely been achieved by its acquisition of an equity interest in Yanacocha. On January 14, 1992, the Company, through its 100 percent-owned subsidiary, Compañía Minera Condesa S.A. ("Condesa"), together with Newmont Second Capital Corporation ("Newmont Second"), a wholly-owned subsidiary of Newmont Mining, and Société d'Etudes, de Recherches et d'Exploitations Miniéres ("Serem"), a wholly-owned subsidiary of the Bureau de Recherches et D'Etudes Geologiques ("BRGM"), the geological and mining bureau of the French government, formed Yanacocha to continue exploration and development of the deposits at a mining site in the Cajamarca area. At that time, Yanacocha was 38 percent owned by Newmont Second, 24.7 percent owned by Serem, 32.3 percent owned by Condesa, with the remaining 5 percent owned by The International Finance Corporation ("IFC"), the branch of the World Bank that promotes private investments. Since then, the Company has increased its participation in Yanacocha to 43.65 percent, and Newmont Second has increased its participation in Yanacocha to 51.35 percent, with IFC continuing to own 5 percent.

In October 2000, the Company and Newmont Mining reached a settlement in their long-standing dispute with BRGM and Normandy Mining Ltd. ("Normandy") over ownership of Yanacocha and Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. ("Cedimin") shares. Pursuant to the settlement, BRGM and Normandy together received US$80 million, half from Newmont Mining in the form of common shares and half from the Company in cash. In return, Newmont Mining, through Newmont Second, and the Company, through Condesa, received undisputed title to BRGM's former 24.7 percent interest in Yanacocha and the Company received undisputed title to BRGM's 65 percent interest in Cedimin, which originally owned 40 percent of Minas Conga S.R.L. ("Minas Conga") and other Peruvian assets. The Company paid the US$40 million amount on December 14, 2000.

In October 2000, the Company and Newmont Mining agreed to unitize in Yanacocha their properties in Cajamarca, northern Peru. Under the unitization plan and according to agreements signed in December 2000, the Company sold to Yanacocha several assets, including those formerly owned by Minas Conga, the China Linda lime plant, mining rights, erial land and other machinery and equipment and inventories. "—Property, Plants and Equipment—Yanacocha's Properties—Operating Properties". The Company received approximately US$9 million in connection with this sale of assets to Yanacocha. See Note 2(a) to the Company Financial Statements. Yanacocha and the Company also entered into an administration agreement setting forth that the Company would manage the China Linda lime plant until December 18, 2010, for a monthly fee of US$10,000 plus reimbursement of all incurred costs. However, in December 2001, Yanacocha terminated the agreement and the Company ceased to manage the China Linda plant. As a result of the termination, the Company received a payment of $1,800,000 from Yanacocha. See Note 2(b) to the Company Financial Statements.

Recent Developments

Redesignation of the Company's Shares and ADSs

At a shareholder meeting of the Company held on April 30, 2002, following special meetings of the Company's Series A Shareholders and Series B Shareholders on the same date (the "Special Meetings"), amendments to the Company's *estatutos* (the "Company By-laws") were approved pursuant to the Special Meetings to effect the redesignation of each outstanding Series B Share as one Series A Share and the immediate redesignation thereafter of each Series A Share as one Common Share (the "Redesignation"). The Redesignation was effective May 3, 2002. From and after that date, the Company has Common Shares with a nominal par value of S/.4.00 per share and Investment Shares also with a nominal par value of S/.4.00 per share. The Common Shares represent 100 percent of the outstanding share capital of the Company. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital.

The Company's ADSs have traded on the New York Stock Exchange Inc. (the "New York Stock Exchange") since May 15, 1996. Prior to the Redesignation, each of the Company's ADSs represented two Series B Shares. In connection with the Redesignation, the Company submitted a technical original listing application to the New York Stock Exchange dated April 25, 2002 (the "Application") for the redesignation of the Company's ADSs representing non-voting Class B Shares to ADSs representing voting Common Shares and the reservation of additional ADSs issuable upon redesignation of Class B Shares as Class A Shares and immediate redesignation thereafter of Class A Shares as Common Shares. The New York Stock Exchange approved the Application prior to the date of Redesignation, and consequently, from and after such date, each of the Company's ADSs has represented two Common Shares.

Suspension of Operations at Recuperada

In March 2001, the Company ceased operations at the Recuperada mine primarily due to the sharp drop in zinc prices and the flooding in October 2000 of the lower levels of the mine, where the majority of ore reserves were located. The Company made the decision to cease operations at Recuperada after exhaustive exploration conducted in the area yielded only negative results.

Sale of Interest in Minera Huallanca S.A.C.

Until March 30, 2002, the Company held, indirectly through Condesa and Cedimin, a 100 percent interest in Minera Huallanca. On such date, the Company transferred this interest to BHL-Perú S.A.C. through the sale of all of its shares in Minera Huallanca for US$2 million. From this total, the Company will collect US$1.5 million in semi-annual installments until September 2004, and will collect the remaining US$0.5 million on September 30, 2006 as long as: (i) the level of economic reserves as measured between September 24, 2004 and September 30, 2006 allows Huallanca to produce 15,000 tons per month of mineral, and (ii) the average price of zinc is higher than US$1,050 per ton during that period. If these conditions are not satisfied, the final price for the Company's participation in Minera Huallanca will be US$1.5 million.

Business Strategy

The Company's strategy is to strengthen its position as one of Peru's leading gold and silver mining companies by expanding its reserves and production. The Company is currently engaged in an active exploration and mine development program, and participates in several joint ventures. Further, the Company seeks to increase the efficiency and capacity of its mining operations. The Company is aware of its social and environmental responsibilities and aims to excel in the prevention, mitigation and rehabilitation of mining-related disturbances.

Maintaining an Active Exploration Program

The Company views its active exploration program as its primary means to obtain new reserves. As of January 2002 through an intensive exploration program, the Company holds, either directly or in conjunction with joint venture partners, 729,693 hectares of mining rights, making it a major holder of mining rights in Peru. During 2001, the Company spent approximately US$9.2 million primarily on mining exploration-related investments in Peru, concentrating on the exploration and development of precious metals deposits in the following mining projects: Los Pircos, Tantahuatay, Samana, La Zanja, Antapite and Ccarhuaraso. In 2002, the Company intends to concentrate on the La Zanja, Huancavelica, Antapite, Lancones and Trapiche exploration projects.

Participation in Joint Ventures

In addition to managing and operating precious metals mines, Buenaventura also enters into joint ventures with mining partners, where appropriate, to reduce exploration risks, support high mine development costs, gain exposure to new technologies and diversify revenues to include other metals. See "—Business Overview—Exploration". The Company believes that maintaining its focus on mining operations complements this joint venture strategy because the engineering and geological expertise gained from operations enhances the Company's ability to participate in and contribute expertise to those joint venture projects that offer the greatest potential.

The Company engages in gold, silver and zinc price hedging activities, such as forward sales and option contracts, to minimize its exposure to fluctuations in the prices of such metals. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and "Item 3. Key Information—Risk Factors—Factors Relating to the Company—Hedging".

Capital Expenditures

The Company's capital expenditures in the past three years have related principally to the acquisition of new assets, construction of new facilities and renewal of plant and equipment. Capital expenditures relating to exploration and development are not included herein and are discussed separately in "—Business Overview—Exploration". Set forth below is information concerning capital expenditures incurred by the Company in respect of each of its principal operating mines and by category of expenditure:

	Year Ended December 31,		
	1999	2000	2001
		(in thousands)	
Julcani	US$ 39	US$ 70	US$ 386
Uchucchacua	3,020	1,506	1,276
Orcopampa	527	2,083	3,777
Recuperada	68	626	99
Ishihuinca	811	41	27
Shila	201	795	321
Paula	78	104	138
Huallanca	55	1,151	460
China Linda	7,065	196	—
Colquijirca	2,919	4,260	1,066
Antapite	—	6,890	8,934
Conenhua	—	1,574	13,591
Total	US$14,783	US$19,296	US$30,075

	Year Ended December 31,		
	1999	2000	2001
		(in thousands)	
Machinery and equipment	US$ 3,388	US$ 1,177	US$ 3,926
Infrastructure	7,470	6,767	20,084
Mining	3,006	3,529	2,792
Milling	367	3,612	2,348
Transportation	130	370	329
Communications	51	70	30
Environmental	7	3,311	57
Other	364	460	509
Total	US$14,783	US$19,296	US$30,075

In 1999, capital expenditures were financed by cash flow from operations. The Company financed its capital expenditures in 2000 and 2001 with internally-generated funds and borrowings under its lines of credit. See Note 17 to the Company Financial Statements.

The Company has budgeted approximately US$25.9 million and US$13.8 million for capital expenditures in 2002 and 2003, respectively, of which US$5.0 million and US$5.0 million are allocated for exploration and development activities in 2002 and 2003, respectively. To fund its planned capital expenditures program, the Company plans to use internally-generated cash. See "Item 5. Operating and Financial Review and Prospects—The Company—Liquidity and Capital Resources".

The Company's ongoing projects include (i) the construction of a hoist and tunnel in the Uchucchacua mining unit at an estimated cost of US$7.0 million in two years, and (ii) the construction of a hoist, transmission line, cyanidation plant and ramps in the Orcopampa mining unit at an estimated cost of US$4.5 million. The significant increase in capital expenditures for 2001 was due to the development of a new transmission line from Trujillo to Cajamarca at a cost of $17.5 million to supply electricity to Yanacocha.

The Company initiated exploration activities for three silver, lead and zinc bearing veins in Bolivia in May 2001. In April 2001, the Company entered into an option agreement with Minera La Solución S.A. a Bolivian mining company, which requires the Company to make minimum expenditures of US$100,000 and US$200,000, respectively, for the first two years of the agreement in the event that it decides to undertake exploration. After two years, the Company has the option to purchase 70% of

Minera La Solución for US$1.5 million. In March 2002, the Company decided to suspend exploration activities in Bolivia due to the decrease in the price of zinc.

The Company continuously evaluates opportunities to expand its business within Peru, as well as in other countries as opportunities arise, and expects to continue to do so in the future. The Company may in the future decide to acquire part or all of the equity of, or undertake joint ventures or other transactions with, other companies involved in the same business as the Company or in related other businesses. However, there can be no assurance that the Company will decide to pursue any such new activity or transaction.

Business Overview

Production

The Company principally produces refined gold and different types of metal concentrates that it distributes and sells internationally, including silver-lead concentrate, silver-gold concentrate, zinc concentrate and lead-gold-copper concentrate. The following table sets forth the production of the Julcani, Uchucchacua, Orcopampa, Recuperada, Ishihuinca, Paula, Huallanca, Colquijirca and Shila mines by type of product for the last three years, calculated in each case on the basis of 100 percent of the applicable mine's production. The amounts for the year 2001 also include production from the Antapite mine.

	Year Ended December 31,		
	1999	2000	2001
Gold (oz.)[1]	59,307	136,787	222,625
Silver (oz.)	12,032,445	12,104,147	14,830,993
Zinc (ST)[2]	64,568	65,276	69,735
Lead (ST)	28,460	28,510	26,372
Copper (ST)	602	86	277
Lime (ST)[3]	5,573	33,940	—

(1) Throughout this Annual Report, "oz." refers to troy ounces of a fineness of 999.9 parts per 1,000, equal to 31.0134 grams.
(2) Throughout this Annual Report, "ST" refers to short tons, each weighing 2,000 *avoirdupois* pounds.
(3) In December 2000, the Company sold the China Linda lime plant to Yanacocha. See "—The Company—History and Development".

Exploration

The Company views exploration as its primary means of growth and typically maintains a portfolio of active exploration projects for mineral resources in Peru at various stages of investigation. The Company currently holds, either directly or in conjunction with joint venture partners, 399,270 hectares of mining rights as a part of its exploration program (excluding mining units in production). The Company invested US$9.2 million in exploration for mineral resources during 2001. In 2001, the Company completed approximately 8,500 meters of exploratory drilling, primarily in La Zanja, Antapite, Ccarhuaraso, Samana and Trapiche.

In 2001, the Company was able to evaluate a greater number of exploration prospects with third parties due to the fact that many smaller mining companies discontinued their operations. The Company was also able to venture into new regional projects because certain major mining companies merged and temporarily suspended their activities.

Relying on its own satellite image interpretations and in light of geochemical data recently published by the Instituto Geológico Minero y Metalúrgico ("INGEMMET"), the Company has shifted its exploration focus inside Peru to the Southeastern Andean Region. As a result, while the Company continues prospecting and exploration in Cajamarca and Huancavelica as its high-priority targets, it has renewed prospecting and exploration efforts for gold and silver in Ayacucho and for gold and copper in Apurímac and Cusco. The Company is also exploring for epithermal deposits in Puno and continues evaluating polymetallic prospects in Bolivia.

In 2002 and 2003, the Company expects to invest approximately US$7.5 million and US$10.0 million, respectively, in exploration and development activities (excluding exploration and development costs at the Company's principal mines). These exploration and development expenditures include all of the costs associated with exploration activities such as drilling, equipment, geologists, metallurgical testing and engineering and economic viability studies. The Company prepares a budget for each year and allocates an amount for exploration and development activities. In light of the nature of mining exploration and in order to maintain flexibility to take advantage of opportunities, the Company allocates budgeted amounts by property or project, only in the case of proven value as decided by management and/or the directors. The Company also allocates non-budgeted amounts over the course of the year to new projects based on the Company's needs and its geologists' periodic evaluations of the progress of each project and its potential for development.

An integral part of the Company's exploration program is the participation in joint ventures with experienced mining companies, including Newmont Peru; Minera Barrick Misquichilca ("Barrick"); Southern Peru Copper Corporation, Peru's largest mining company; Teck Cominco Metals Ltd. ("Cominco"); Meridian Peru SAC ("Meridian"); and BHP-BILLITON World Exploration Inc. ("BHP"), as well as certain of their affiliates. The benefits of joint operations include greater investment in the exploration of the Company's mining rights from the funds contributed by the partners, access to the assets of the partners without the costs and risks of outright acquisition, increased exposure to new exploration technologies and expansion of knowledge and sharing of experiences of the Company's management, geologists and engineers through their association with their counterparts in other organizations. In these joint ventures, the Company may be either the designated operator, an equity participant or both. The Company does not generally conduct significant research and development activities other than investments in exploration as described herein.

The following table lists the Company's current exploration projects, its effective participation in each project, its partners with respect to each project, the total hectares as of May 31, 2002 and observed mineralization of each project and the total exploration expenditures (in millions of US$) during 1999, 2000 and 2001.

Exploration Projects[1][2]	Company's Effective Participation	Principal Partner	Hectares	Observed Mineralization	Total Exploration Expenditures During 1999		Total Exploration Expenditures During 2000		Total Exploration Expenditures During 2001	
	at December 31, 2001				Total	Company's Share	Total	Company's Share	Total	Company's Share
Joint Venture Projects:										
Lancones	40.0%	BHP-Billiton	46,500	Copper, Zinc	0.0	0.0	0.0	0.0	1.2	0.4
Tantahuatay	40.0%	Southern Peru	29,109	Gold, Copper	0.3	0.1	1.1	0.4	1.0	0.4
Company's Projects:										
Samana	50.0%[3]	Newmont Peru	7,300	Gold, Silver	0.0	0.0	0.0	0.0	0.6	0.6
La Zanja	52.0%[4]	Newmont Peru	32,466	Gold	0.0	0.0	0.0	0.0	1.4	1.4
Potrobayo	100.0%[5]	BHP	15,600	Copper, Zinc	0.0	0.0	0.0	0.0	0.5	0.5
Los Pircos	100.0%[6]	None	15,007	Gold, Silver	0.0	0.0	0.0	0.0	0.6	0.2
Antapite	100.0%	None	13,200	Gold	1.9	1.9	0.4	0.4	0.4	0.4
Hatun Orcco	100.0%	None	15,400	Gold	0.0	0.0	0.0	0.0	0.0	0.0
Huancavelica	100.0%	None	42,700	Silver, Gold	0.8	0.8	0.7	0.7	1.4	1.4
Ccharhuaraso	100.0%	None	10.406[7]	Gold, Silver	0.2	0.2	0.5	0.5	0.9	0.9
P.P. Franja Sur	100.0%	None	30,000	Gold	0.0	0.0	0.0	0.0	0.1	0.1
Others	100.0%	None	141,582	Various	0.5	0.5	0.3	0.3	0.6	0.6
			399,270							

(1) The table does not include projects abandoned by the Company or those in stand still.
(2) In addition to these projects, the Company continues to conduct exploration at all of its operating mines. For a discussion of some of the Company's other exploration activities, see "— Property, Plants and Equipment—The Company's Property—Operating Properties".
(3) The Company executed a Carve-out agreement with Newmont Peru on December 6, 2000, providing for the eventual dilution of Newmont Peru's interest in the project.
(4) The Company executed a Carve-out agreement with Newmont Peru on August 1, 2000, providing for the eventual dilution of Newmont Peru's interest in the project.
(5) As of June 4, 2002, the Company wholly owns and operates the Potrobayo project. Previously, the project was 60 percent owned by the Company and 40 percent owned by BHP.
(6) Meridian has an option to obtain a 51 percent interest in the project upon the fulfillment of certain conditions.
(7) The Company currently owns 7,300 hectares of mineralized ground and has entered into an agreement with Inversiones Mineras La Familia S.A.C. which permits the Company to conduct exploration in an additional 3,201 hectares.

The following is a brief summary of current exploration activities conducted by the Company directly and through joint ventures that are believed to represent the best prospects for the discovery of new reserves. There can be no assurance, however, that any of the Company's current exploration projects will result in a viable mineral production or that any of the mineralization identified to date will ultimately result in an increase in the Company's mineral reserves.

Joint Venture Exploration Projects

Lancones. The Lancones project is a joint venture which is 40 percent-owned by Cía. Minera Totoral S.A. ("Minera Totoral") and 60 percent-owned by BHP. The Company has an option to purchase shares representing the entire social capital of Minera Totoral. Consisting of approximately 120,000 of mineralized land, the project is located in northern Peru and southern Ecuador. The project is operated by BHP and has the objective of identifying massive sulfide deposits in the area. In 2001, BHP detected three clusters of gravity anomalies in prospective volcanic land. Detailed follow-up mapping and sampling has been performed at the Cerro Colorado and Valdivia sites. Also in 2002, BHP expects to conduct drilling at the Cerro Colorado and Valdivia sites. In 2001, BHP conducted detailed follow-up mapping and sampling at these sites. Although first pass drilling did not encounter superficial deposits, BHP has initiated ground truthing of airborne anomalies and expects to proceed with deeper drilling in 2002. BHP has prospected on the surface of the project land located on the Ecuadorian side of the joint venture and expects to conduct detailed mapping and sampling of two large stream sediment anomalies in 2002.

Tantahuatay. The Tantahuatay project, a gold copper project, is wholly owned by Compañía Minera Coimolache S.A. ("Coimolache"), an entity which is 40.1 percent-owned by the Company, 44.2 percent-owned by Southern Perú Copper, and 15.7 percent-owned by ESPRO S.A.C., a Peruvian-based holding company. Between 1992 and 1999 the project was managed by Southern Perú Copper Corporation, which explored for copper, and obtained preliminary resources of 350 million tons of ore containing 0.8 percent copper, the exploration was in primary sulfides that include native gold, pyrites, and enargite. Since 1999 the project was managed by Compañía Minera Colquirrumi ("Colquirrumi"), 73.3 percent owned by the Company and 26.7 percent owned by ESPRO S.A.C, until May 2002, at which date Cedimin replaced Colquirrumi as the operator of the project. The area of the project consists of over 29,000 hectares of potentially mineralized ground. The Tantahuatay project is located 30 kilometers northwest of Yanacocha in the Hualgayoc district, 950 kilometers north of the city of Lima and adjacent to the Cerro Corona project. There have been identified five outcroping gold anomalies with a geological potential resources in excess of 800,000 gold ounces. Two of the five gold anomalies, Tantahuatay 2 and Ciénaga Norte, which contain most of the gold geological resources, have been studied in more detail and an infill drilling campaign projected for 2002 is expected to be conducted as soon as land superficial terrains are acquired by Cedimin. The studies are currently focused in the oxide zone only. Preliminary metallurgical tests have been realized with encouraging results, in the order of 90 percent metallurgical recovery by leaching process. After infill drilling in the two deposits is finished, a prefeasibility study with an estimate of 15,000 tons per day ore production will be conducted.

Company Exploration Projects

Samana. The Samana project, which is operated by the Company is a carve-out of the former Ayacucho joint venture with Newmont Peru. The Company executed a Carve-out agreement with Newmont Peru on December 6, 2000, providing for the eventual dilution of Newmont Peru's interest in the project. Following the Company's investment of US$884,000 over a period of three years, Newmont Peru will decide whether to accept the dilution of its participation interest in the project and its royalty percentage to 5 percent or repurchase its participation interest in the project. Consisting of 7,300 hectares, the project is located in the high plateaus of Ayacucho, 35 kilometers northwest of Puquio.

During the period from 1996 to 1999, Newmont Peru performed geological mapping and rock-chip sampling trenching, including 1,200 meters of diamond drilling. During such time, Newmont Peru also tested and eventually disregarded the existence of a low-grade, superficial, disseminated gold and silver oxide deposit. Thereafter, the Company undertook the evaluation of smaller but higher-grade mineralized breccias in the Oichlo prospect. The 2001 exploration campaign focused on accessing 200 meters of the Osiris breccia by tunneling to conduct detailed reconnaissance of grade, thickness and continuity of this structure. In addition, the Company performed three short diamond drill holes which proved the persistence of this potential ore shoot 50 to 100 meters below surface, with a thickness ranging between 2 and 20 meters and grades fluctuating between 5 and 6 grams of gold per ton in oxides.

La Zanja. Sociedad Minera Coshuro S.A. ("Coshuro"), which is 45.9 percent owned and controlled by Buenaventura, controls 32,466 hectares of mineralized ground in the La Zanja project, which is located 35 kilometers north-west of Cajamarca. Originally, the La Zanja project was part of the Northern Peru joint venture exploration project, which was 35 percent owned by Buenaventura and 65 percent owned by Newmont Peru. The Company executed a Carve-out agreement with Newmont Peru on August 1, 2000, providing for the eventual dilution of Newmont Peru's interest in the project. The project, which is operated by the Company, consists of two discrete and superficial gold and silver oxide deposits, amenable to low-strip open pits and heap-leach operation. Mineralization out of reserves is drill proven, indicated and inferred at 18.8 metric tons with an average grade of 1.1 grams of gold per ton. The Company has not yet tested sulfide ore potential in other prospects within the property. In 2001, the Company initiated the acquisition of surface rights. In 2002, the Company expects to complete the acquisition of surface rights and conduct infill-drilling to assess grade distribution and metallurgical behavior.

Potrobayo. As of June 4, 2002, the Company wholly owns and operates the Potrobayo project. Previously, the project was 60 percent owned by the Company and 40 percent owned by BHP. Consisting of 15,600 hectares, the project is a carve-out of the Lancones joint venture exploration project. The project is operated by the Company and contains a copper and zinc bearing anomaly. The Company is currently conducting detailed follow-up mapping and sampling at the project site and expects to initiate a drilling campaign later in 2002.

Los Pircos. This project is wholly owned by the Company. However, Meridian has an option to acquire a 51 percent interest in the project on the condition that it replaces the Company as the operator thereof and invests, at its own risk, an additional amount of approximately US$0.7 million in advanced exploration efforts over a period of 3 years. Consisting of 12,108 hectares, the project is located east of Chiclayo in the Western Cordillera approximately 1,000 kilometers from the city of Lima. The project is operated by the Company and has the objective of exploring precious metal veins of epithermal character. To date, the Company has located, mapped and sampled five principal veins, which show strongly anomalous gold and silver values. The principal vein (the Diana vein) has a central section of 380 meters with average widths of 2.10 meters and grades of 8 grams of gold per ton and 300 grams of silver per ton. In 2002, the Company expects to initiate a first pass drilling campaign in all five veins but focusing on the Diana vein. The initial stage of the joint venture will be completed in 2002 with a joint investment of US$1 million.

Antapite. The Company wholly owns the Antapite mining claims, which currently include an operating mine and an exploration project. The exploration project in operated by the Company and the operating mine is leased to Inversiones Mineras del Sur, S.A. ("Iminsur"), which is 78 percent owned by the Company and 22 percent-owned by two Peruvian investors: Bernando Alvarez Calderon and Boris de la Piedra. See "—Property, Plants and Equipments—The Company's Property—Operating Properties" for a description of the Antapite mine. Consisting of 13,200 hectares, the Antapite project is located in the province of Huancavelica, in the department of Huancavelica, approximately 434 kilometers southeast of the city of Lima at an altitude of approximately 3,400 meters above sea level.

Hatun Orcco. The Hatun Orcco project is wholly owned and operated by the Company. Consisting of 15,400 hectares of mining properties, the project is located 20 kilometers north of the Antapite mine in the headwaters of the Ica valley. The Hatun Orcco project is the outcome of a regional exploration program designed to focus on Huancavelica. Epithermal veins, located in the Hatun Orcco Norte, Hatun Orcco Sur, Karla and Carmencita prospects, have sporadic high-grade gold and silver leakage anomalies. The Company's 2001 exploration efforts included detailed surface mapping and systematic channel sampling of the epithermal veins. The Company has also designed a first-pass drill program to determine vein thickness and precious-metal grades to a depth of approximately 300 meters.

Huancavelica Project. The Huancavelica project is wholly owned and operated by the Company. Consisting of 42,700 hectares, the project surrounds the area of Julcani and Recuperada. The Company initiated exploration efforts in 1994 with the purpose of identifying base metal skarns and/or disseminated gold deposits on the Cenozoic volcanic belt and the Julcani-Santa Bárbara alignment. More recently, the Company has explored epithermal silver and gold disseminations and veins as well as copper, zinc and lead veins and skarn deposits in the sub-volcanic limestone formations. During 2001, the Company's focus of exploration activities was the pursuit of limestone replacement bodies in the Huachocolpa district.

Ccarhuaraso. The Ccarhuaraso project is wholly owned and operated by the Company. The project is located 40 kilometers north of Puquio in the department of Ayacucho in south-central Peru and consists of 10,406 hectares. The Company currently owns 7,300 hectares of mineralized ground and has entered into an agreement with Inversiones Mineras La Familia S.A.C. ("Inversiones La Familia") which permits the Company to conduct exploration in an additional 3,201 hectares. In the event that the exploration is successful, the Company will pay the shareholders of Inversiones la Familia US$3.5 million in installments scheduled between 2001 and 2006. To date, the Company has paid US$400,000. Further, in the event that exploration is successful, the Company will also pay to Inversiones La Familia 5 percent of the of the net revenues obtained from the sales of concentrates from Ccarhuaraso for the duration of the agreement. The Company can terminate the agreement unilaterally at any time with 30 days notice. The Company's 2001 exploration included detailed surface mapping and selective channel sampling. The Company also conducted intensive exploration of the Marcelita vein which indicated that its average grades of gold and silver found are too small to warrant profitable mining. Further exploration efforts revealed primary metal in the Marcelita No. 2 vein, with a content of 17 ounces of silver per ton, 2.0 grams of gold per ton and concentrations of 0.3 percent of copper.

P.P. Franja Sur. The P.P. Franja Sur project is wholly owned and operated by the Company. Consisting of 30,000 hectares, the project is located approximately 1,600 kilometers from Lima in the department of Puno in south-eastern Peru. The Company is currently conducting initial mapping and sampling at the project site.

Competition

The Company believes that competition in the metals market is based primarily upon cost. The Company competes with other mining companies and private individuals for the acquisition of mining concessions and leases in Peru and for the recruitment and retention of qualified employees.

Sales of Metal Concentrates

Substantially all of the Company's metal is sold to smelters and traders in concentrate form, including silver-lead concentrate, silver-gold concentrate, zinc concentrate and lead-gold-copper concentrate. The majority of the Company's sales are made under one or three-year, U.S. Dollar-denominated contracts, pursuant to which the selling price is based on world metal prices as follows: generally, in the case of gold and silver-based concentrates, the London Spot settlement prices for gold, less certain allowances, and the London Spot or the United States Commodities Exchange settlement price for silver, less certain allowances; and, in the case of base-metal concentrates, such as zinc, lead and copper, the London Metals Exchange settlement prices for the specific metal, less certain allowances. Sales prices vary according to formulas that take into account prevailing monthly average prices for a quotational period, generally being the month of, the month prior to, or the month following the scheduled month of shipment or delivery according to the terms of the contracts.

The historical average annual prices for gold and silver per ounce and the Company's average annual gold and silver prices per ounce for each of the last five years are set forth below:

	Gold		Silver	
	Average Annual Market Price US$/oz. [2]	Average Annual Company Price[1] US$/oz.	Average Annual Market Price US$/oz.[3]	Average Annual Company Price[1] US$/oz.
1997............................	331.10	324.14	4.90	4.92
1998............................	294.16	291.24	5.55	5.18
1999............................	278.77	277.56	5.22	5.15
2000............................	279.03	275.39	4.95	4.95
2001............................	270.99	270.80	4.37	4.36
2002 (through May 31, 2002)	297.59	290.71	4.56	4.53

(1) The average annual Company price includes only the consolidated average annual price from the Julcani, Uchucchacua, Orcopampa and Recuperada mines.
(2) Average annual gold prices are based on the London PM fix as provided by Metals Week.
(3) Average annual silver prices are based on London Spot prices.

Some of the sales contracts that the Company enters into with its customers state a specific amount of concentrate that the customer will purchase. The Company has sales commitments from various parties for virtually all of its estimated 2002 production; however, concentrates not sold under any of the Company's contracts may be sold on a spot sale basis to merchants and consumers.

Sales and Markets

The following table sets forth the Company's total revenues from the sale of gold, silver, lead, zinc and copper in the past three fiscal years:

	As of and for the year ended December 31[1]					
Product	1999	2000	2001	1999	2000	2001
	(In thousands of constant S/. as of December 31, 2001)			(In thousands of US$)		
Gold	49,918	119,280	210,445	14,442	34,893	60,007
Silver	194,560	199,102	209,322	56,290	58,243	59,687
Lead	36,513	40,878	37,705	10,564	11,958	10,751
Zinc	187,904	195,380	161,638	54,365	57,157	46,090
Copper	—	450	1,377	—	132	393

(1) Does not include refinery charges and penalties incurred in 2001, 2000 and 1999 of S/.160,884 (US$45,875), S/.167,345 (US$48,079) and S/.145,107 (US$41,983) respectively.

The Company sold its concentrates to 16 customers in 2001. Approximately 65 percent, 60 percent and 54 percent of the Company's concentrate sales in 1999, 2000 and 2001, respectively, were sold outside Peru. Set forth below is a table that shows the percentage of sales of concentrate from the Company's mines, and of sales of gold bullion that was sold to the Company's various customers from 1999 to 2001.

	Percentage of Concentrates and Gold Bullion Sales		
	1999	**2000**	**2001**
Export Sales:			
S.A. Sogem N.V.	1.21	3.37	2.58
Johnson Matthey	6.66	8.46	18.62
Trafigura	10.94	11.32	10.09
Hochschild	0.40	1.02	1.39
Glencore	8.89	6.60	8.65
Metaleurop	4.30	3.93	3.06
Cominco	7.42	5.01	0.98
Noranda	—	2.19	4.86
Asarco	18.51	8.32	—
Peñoles	6.31	8.17	—
Pechiney	—	0.37	—
Centrotrade	—	1.42	—
Marc Rich	—	—	0.92
Marubeni	—	—	1.93
Britannia Zinc	—	—	0.76
Total Export Sales	64.64	60.18	53.84
Domestic Sales:			
Cormin	16.64	23.69	25.63
Doe Run	13.74	10.04	14.02
BHL	4.95	6.09	3.37
Rosarios S.A.	0.03	—	—
Procesadora Sudamericana	—	—	0.13
Pechiney Peru	—	—	3.01
Total Domestic Sales	35.36	39.82	46.16
Total Sales	100	100	100

Under the terms of the Noranda sales contract dated February 5, 2001, the Company is required to supply Noranda with approximately 4,000 wet metric tons ("WMT") per year of Uchucchacua silver-lead concentrates during a period beginning upon delivery of the first shipment on or after April 2001 and continuing through and including December 31, 2003. The price of the concentrate supplied under the contract is based on specified market quotations minus deductions.

Under the terms of the Pechiney World Trade (USA) Inc. sales contract, the Company is required to supply Pechiney with a single shipment of 4,000 WMTs per year of Uchucchacua silver-lead concentrates in 2001, 2002 and 2003. The price of the concentrate supplied under the contract is based on specified market quotations minus deductions.

Under the terms of the Doe Run S.R.L. sales contract dated January 2001, the Company is required to supply Doe Run with a minimum of 15,000 WMTs per year of Uchucchacua silver-lead concentrates to be delivered during 2001, 2002 and 2003. The price of the concentrate supplied under the contract is based on specified market quotations minus deductions.

Under the terms of the Consorcio Minero S.A. ("Cormin") sales contract dated January 05, 2001, the Company is required to supply Cormin with 8,000 WMTs in 2001 and 10,000 WMTs in 2002 of Uchucchacua's silver-lead concentrates. The price of the concentrate supplied under the contract is based on specified market quotations minus deductions.

Under the terms of the Cormin sales contract dated December 18, 2001, the Company is required to supply Cormin with 10,000 WMTs per year of Uchucchacua's zinc concentrates in 2002 and 2003. The price of the concentrates supplied under the contract is based on specified market quotations minus deductions.

Under the terms of the Cormin sales contract dated December 21, 2001, the Company is required to supply Cormin with the Orcopampa's entire silver-gold concentrates production in 2002. The price of the concentrates supplied under the contract is based on specified market quotations minus deductions.

Under the terms of the Hochschild Partners LLC sales contract dated December 20, 2001, the Company is required to supply Hochschild with 8,000 WMTs in 2002 and 10,000 WMTs in 2003 of Uchucchacua's zinc concentrates. The price of the concentrates supplied under the contract is based on specified market prices minus deductions.

The Company also sells refined gold, which is derived from its operations at Orcopampa, Shila and Ishihuinca and processed at its industrial plant at Metalúrgica Los Volcanes S.A. and a local smelter in Lima, to one customer, Johnson Matthey Public Limited Company, which further refines the gold. Under the terms of the Johnson Matthey sales contract, the Company supplies Johnson Matthey, at Johnson Matthey's option of gold assaying in excess of 75 percent gold and approximately 20 percent silver, monthly from January 1, 2002 to December 31, 2003. The price of the gold supplied under the contract is determined based on, for the gold content, the quotation for gold at the London Gold Market PM fixing in U.S. Dollars, and for the silver content, the quotation for silver at the London Silver Market spot fixing in U.S. Dollars, minus, in each case, certain minimum charges, as well as charges for customs clearance and treatment of the gold (which varies depending on its gold and silver content). The contract also provides that the Company may elect to have its material toll refined at Johnson Matthey's Royston U.K. works and returned to the Company's account for sale to third parties. Under the terms of the contract, the Company is responsible for delivering the gold to Johnson Matthey's designated flight at the Lima airport.

In addition, the Company sells zinc and lead derived from its operations at the Colquijirca mine through Sociedad Minera El Brocal S.A. ("El Brocal"). The Company sells the zinc concentrates from the Colquijirca mine under the terms of the following contracts: (1) pursuant to a contract dated January 22, 2001, the Company is required to supply Glencore with approximately 27,500 WMTs per year in 2001 and 2002, and with approximately 20,000 to 30,000 WMTs per year in 2003 and 2004; (2) pursuant to a contract dated January 22, 2001 the Company is required to supply Cormin/Trafigura Beheer B.V. with approximately 35,000 WMTs per year in 2001 and 2002, with approximately 20,000 to 30,000 WMTs in 2003 and with 20,000 to 35,000 WMTs in 2004; (3) pursuant to a contract dated December 10, 1997, the Company is required to supply Metaleurop Commercial S.A.S. with approximately 20,000 WMTs per year during 2001, 2002, 2003 and 2004; (4) pursuant to a contract dated December 12, 2001, the Company is required to supply Marc Rich & Co. Investments with approximately 5,000 WMTs per year during 2002 and 2003; and (5) pursuant to a contract dated January 22, 2002, the Company is required to supply Refinería de Cajamarquilla/Cominco with approximately 20,000 WMTs per year during 2002 and 2003. The Company sells the lead concentrates from the Colquijirca mine under the terms of the following contracts: (1) pursuant to a contract dated January 22, 2001, the Company is required to supply Glencore with approximately 15,000 WMTs per year in 2001 and 2002, and with approximately 10,000 to 15,000 WMTs per year in 2003 and 2004; (2) pursuant to a contract dated

February 26, 2001, the Company is required to supply Cormin/Trafigura with approximately 10,000 WMTs per year in 2001, 2002, 2003 and 2004; and (3) pursuant to a contract dated April 26, 2001, the Company is required to supply S.A. Sogem N.V. with approximately 10,000 WMTs in 2001, and with approximately 5,000 WMTs in 2002.

Hedging

The Company engages in gold, silver and zinc price hedging activities, such as forward sales and options contracts, to minimize its exposure to fluctuations in the prices of such metals. Currently, the Company only hedges for risk management purposes and does not hold or issue financial instruments for trading purposes. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and Note 32 to the Company Financial Statements.

Regulatory Framework

Mining and Processing Concessions

In Peru, as in many other countries, the government retains ownership of all subsurface land and mineral resources. The surface land, however, is owned by the individual landowners. The Company's right to explore, develop, extract, process and/or produce silver, gold and other metals is granted by the Peruvian government in the form of mining and processing concessions. The rights and obligations of holders of mining concessions, provisional permits and processing concessions are currently set forth in the General Mining Law (Single Unified Text, 1992, Supreme Decree 014-92-EM), which is administered by the MEM.

In order to obtain a mining concession prior to 1991, a prospective claimant filed a mining claim with the MEM and obtained from it a provisional permit to explore and/or develop the area of the claim. Thereafter, the MEM would issue a technical and legal report on the claimed area and the mining concession would be granted. In 1991, however, a new system was established for granting new mining concessions, based on *Universal Transversal Mercator Coordinates* ("UTM Coordinates") to map the mining concessions and provisional permits on Peru's land area. Under the new system, no provisional permits are granted, and therefore filers of mining claims filed after 1991 must obtain a mining concession before they may explore and/or develop the areas claimed. A holder of a provisional permit granted with respect to claims over an area claimed before 1991 who follows proper procedures to comply with the new 1991 system, however, is permitted to continue to explore and/or develop the area claimed.

Following implementation of the new system in 1991, there was a period of transition during which pre-1991 provisional permits and mining concessions could be brought into compliance with the new grid coordinate system by following certain specified procedures. Some conflicts developed regarding recognizing new mining concessions, identifying the exact location of old mining claims and placing old mining claims into the established UTM Coordinates, which slowed down the period of transition. To address such conflicts, in May 1996, the Mining Properties Mapping Law was enacted. The Mining Properties Mapping Law established a new mapping system to identify the land area of mining claims and to set forth a procedure to resolve such conflicts and to recognize the rights held by holders of mining concessions and provisional permits claimed from colonial times until 1991. Under this law, to establish mining concessions claimed from colonial times to 1991, the MEM publishes provisional UTM Coordinates with respect to such mining concessions in *El Peruano* ("El Peruano"), the official gazette of Peru, and requests that any objections to such provisional UTM Coordinates be made to the MEM within 90 days of such publication. A similar procedure has been established for provisional permits claimed from colonial times to 1991; however, an owner of such provisional permit must establish the area subject to such provisional permit in UTM Coordinates and, once such land area is established, MEM publishes such provisional UTM Coordinates in El Peruano, requesting that any objections to such provisional permit be made to the MEM within 120 days of such publication and before the granting of the mining concession. Mining concessions applied for after 1991 under the UTM Coordinates system have been placed into the new mapping system and do not have to follow the procedure described above.

Mining concessions have an indefinite term, subject to payment of (a) an annual concession fee of US$3 per hectare claimed and (b) an annual fine if a minimum annual production of US$100 per hectare is not achieved before the expiration of the sixth year, following the year after the year in which the title of the concession is granted, of US$6 per hectare will be payable starting in the seventh year following the year after the year in which the title of the concession was granted; and if the failure to comply with the minimum annual production continues, the penalty will increase to US$20 per hectare starting in the twelfth year counted since the year in which the title of the concession was granted. The fine may be avoided, however, by demonstrating investments in the mining rights during the previous year of amounts more than ten times greater than the fine to be paid. In order to calculate the production of and investment in each mining right, the titleholder may create an operating unit (*Unidad Económica Administrativa*) provided the mining rights are all within a radius of five kilometers. Failure to pay such concession fees or fines for two consecutive years will result in the loss of the mining right. Processing concessions have an indefinite term, subject to payment of a fee based on nominal capacity for the processing plant. No other payments or royalties are required by the Peruvian government for the Company to maintain mining and exploration property rights in full force and effect. As of 2002, the annual concession fee and the annual fine will be calculated pursuant to the provisions of Supreme Decree No. 010-2002-EM, effective since March 10, 2002. The Company paid approximately US$1.5 million, US$1.1 million and US$1.1 million in fees for mining rights for the years ended December 31, 1999, 2000 and 2001, respectively, approximately US$4,720, US$5,496 and US$5,540 in fees for processing concessions, respectively, and is current in the payment of all amounts due in respect of its mining rights and processing concessions.

As of January 2002, the Company, directly and indirectly through subsidiaries or in conjunction with joint venture partners, claims approximately 729,693 hectares devoted to exploration and operations. Almost all of the mining rights related to the current operations already are provisional permits or mining concessions. The mining rights and processing concessions are in full force and effect under applicable Peruvian laws. The Company believes that it is in compliance with all material terms and requirements applicable to the mining rights and processing concessions and that it is not subject to any condition, occurrence or event that would cause the revocation, cancellation, lapse, expiration or termination thereof, except that the Company may, from time to time, allow to lapse, revoke, cancel or terminate mining rights and processing concessions that are not material to the conduct of its business. The principal mining rights and processing concessions are (i) with respect to the Company's mines, the new applications filed for mining concessions, the provisional permits and mining concessions at Julcani, Uchucchacua, Orcopampa, Recuperada, Colquijirca, Ishihuinca, Paula, Huallanca and Shila; and (ii) with respect to the Company's current exploration projects, new applications filed for mining concessions, the provisional permits and the mining concessions at the Northern Peru J.V. project, the Tantahuatay project, the Minas Conga project, the Cordillera Oriental project, the Ayacucho project, the Caolín project, the Totoral project and the Huancavelica project. The principal processing concessions are the processing concessions of the concentrators at Julcani, Uchucchacua, Orcopampa, Recuperada, Colquijirca, Ishihuinca, Antapite, Paula, Huallanca and Shila and the processing plant Los Volcanes in Orcopampa.

Both mining concessions and provisional permits staked before 1991 conferred on their holders the right to explore and develop the underground mineral resources, and it is often the case that the titleholders of these mining rights are not the owners of the land surface. Since October 1996, pursuant to

Peruvian regulations, all operators of new mining areas in Peru are required to have an agreement with the owners of the land surface above the mining rights or to establish an easement upon such surface for mining purposes pursuant to General Mining Law, Article 7 of Law 26505, as amended by Law 26570 and the regulations to such Article 7. The Company has been actively pursuing the acquisition of the land surface or obtaining easements relating to land positions containing prospective geological exploration targets, deposits that can be exploited in the future or areas that would be considered for plant or facility sites.

On December 19, 1998, Law No. 27015, the Law Regulating Mining Concessions in Urban Areas and Urban Expansion Areas was released. Law No. 27015 was amended by Law No. 27560, released on November 24, 2001 (Law 27015 as amended by Law 27560, the "Urban Mining Concessions Law"). Regulations pursuant to the Urban Mining Concessions Law were set forth in Supreme Decree No. 007-99-EM published on March 22, 1999, which was amended by Supreme Decree No. 008-2002-EM, dated as of February 21, 2002 (as amended, the "Regulations"). Under the Urban Mining Concessions Law, no metallic or non-metallic mining concessions will be granted in areas designated as urban areas by means of municipal ordinances pursuant to the procedures set forth in the Regulations for the Territorial Conditioning, Urban Development and Environment approved by Supreme Decree No. 007-85-VC, unless the grant of such title or concession is expressly authorized by a special law.

The granting of titles to metallic and non-metallic mining concessions in an area designated as an urban expansion area by means of municipal ordinances in force as of the date of filing of an application for a mining concession requires authorization through a Ministerial Resolution. The issuance of a Ministerial Resolution requires the receipt of a favorable technical opinion from the applicable Provincial Municipality, which will be issued within a period of sixty days. If the opinion is negative or if no opinion is issued, the application for the mining concession will be rejected. Any change from a metallic concession to a non-metallic concession and vice versa will be subject to these same requirements.

Applications for concessions in urban expansion areas will be presented on the basis of increments of 10 to 100 hectares under the UTM Coordinates system.

A mining concession in an urban expansion area, whether metallic or non-metallic, will be granted for a term of 10 years, renewable under the procedures set forth above for the grant of the initial concession. In both urban areas or urban expansion areas the only legally valid easements for mining purposes are those which are entered into directly with the owner of the surface area.

In order to begin exploration activities, holders of mining concessions in urban areas or urban expansion areas must comply with the provisions of the Environmental Regulations for Mining Exploration Activities set forth in Supreme Decree No. 038-98-EM. To begin development activities, holders of mining concessions in urban areas or urban expansion areas must comply with the Regulations for Environmental Protection of the Mining and Metallurgical Activities set forth in Supreme Decree No. 016-93-EM, as well as with the provisions contained in the Safety and Hygienic Regulations for Mining Activities set forth in Supreme Decree No. 046-2001-EM published on July 26, 2001. Failure to comply the provisions of the Regulations may be punished with a fine or by the temporary suspension of mining activities. If the failure continues, the mining concession may be revoked.

Environmental Matters

On September 8, 1990, a new regime of environmental laws, codified in Legislative Decree 613, was enacted in Peru. On June 2, 1992, new environmental laws, codified in Title 15 of the General Mining Law, relating to the mining industry were enacted. These laws and the related regulations significantly increased the level of environmental regulation previously in effect in Peru and established standards as well as guidelines with respect to particulate emissions in the air, water quality, exploration, tailings and water discharges, among other requirements.

The MEM monitors environmental compliance and sets specific environmental standards. In particular, the MEM has established standards for emissions or discharges of metallurgical liquid effluents. The MEM also approves the environmental impact assessments and programs for environmental control.

The MEM has issued regulations that established maximum permissible levels of emissions of metallurgical liquid effluents. Generally, holders of mining rights and processing plants that were in operation prior to May 2, 1993 have a maximum of 10 years to comply with the maximum permissible levels; in the meantime, they must prepare their *Programas de Adecuación y Manejo Ambiental* (Environmental Adaptation and Management Schedules or "PAMAs") to comply with less stringent maximum permissible levels. Under Peruvian environmental regulations that were passed in 1993, a company that initiated operations prior to May 2, 1993, as is the case for the Company and most of its affiliated companies, was required to file with the Peruvian government a Preliminary Environmental Evaluation, or *Evaluación Ambiental Preliminar* ("EVAP") for each of its mining units to disclose any pollution problems in its operations and, thereafter, to submit a follow-up filing of a PAMA that will detail explanations of how such companies will comply with these less stringent maximum permissible levels for metallurgical liquid effluents and other environmental problems. Companies must correct the pollution problems relating to their mining activities within five years and relating to their processing plants within five or ten years, depending on the type of processing plant. These companies must allocate no less than one percent of their annual sales to redress the problems identified in their EVAPs and contemplated in their PAMAs. Mining and plant processing activities that began after May 2, 1993 or had at that time a specific environmental program will be required to file and obtain approval for an Environmental Impact Study ("EIS") before being authorized to operate. Mining and plant processing activities that began after May 2, 1993 are required to comply with the more stringent maximum permissible levels for metallurgical liquid effluents from the initiation of their operations.

Many of the Company's mining rights and processing plants were in operation prior to May 2, 1993, and the Company is in substantial compliance with the interim maximum permissible levels. EVAPs for Julcani, Uchucchacua, Orcopampa, Recuperada, Ishihuinca and Shila were all accepted between August and September 1995. PAMAs for all these entities (except for Shila, which has complied with the PAMA in May 1999) as well as for Colquijirca were accepted between January 1997 and August 1997. Thereafter, these operations will have a maximum of five years or ten years, depending on the mining activities or type of environmental issues required to be solved, to fully comply. The EISs for Huallanca, China Linda and Paula were approved in 1998, 1999 and February 2001, respectively. The EVAPs for the La Zanja, Los Pircos, Tantahuatay and Samana exploration projects were approved in July 2001, August 2001, December 2000 and December 2001 respectively.

In October 2001, Consorcio Energético de Huancavelica S.A. ("Conenhua") completed the construction of two transmission lines, one between Trujillo and Cajamarca and the other between Cajamarca Norte and La Pajuela, and of a substation in Cajamarca Norte, in order to provide electricity to Yanacocha and the city of Cajamarca. The final concessions for the two transmission lines were granted by Supreme Resolution No. 165-2001-EM in October 2001.

The Company has submitted an EIS for a transmission line from Ares to Huancarama, which will connect Orcopampa with the national electricity grid. This EIS is currently under review.

The EVAPs filed with respect to the Company identify certain environmental issues that must be addressed by the Company. There can be no assurance that the Company will not be required to make additional capital expenditures in order to bring its operations into compliance in the future.

Except as described above, there are no material legal or administrative proceedings pending against the Company with respect to any environmental matters.

The Company anticipates that additional laws and regulations will be enacted over time with respect to environmental matters. The development of more stringent environmental protection programs in Peru could impose constraints and additional costs on the Company's operations, and the Company would be required to make significant additional capital expenditures in the future. Although the Company believes that it is substantially in compliance with all applicable environmental regulations of which it is now aware, there is no assurance that future legislation or regulatory developments will not have an adverse effect on its business or results of operations.

Permits

Management believes that the Company's mines and facilities have all necessary material permits. All future exploration and development projects require or will require a variety of permits. Although the Company believes the permits for these projects can be obtained in a timely fashion, permitting procedures are complex, time-consuming and subject to potential regulatory delay. The Company cannot predict whether it will be able to renew its existing permits or whether material changes in existing permitting conditions will be imposed. Non-renewal of existing permits or the imposition of additional conditions could have a material adverse effect on the Company's financial condition or results of operations.

Insurance

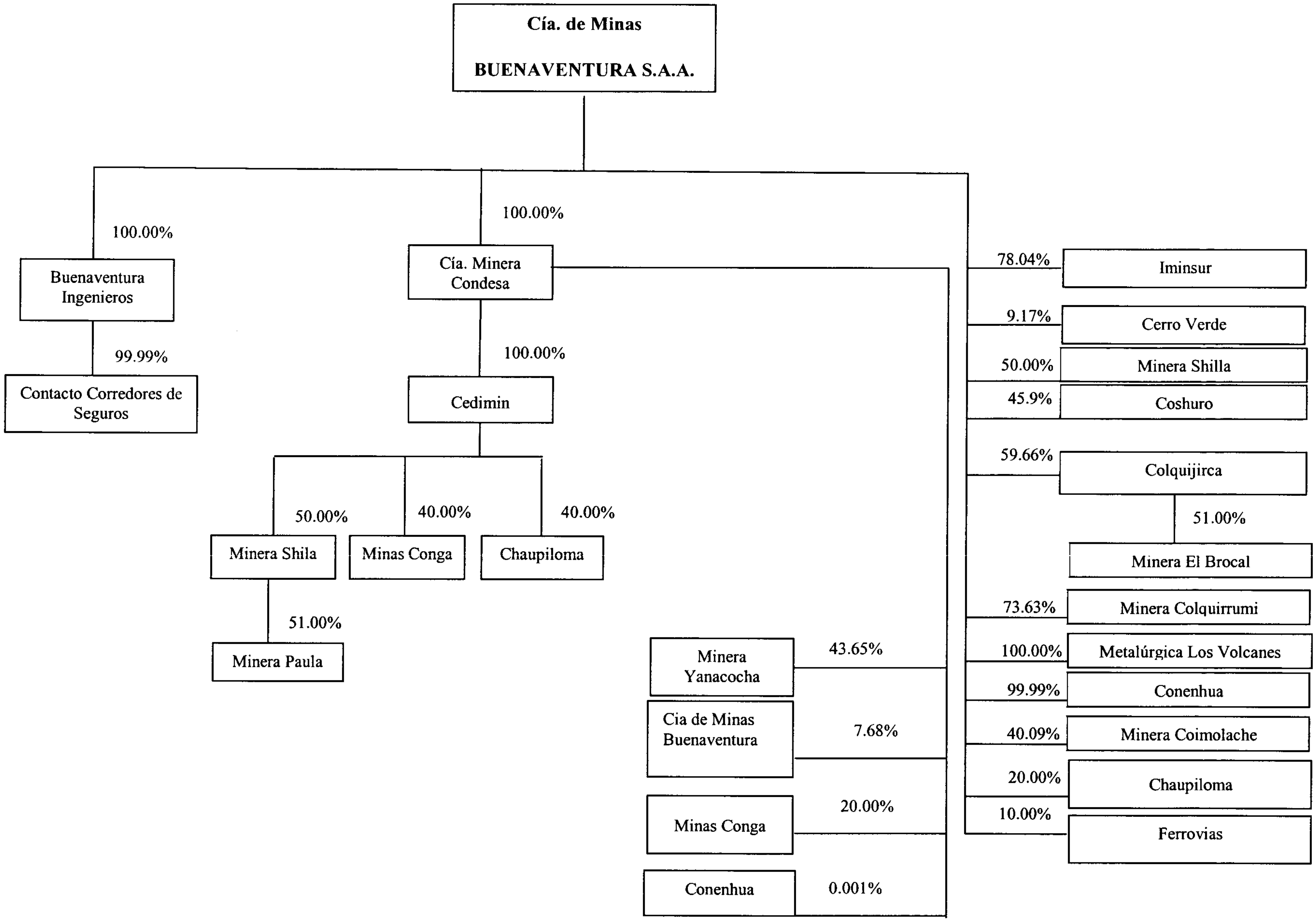
The Company maintains a comprehensive insurance program designed to address the specific risks associated with its operations, in addition to covering the normal insured risks encountered by major mining companies.

The Company's insurance program is provided through the local Peruvian insurance market and includes employers' liability, comprehensive third party general liability, comprehensive automobile liability, all risk property on a replacement basis, including transit risks, business interruption insurance and mining equipment.

Organizational Structure

At May 31, 2002, the Company conducted its mining operations directly and through various majority-owned subsidiaries, controlled companies and other affiliated companies as described in the following organizational chart.

Compañía de Minas Buenaventura S.A.A
<u>Corporate Structure</u>



Intermediate Holding Companies, Subsidiaries and Equity Participations

Compañía Minera Condesa S.A.

Condesa, wholly owned by the Company, is a mining and facilities holding company with direct and indirect ownership participation in two mining-related entities, Cedimin and Yanacocha, and in exploration projects conducted by Minas Conga and in Conenhua. See "—Business Overview—Exploration". As a partner in Yanacocha, Condesa shares responsibility for the investments made in the Yanacocha mine and through its investment in Cedimin receives in return dividend revenues. See "—S.M.R.L. Chaupiloma Dos de Cajamarca" below. In December 2000, Cedimin transferred its interest in Series B Shares of the Company to Condesa, which consequently now holds 7.94 percent of the Company.

Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C.

Cedimin is a wholly-owned mining and facilities holding company. Cedimin owns a 100 percent interest in Minera Shila, a 40 percent participation in Minas Conga, a 40 percent interest in Chaupiloma, a 100 percent interest in Huallanca and an indirect 51 percent participation in Minera Paula S.A.C. ("Minera Paula") held through Minera Shila. See "—History and Development" and "—S.M.R.L. Chaupiloma Dos de Cajamarca" below. See "—The Company—History and Development" for a description of the legal proceedings in the Peruvian courts concerning the ownership of certain shares of Cedimin originally held by BRGM. Through its direct ownership in Chaupiloma, Cedimin receives a portion of the royalty revenues paid by Yanacocha to Chaupiloma equal to such ownership interest.

S.M.R.L. Chaupiloma Dos de Cajamarca

Chaupiloma is a Peruvian limited liability company that holds all of the mining rights for the areas mined by Yanacocha and Minas Conga. Chaupiloma receives a royalty that is calculated as a percentage of the total revenues of Yanacocha. The Company, Cedimin and Newmont Peru own a 20 percent interest, a 40 percent interest and a 40 percent interest, respectively, in Chaupiloma. The Company, directly and indirectly through its interest in Cedimin, owns a 60 percent interest in Chaupiloma.

Consorcio Energético Huancavelica S.A.

Conenhua is an electrical distribution company that provides a significant portion of the electrical needs of the Company through its transmission facilities. The Company owns 100 percent of Conenhua and manages its operations. Conenhua obtained the concession for power transmission in the Huancavelica area in 1983, enabling the Company to buy energy from Electro Perú and to transmit electric power to the Company's mining facilities through its own facilities. The provinces of Huancavelica, Angaraes, Acobamba and Castrovirreyna are now connected to the system. Conenhua also provides electric power to other mining companies in the area. In 2001, Conenhua sold 14.9 million kilowatt hours ("kWh") in Huancavelica. Revenues generated by Conenhua benefit the Company in the form of operational costs savings at the rate of US$0.11 per kWh regarding thermoelectric generation costs. Conenhua has become the operator of Paragsha II-Ucchuchacua, the power line which provides electricity to the Ucchuchacua mine and two other mines. In 2001, Conenhua provided 89 million kWh to those mines. In 2001, Conenhua provided 29.1 million kWh to Yanacocha. In 2001, Conenhua's revenues amounted to US$2.14 million.

On January 1, 2002, the Company transferred electrical energy generation activities available in the department of Huancavelica to Conenhua. As a result, Conenhua acquired the Huapa hydroelectric plant and is currently leasing the Tucsipampa and Ingenio hydroelectric plants.

In October 2001, Conenhua completed the construction of two transmission lines, one between Trujillo and Cajamarca and the other between Cajamarca Norte and La Pajuela, and of a substation in Cajamarca Norte, in order to provide electricity to Yanacocha. This project, which demanded an investment of approximately US$17.5 million, has significantly reduced the cost of energy for Yanacocha. Also in 2001, Conenhua constructed a 4.5 kilometer electrical distribution line for Empresa Minera Iscaycruz's electrical distribution system in the industrial area of Antapite and a 9 kilometer transmission line between Huancarama and Manto to improve the supply of energy for Orcopamapa. Conenhua is currently involved in the construction of the Ares Huancarama 25.5 kilometer transmission line, which includes a substation in Huancarama.

Buenaventura Ingenieros S.A.

Buenaventura Ingenieros S.A. ("BISA"), a wholly-owned subsidiary of the Company, has provided mining sector geological, engineering, design and construction consulting services for the last 23 years. During this time, BISA has consulted in Peru, Chile, Argentina, Mexico and Ecuador in a range of projects, operations and expansions. In 1995, BISA created an environmental services group. In addition, BISA owns a 99.98 percent interest in Contacto Corredores de Seguros S.A., an insurance brokerage company that provides insurance brokerage and related services to the Company and its affiliates. In 1999, 2000 and 2001, BISA participated in 98, 155 and 114 projects, respectively, for domestic and international mining industry customers in Latin America, including the preparation of Environmental Impact Studies and Environmental Adaptation Programs. In 2001, BISA's revenues amounted to US$ 7.8 million.

BISA has continuously upgraded the technology it requires to perform its services. In 2001, BISA successfully completed the design, supervision and construction of the Antapite mine.

Sociedad Minera Coshuro S.A.

Coshuro, which began operations in December 1995, was created jointly by the Company and Newmont Peru to conduct gold mining exploration in the Yanacocha volcanic belt. Coshuro was 35 percent owned by the Company until December 20, 2000, on which date Newmont Peru transferred 10.9 percent of its interest in the Coshuro to the Company. As a result, the Company currently holds a 45.9 percent interest in Coshuro.

Inversiones Colquijirca S.A / Sociedad Minera El Brocal S.A.

El Brocal owns 51.0 percent of the Colquijirca mine. El Brocal was formed in 1956 and is engaged in the extraction, concentration and sale of concentrates of polymetallic minerals, mainly zinc, lead and silver. In March 1999, the Company bought an additional 30.4 percent interest in Inversiones Colquijirca, thereby increasing its interest in Inversiones Colquijirca to 51.94 percent. In turn Inversiones Colquijirca holds 51 percent of El Brocal, providing the Company with a 26.71 percent interest in El Brocal's mining properties. In April 1999, the Company consolidated Inversiones Colquijirca's financial statements, and thus El Brocal's financial statements, with those of the Company effective January March 1, 1999. Other unrelated mining investors hold the balance of the share capital of Inversiones Colquijirca. In July 1996, Cominco, a Canadian mining company, acquired 25.5 percent of Inversiones Colquijirca from a group of Peruvian investors.

Ferrovías Central Andino S.A.

The Company holds 10 percent of Ferrovías Central Andino S.A., a railroad company, pursuant to a concession granted to a consortium of several companies in April 2000. Among the other companies holding interests in the share capital of Ferrovías are Railroad Development Corporation, Cemento Andino S.A., Commonwealth Development Corporation and others. Ferrovías will provide transportation for concentrates from El Brocal's mining operations at a lower cost.

Sociedad Minera Cerro Verde S.A.

The Company holds a 9.17 percent interest in Sociedad Minera Cerro Verde S.A., which owns the Cerro Verde copper deposit located approximately 1,100 kilometers southeast of Lima. The Peruvian government previously owned and operated the mine. In November 1993, the Cerro Verde operation was privatized. Cyprus Amax (now Phelps Dodge) bought 91.7 percent and, pursuant to Peruvian privatization laws, the employees of Cerro Verde purchased approximately 8.3 percent of the shares of Cerro Verde. Cyprus Amax paid US$35.44 million for its equity interest in Cerro Verde and made a US$485 million capital commitment to finance the development of the facilities. To date, total investments in Cerro Verde equal approximately to US$433.3 million. In 1997, Cyprus Amax estimated economic reserves of 70.2 metric tons with a copper grade of 0.532% in Cerro Negro, but because of the decline in copper prices at the end of 1997 decided to postpone development of the site indefinitely. Phelps Dodge is currently the operator and senior partner (82.5%) of Cerro Verde. In 2001, the mine produced 76,995 tons of copper cathodes, compared to 71,374 tons produced in 2000. It is estimated that Cerro Verde contains over 3.5 million ST of recoverable copper and over 6,075 hectares of mining concessions in its mining district.

YANACOCHA

Overview

Founded in Peru in 1992, Yanacocha is the largest gold producer in Latin America, producing 1,902,489 ounces of gold in 2001, its eighth full year of operations. Yanacocha's operations are located in the Andes mountains in Northern Peru in the area of Cajamarca, located approximately 600 kilometers north of Lima and 45 kilometers north of the City of Cajamarca at an altitude of 4,000 meters above sea level. As of December 31, 2001, Yanacocha's proven and probable reserves were estimated to be 34.2 million ounces of gold representing a 7 percent decrease over Yanacocha's proven and probable reserves which were estimated to be 36.6 million ounces of gold as of December 31, 2000. The decrease in reserves of gold was mainly due to mining depletion. As of December 31, 2001, Yanacocha's non-reserve mineralized material of gold was 4.1 million ounces, representing an 8 percent increase from Yanacocha's non-reserve mineralized material of gold of 3.8 million ounces as of December 31, 2000. Newmont has not quoted silver reserves at Yanacocha for the last year due to recovery issues.

Yanacocha has the right to use mining rights with respect to 125,670 hectares of land, approximately 3,000 of which are being used in Yanacocha's current mining operations and the remainder of which are being explored by Yanacocha. Chaupiloma holds the mining rights with respect to these hectares and has assigned the mining rights related to 125,000 hectares to Yanacocha covered by 14,161 mining concessions and three provisional permits. See "—Mining and Processing Concessions". Yanacocha has acquired or is in the process of acquiring the surface rights with respect to 15,700 hectares of surface land, including the 3,000 hectares currently used in its mining operations, and has obtained beneficial easements with respect to certain surface land above the mining rights currently assigned to it as well as certain other surrounding areas.

At December 31, 2001, Yanacocha operated five open-pit mines: Carachugo, Maqui Maqui, Cerro Yanacocha, San José and La Quinua. Cerro Yanacocha began production in the last quarter of 1997 and is the first of a number of mines that Yanacocha anticipates developing in connection with the Cerro Yanacocha deposit complex, which Yanacocha's management believes may contain significant gold mineralization. See "—Exploration" for a description of the Cerro Yanacocha deposit complex. In 1997, Yanacocha discovered a colluvial gold deposit at La Quinua which indicates that the Yanacocha mining district may contain other colluvial deposits. During 1998, Yanacocha discovered a deposit of an estimated 660,000 ounces of gold at Cerro Negro. In 1999, an epithermal deposit at Cerro Quilish was discovered, which contains an estimated 3.1 million ounces of gold. In 2000, one drill hole at Corimayo was the most successful in Yanacocha history, resulting in 1,400 feet of 0.1 ounce of gold per ton with one segment of 143 feet showing 0.43 ounce per ton material. Significant sulfide materialization, both copper and gold, also was discovered at Cerro Yanacocha and Chaquicocha. In 2001, exploration efforts will focus on the further investigation of the sulfide mineralization in order to determine its extent and to evaluate processing options. In October 2001, La Quinua, a 272-hectare gold deposit with a leach pad located at La Pajuela, started operations.

In 1994, its first full year of production, Yanacocha produced 304,552 ounces of gold, 551,965 ounces in 1995, 811,426 ounces in 1996, 1,052,806 ounces in 1997, 1,335,754 ounces in 1998, 1,655,830 ounces in 1999, 1,795,398 ounces in 2000 and 1,902,489 ounces in 2001. Yanacocha expects production to increase 21 percent in 2002 from the 2001 production level to 2,300,000 ounces. Yanacocha believes that it was one of the world's lowest cash cost gold producers in 2001, with a cash cost per ounce of gold sold of US$123. Yanacocha's cash cost per ounce of gold sold was US$96 in 2000, US$111 in 1999, US$104 in 1998, US$95 in 1997, US$107 in 1996 and US$119 in 1995.

Yanacocha expects production of silver to decrease 8 percent from the 2001 production level, to 1.4 million ounces in 2002. Yanacocha reduces the cash cost of gold with the sales of silver, which is considered a by-product. Silver production was 24,467 ounces in 1993, Yanacocha's first full year of production, 97,349 ounces in 1994, 180,619 ounces in 1995, 182, 879 ounces in 1996, 163,366 ounces in 1997, 457,183 ounces in 1998, 826,120 ounces in 1999, 1,536,587 ounces in 2000 and 1,466,172 ounces in 2001.

Yanacocha is owned 51.35 percent by Newmont Mining, through its wholly-owned subsidiary Newmont Second, 43.65 percent by the Company through its 100 percent owned subsidiary Condesa, and 5 percent by IFC. Yanacocha is managed by Newmont Peru. See "—Management of Yanacocha—General Manager/Management Agreement". Since 1992, aggregate capital contributions of US$2.3 million have been made by the Condesa, Newmont Second and IFC to Yanacocha. No dividends were paid by Yanacocha during its development years, 1992 through 1994. In 1995, Yanacocha paid an aggregate amount of US$61.0 million in dividends, of which US$22.3 million were in respect of 1994 earnings and US$38.7 were in respect of 1995 earnings. In 1996, Yanacocha paid US$78.0 million in dividends: US$37.6 million in respect of 1995 earnings and US$40.4 million in respect of 1996 earnings. In 1997, Yanacocha paid an aggregate amount of US$115.3 million in dividends, of which US$40.0 million were in respect of 1997 earnings and US$75.3 million were in respect of 1996 earnings. In 1998, Yanacocha paid an aggregate amount of US$73.2 million in dividends in respect of 1997 earnings. In 1999, Yanacocha paid an aggregate amount of US$80 million in dividends in respect of 1999 earnings. No dividends in respect of 1998 earnings were distributed by Yanacocha. Instead, cash that would have been paid was used by Yanacocha for property, plant and equipment in a US$122 million reinvestment program. In 2000, Yanacocha paid an aggregate amount of US$60 million in dividends in respect of 2000 earnings and increased the reinvestment program by US$71 million. The reinvestment program totaled US$193 million at December 31, 2000, which amount was capitalized during 2001. In 2001, Yanacocha paid an aggregate amount of US$10 million in dividends in respect of 2000 earnings and elected to reinvest US$80 million from 2001 profits based on a new reinvestment program for the years 2001 to 2004. In December 2001, the MEM approved the 1998 reinvestment program (increased in 1999) for US$206.5 million. As a result, an additional US$13.5 million was capitalized.

On October 31, 1999, pursuant to a public deed, the Company changed its legal structure from a corporation to a partnership, changing its name from "Minera Yanacocha S.A." to "Minera Yanacocha S.R.L." As a result, Yanacocha (i) cannot have more than 20 partners; (ii) its capital stock is represented in participations; (iii) is not required to maintain a legal reserve (See Note 11 to Yanacocha Financial Statements); and (iv) will not receive a different income tax treatment under Peruvian law than it did as a corporation.

In October 2000, a long standing dispute over Yanacocha shares involving the Company, Newmont Mining and their former partners in Yanacocha, BRGM and Normandy, was settled. In the settlement BRGM, Normandy and their related entities agreed to desist from continuing all pending litigation and arbitration claims against the Company, Newmont Mining and the government of Peru and not to initiate new claims. See "—The Company—History and Development". The resolution of this matter permitted the Company and Newmont Mining to unitize their properties in Northern Peru into Yanacocha including, among other properties, those owned by Minas Conga and the China Linda lime plant.

Capital Expenditures

Yanacocha's capital expenditures from its formation in 1992 through 2001 have related principally to the development of the Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua mining operations, the construction of processing plants and the expansion of leach pads for the Carachugo, Maqui Maqui, Cerro Yanacocha and La Quinua Stage 1 mining operations. Yanacocha's capital expenditures from its formation through December 31, 2001 totaled approximately US$1,063 million, including capital expenditures of US$138.7 million in 1999, US$279.2 million in 2000 and US$292.7 million in 2001. Capital expenditures in 2000 were significantly higher than in 1999 mainly due to the expenditure of US$45.7 million in connection with the unitization of the Company's and Newmont Mining's interests in Northern Peru and the construction of La Quinua Stage 1 for US$105.7 million. Capital expenditures in 2001 were mainly due to the completion of La Quinua Stage 1 for US$92 million, the expansions of pads at Yanacocha (Stage 4) and Carachugo (Stage 9) for US$41.7 million, and the acquisition of mine equipment for US$74 million. See "—The Company—History and Development".

Yanacocha anticipates that its capital expenditures for 2002 will be approximately US$206 million, which Yanacocha plans to use primarily in the construction of pad expansions at La Quinua (Stages 2 and 3) and Yanacocha (Stage 5), the construction of a carbon column facility at La Quinua, the development of a site wide management plan to control sediment and chemistry, and other mine development. Yanacocha expects that it will meet its working capital, capital expenditure and exploration and development requirements for the next several years from internally-generated funds, cash on hand, borrowings from banks and financial institutions and the remaining proceeds from a May 1997 US$100 million asset securitization financing transaction backed by Yanacocha's sales receivables (the "Yanacocha Receivables Securitization"). There can be no assurance that sufficient funding will be available to Yanacocha from internal or external sources to finance future working capital, capital expenditures and exploration and development requirements, or that external funding will be available for such purpose on terms or at prices favorable to Yanacocha. See "Item 5. Operating and Financial Review and Prospects—Yanacocha—Exploration and Development Costs; Capital Expenditures".

Description of Yanacocha's Operations

Yanacocha currently operates five open-pit mines (Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua); a 190 million ton-capacity leach pad at the Carachugo mining site; a 60 million ton-capacity leach pad at the Maqui Maqui mining site; a 390 million ton-capacity leach pad at the Cerro Yanacocha mining site; a 450 million ton-capacity leach pad at the La Quinua mining site; two pregnant solution ponds at the base of each leach pad; two plants at Carachugo and Yanacocha that include a leach solution processing facility at each plant and a smelter at the Carachugo plant; and a water treatment plant. The Carachugo, Maqui Maqui, San José and Cerro Yanacocha mining operations began operations in August 1993, October 1994, January 1996 and the last quarter of 1997, respectively. A fifth open-pit mine, La Quinua, started operations in October 2001. The Carachugo and San José mining operations are located within two kilometers of each other and share the same leach pad and pregnant solution pond. The same processing plant and water treatment plant are utilized by the Carachugo and San José mining operations. The Maqui Maqui mining operation, which is four kilometers from the Carachugo and San José mining operations, has its own leach pad and pregnant solution pond but shares the processing plant and the water treatment plant with the Carachugo and San José mining operations. The Cerro Yanacocha mining operation has its own leach pad, pregnant solution pond and processing plant, but shares the smelter with the Carachugo mining operation. The La Quinua mining operation has its own leach pad and pregnant solution ponds, but shares the processing plant with Yanacocha Norte.

At Carachugo, Maqui Maqui, San José and Cerro Yanacocha, ore is mined by a sequence of drilling, blasting, loading and hauling to the leach pads. The mined ore is not crushed or pre-treated because the ore is porous and readily percolates barren solution and is in an oxide rather than sulfide material. Therefore, ore is transported directly from the open-pit mines as run-of-mine ore to the Carachugo leach pad, in the case of the Carachugo and San José mining operations, to the Maqui Maqui leach pad, in the case of the Maqui Maqui mining operation, and to the Cerro Yanacocha leach pad in the case of Cerro Yanococha mining operation. This allows for relatively rapid and inexpensive gold production because crushing or additional oxidation processing costs are not incurred. However, at La Quinua, where the ore contains a high amount of clays and requires the addition of cement to insure proper percolation, a belt agglomeration process has been included. The rest of the mining process at La Quinua is the same as that at Carachugo, Maqui Maqui, San José and Cerro Yanacocha. At all five mining operations, waste is dumped in nearby specially conditioned areas. Ore is heap-leached and the resulting pregnant solution is collected in each leach pad's pregnant solution pond. Pregnant solution is pumped to the corresponding processing plant located near the Carachugo or Yanacocha leach pad. At the processing plant, the gold is extracted using the Merrill-Crowe process and the resulting gold concentrate is then smelted, producing doré bars currently assaying approximately 70 percent gold and 30 percent silver. In the case of Cerro Yanacocha the wet precipitate is delivered to be smelted in Carachugo's facility, and doré bars assay approximately 40 percent gold and 60 percent silver. The doré bars are transported from the processing plant by an outside security firm and refined outside of Peru. See "—Transportation and Refining". The excess barren solution from the processing plant is pumped back to the Cerro Yanacocha, Maqui Maqui and Carachugo leach pads for use in further heap-leaching. The leaching process is generally a closed system; however, during periods of high rainfall, additional water enters the process. This excess water is treated at Yanacocha's water treatment plant, which has been designed to discharge water that meets drinking water standards set out by the Peruvian Ministry of Health, the U.S. Environmental Protection Agency, the State of Nevada Regulations and World Bank guidelines. See "—Regulation, Permitting and Environmental Matters".

Electric power for Yanacocha's operations is currently provided by a local power company. Yanacocha can also rely on twenty diesel generators it owns which have an aggregate power generation capacity of 16,000 kilowatts ("kw"). In addition, Yanacocha has been connected to the Peruvian national electricity grid since the end of 1997. Yanacocha currently receives its supply of electric power through a 220 kilovolt ("kV") power line originating in Trujillo, which is owned by Buenaventura and has the capacity to provide up to 150 megawatts ("MW") to Yanacocha. In addition, a 60 kV power line routed through Cajamarca, permits Yanacocha to receive up to 15 MW. This power line is used only in emergencies. See "Item 5. Operating and Financial Review and Prospects".

Water for Yanacocha's operations comes from several lakes and wells. All excess water used by Yanacocha undergoes water treatment at the water treatment plant described above. Set forth below are certain unaudited operating data for the years shown for each of Yanacocha's mining operations that were then in operation:

	1997	1998	1999	2000	2001
Mining Operations:					
Ore mined (dry short tons):					
Cerro Yanacocha	600,588	4,981,259	18,876,207	27,395,912	53,831,585
Carachugo	10,657,895	13,173,354	14,260,383	34,912,518	23,321,305
Maqui Maqui	14,908,648	12,571,876	8,850,763	3,754,305	0
La Quinua	—	—	—	—	4,066,142
San José	3,239,813	11,642,193	19,379,665	16,961,576	3,519,248
Total ore mined (dry short tons)	29,406,944	42,368,682	61,367,018	83,024,311	84,738,280
Average gold grade of ore mined (oz./dry short ton)					
Cerro Yanacocha	0.026	0.034	0.032	0.032	0.029
Carachugo	0.045	0.049	0.037	0.032	0.033
Maqui Maqui	0.051	0.049	0.041	0.033	0
San José	0.050	0.040	0.041	0.030	0.037
La Quinua	—	—	—	—	0.018
Total average gold grade of ore Mined (oz./dry short ton)	0.043	0.045	0.037	0.031	0.030
Gold Production (oz.):					
Cerro Yanacocha	—	108,166	319,239	610,183	954,406
Carachugo	331,571	337,362	432,190	788,111	904,192
Maqui Maqui	611,079	646,931	253,564	43,025	37,974
San José	110,156	243,295	650,837	354,079	5,917
La Quinua	—	—	—	—	—
Total gold (oz.)	1,052,806	1,335,754	1,655,830	1,795,398	1,902,489

Exploration

Yanacocha's exploration activities encompass 125,670 hectares of land. Chaupiloma holds the mining rights with respect to these hectares and has assigned the mining rights relating to 125,000 hectares to Yanacocha. Although Chaupiloma has not assigned to Yanacocha the mining rights to the remaining hectares, Chaupiloma permits Yanacocha to explore these hectares. See "—Mining and Processing Concessions".

Exploration expenditures amounted to approximately US$10.8 million, US$11.2 million, US$9.5 million, US$10.3 million and US$12.0 million in 1997, 1998, 1999, 2000 and 2001, respectively. These expenditures have identified several deposits which have been advanced to reserves and non-reserve mineralized material including Carachugo, Maqui Maqui, San José, Cerro Yanacocha, La Quinua, Cerro Negro, Cerro Quilish, Chaquicocha and El Tapado. These expenditures have also identified a large volume of oxide mineralization at Corimayo where exploration continues in an attempt to define the limits of this system and to determine the extent of high-grade mineralization in this body. A portion of

Corimayo has been advanced to non-reserve material but exploration and development will continue. A small body of oxide mineralization has also been identified at Arnacocha where exploration activities will also be advanced. Lastly, exploration funds have been used to identify deep sulfide mineralization beneath the oxide deposits at Cerro Yanacocha and Chaquicocha. This material contains both gold and copper, and exploration efforts will continue in order to determine the extent of this material and to evaluate various processing options.

Yanacocha's exploration and development expenditures include all of the costs associated with exploration activities such as drilling, geologists and metallurgical testing. Yanacocha prepares a budget for each year and allocates an amount for exploration and development activities. In light of the nature of mining exploration and in order to maintain flexibility to take advantage of opportunities that may arise, Yanacocha does not allocate the budgeted amount by property or project. Rather, Yanacocha allocates the budgeted amount over the course of the year to each project based on Yanacocha's needs and its geologists' periodic evaluations of the progress of each project and its potential for development.

Yanacocha intends to continue to develop the Cerro Yanacocha, La Quinua, Carachugo, Chaquicocha, Cerro Negro and El Tapado deposits over the next several years, while continuing to explore the remainder of the Yanacocha district along with the adjacent Minas Conga and Solitario holdings. In addition, Yanacocha will continue the exploration of the deeper gold and copper mineralization in the Cerro Yanacocha complex and beneath other deposits. For 2002, Yanacocha has estimated US$15.55 million for exploration and development which will be expensed, and an additional US$3.06 million that will be capitalized and that relates to exploration activities for ore bodies that are currently classified as reserves. This budgeted amount will be expended mainly on the Corimayo, Chaquicocha, Cerro Yanacocha and Cerro Negro deposits along with an extensive oxide exploration program through the Yanacocha district. In addition, funds have been allocated to continue the exploration and evaluation of the deep sulfide mineralization at Cerro Yanacocha and Chaquicocha.

In 1997, Yanacocha discovered an important colluvial gold deposit at La Quinua, which indicated that the Yanacocha mining district may contain other colluvial deposits. During 1998, Yanacocha discovered a deposit of an estimated 667,000 ounces of gold at Cerro Negro. In 1999, an epithermal deposit of an estimated 3.1 million ounces was discovered at Cerro Quilish. In 2000, one drill hole at Corimayo was the most successful in Yanacocha's history, resulting in 1,400 feet of 0.1 ounce of gold per ton with one segment of 143 feet showing 0.43 ounce per ton material. Significant sulfide materialization, both copper and gold, also was discovered at Cerro Yanacocha and Chaquicocha. Activities in 2001 resulted in the identification of a continuous, high-grade zone at Corimayo, which can be traced for at least 600 meters in a north-south direction and contains a significant volume of oxide material with grades of 5 to 20 grams per metric ton common through this zone. In addition a second high-grade zone was intersected 150 meters east of the previously identified zone with one hole containing 24 meters at 10.93 grams of gold per metric ton. A total of 2.56 million ounces of oxide material was advanced to non-reserve, mineralized material at Corimayo at the end of 2001.

Transportation and Refining

The doré bars produced at Yanacocha's operations in Peru are transported to refineries outside of Peru (currently, in Switzerland and England) using an outside security firm, Securicor International Services USA Inc., which in turn subcontracts the work in Peru to a local security firm, Hermes Transportes Blindados S.A. Under the terms of the transportation contract entered into between Yanacocha and Securicor, risk of loss with respect to the doré bars produced by Yanacocha transfers from Yanacocha to Securicor when the doors of the security transport vehicle at Yanacocha's mine site are closed and the doré bars have been signed for by a representative of Securicor's transporting company. Securicor is responsible for transporting, storing, guarding and delivering the doré bars from Yanacocha's mine site to a strong-room vault at the Kloten-Zurich Airport in Switzerland or at the Johnson Matthey refinery in Royston, England. Liability for any damage to or loss of doré shipments while under Securicor's custody at the mine site or in transport to the delivery point is assumed by Securicor, up to a maximum of US$100 million per shipment. Accordingly, Yanacocha limits its shipments to US$100 million in value, with the average shipment being US$9 million in value.

Upon delivery by Securicor to the refiner, Johnson Matthey, or the refiner's designee at the Kloten-Zurich Airport, Commerzbank SA, the refiner assumes all risk of loss and damage to the doré bars until Yanacocha is credited with the appropriate gold amounts within the time frame specified in each refining contract. Prior to assaying, the doré bars are transported to the refinery where they are melted, weighed and sampled in the presence of a representative of Alfred Knight Ltd., a professional assayer retained by Yanacocha. Each of the refiner and Alfred Knight, on behalf of Yanacocha, takes samples from the melted doré to assay. Alfred Knight independently assays Yanacocha's sample at its laboratory. The refiner and Alfred Knight then exchange assay results and use the arithmetic mean of the results for a settlement assay. If the results of Alfred Knight's and the refiner's assays differ by more than a certain amount, then a mutually agreed upon third party assayer will determine the final result assay.

Yanacocha currently has refining contracts with Commerzbank and Johnson Matthey to refine doré bars produced at Yanacocha's processing facility. Under the terms of the contracts, the gold is toll refined and returned to Yanacocha's account for sale to third parties. Yanacocha ships doré bars for refining to one of the refineries owned by Commerzbank in Switzerland (through its affiliate Argor-Heraeus S.A.) and to Johnson Matthey's refinery in England. The output from such refineries is London Good Delivery gold and silver. Yanacocha is charged a predetermined fee for the refinement. The refining contracts are entered into each year for a one year term. The current refining contracts expire on September 30, 2002. Yanacocha enters into one-year refining contracts because management believes that in the current increasingly competitive marketplace, it will be able to negotiate better pricing in each future year. Further, if marketplace fundamentals shift, Yanacocha is confident that it can readily secure longer-term refining arrangements.

Sales of Gold

Yanacocha's gold sales are made through a monthly open-bidding process in which Yanacocha auctions its production corresponding to the next four to six weeks. This bidding process is set up by Yanacocha before each month with approximately 10 financial institutions and trading firms. Yanacocha collects bids and confirms sales. The gold is typically sold the date of departure from Jorge Chavez Airport in Lima. If a portion of gold remains unsold, it is sold four or five days later. Silver is sold on the spot market approximately once a month to creditworthy traders. The cash from such sales is received into a collection account in London against orders to the refiners for deliveries of the gold and silver to the purchasers in connection with the Yanacocha Receivables Securitization.

Delivery is made once a week and payments are collected the day of confirmation. The payment price for the gold consists of (i) the market price at the confirmation of the sale and (ii) a small premium established pursuant to the bidding process.

Since 1994, Yanacocha has consistently sold to five or six financial institutions and trading firms at each auction. Such buyers are market makers and active participants in precious metal markets.

Employees

At December 31, 2001, Yanacocha had 1,589 employees. Compensation received by Yanacocha's employees includes base salary and other non-cash benefits such as a health program and term life insurance. In addition, pursuant to the profit sharing plan mandated by Peruvian labor legislation, employees at Yanacocha are entitled to receive eight percent of the annual pre-tax profits of their employers (the "Employee Profit Sharing Amount"), four percent of such profits to be distributed based on the number of days each employee worked during the preceding year and the remaining four percent of such profits to be distributed among the employees based on their relative salary levels. Effective January 1, 1997, the annual payment to each employee under the profit sharing plan cannot exceed 18 times such employee's monthly salary, and any difference between the Employee Profit Sharing Amount and the aggregate amount paid to employees must be contributed by Yanacocha to the *Fondo Nacional de Capacitación Laboral de Promoción del Empleo* (FONCAL-PROEM), a public fund to be established to promote employment and employee training.

Under Peruvian law, Yanacocha may dismiss workers for cause by following certain formal procedures. Yanacocha may dismiss a worker without cause, provided that Yanacocha pays such worker a layoff indemnification in an amount equal to one and a half month's salary for each full year worked plus the pro rata portion for any uncompleted year, not to exceed in the aggregate 12 months' salary. In addition, all employees are entitled to a severance payment upon termination of their employment, regardless of the reason for such termination, equal to one month's salary for each full year worked plus the pro rata portion for any uncompleted year. Peruvian law requires Yanacocha to deposit funds for severance payments in a bank account for the benefit of each employee.

Yanacocha's employees receive the benefit of one of two types of pension arrangements. All workers can choose to enroll in the system of the *Oficina de Normalización Previsional* (the Public Pension System, or "ONP") or in a privately-managed system of individual contribution pension funds ("AFPs"). Yanacocha is required to withhold from the salary of each employee enrolled in the ONP system 13 percent of such employee's salary, and pay such amount to the ONP system and withhold from the salary of each employee enrolled in the AFP system between 12 percent and 13 percent of such employee's salary, and pay such amount to the respective AFP. Yanacocha has no liability for the performance of these pension plans. In addition, Yanacocha pays to ES SALUD (the new social security agency) nine percent of its total payroll for general health services for all employees. Yanacocha also must pay a total of 2 percent of its total payroll for the Extraordinary Solidarity Tax.

Yanacocha has entered into arrangements with independent contractors who are responsible for the security services and staffing for several operational and administrative areas. At December 31, 2001, independent contractors employed an average of 4,000 persons who worked at Yanacocha's operations.

Yanacocha has experienced no strikes, has no labor unions and has not entered into any collective bargaining agreements since the beginning of its operations. However, there can be no assurance that this situation will not change, and it is possible that Yanacocha may have labor unions in the future. Since commencement of operations, Yanacocha's rate of turnover has been less than ten percent. Yanacocha considers its relations with its employees to be good.

Social Development

Yanacocha emphasizes social development in the communities surrounding its mining operations. Since it began to operate in Cajamarca in 1993, Yanacocha's Rural Development Program (RDP) has contributed to the development of these communities, within the framework of Yanacocha's corporate vision, mission and culture.

The RDP is the main link between Yanacocha and the rural community in terms of social development and is dedicated to the improvement of living conditions through the implementation of long-term projects. The RDP currently focuses its work on 62 rural communities within the area of influence of the Yanacocha's mining activities. These communities are part of three district municipalities (Baños del Inca, Cajamarca, and La Encañada) in the Department of Cajamarca.

The implementation of the RDP includes the establishment of an institutional framework of public and private, Peruvian and foreign institutions. It also includes ground roots organizations and local governments, international cooperation agencies and non-governmental organizations ("NGOs"). From 1994 to 1999 there was a growing trend towards inter-institutional links in the execution of activities in the RDP. There was a considerable reduction of such links in the year 2000. The majority of projects implemented by the RDP have included links with local, national or international NGOs (approximately 42 percent). Other projects implemented by the RDP have included links with local governments (approximately 19 percent). Most remaining projects have included links with public institutions, religious institutions and private companies.

In some cases, the RDP has collaborated with another organization or company to establish a new organization with the purpose of developing specialized activities. This strategy has improved the visibility of the RDP, opened up new areas of activity and enhanced results. For example, the RDP has collaborated with the Association for Forestal Development (ADEFOR) to create the Credit Fund for Agricultural and Forestal Development (FONCREAGRO), which is a source of credit to develop agriculture, forestry, and farming activities and offers technical training. The RDP has also collaborated with ADEFOR and FONCREAGRO to seek financial resources from the Employment Development Fund (FONDOEMPLEO) in order to execute a three year project to promote cattle breeding, and with the Center for Tourism (CENFOTUR) to form the Tourism Fund (FONTURISMO) to gather financial resources and negotiate a tourism promotion project that would also be financed by FONDOEMPLEO.

In the period from 1993 to 2001, Yanacocha has invested US$17,975,922 in the RDP. The investment has included projects related to education, health, nutritional support agricultural development, forestation, installation of pastures and technical training among others.

In November 2000, Yanacocha started operating the Institutional Relations and Urban Development Area (RIDU) with the purpose of supporting urban social development plans and other economic development projects. The RIDU has established a productive relationship with the community of Cajamarca and local institutions seeking economic and social development in the area.

The RIDU has implemented urban social development projects relating to education, health, and housing, including, among others, projects to finance university studies, provide institutional support and protect the city of Cajamarca's riverbanks. The RIDU has also implemented other economic development projects including, among others, projects for the generation of employment in the northeastern tourist area, the institutional reinforcement of Cajamarca's Chamber of Commerce and the development of small business enterprises.

Security

Yanacocha employs a security force of over 215 persons with respect to its mining operations, including the processing plant and another 15 persons with respect to the road to the coast. No terrorist incidents have been recorded against Yanacocha's personnel or property at its mining operations or at its headquarters in Lima.

Mining and Processing Concessions

All of the mining concessions and provisional permits that have been assigned by Chaupiloma to Yanacocha were claimed prior to 1991. Chaupiloma is owned 40 percent by Newmont Peru and 60 percent by the Company directly and through its affiliate Cedimin.

Yanacocha's exploration activities encompass 125,670 hectares of land. Chaupiloma holds the mining rights with respect to these hectares and has assigned the mining rights relating to 125,000 hectares to Yanacocha, which are covered by 14,161 mining concessions and three provisional permits. Although Chaupiloma has not assigned the mining rights to the remaining hectares to Yanacocha, Chaupiloma permits Yanacocha to explore these hectares. Currently, five of the mining concessions assigned to Yanacocha are being utilized for mining operations. They are Chaupiloma Tres, Chaupiloma Cuatro, Chaupiloma Cinco, Chaupiloma Seis and Chaupiloma Doce. The Carachugo mine and the San José mine are located on the mining concessions of Chaupiloma Tres, Chaupiloma Cuatro and Chaupiloma Cinco; the Maqui Maqui mine is located on the mining concessions of Chaupiloma Seis and Chaupiloma Doce; and the Cerro Yanacocha mine is located on the Chaupiloma Uno and Chaupiloma Dos mining concessions. Five mining concessions have been assigned to Yanacocha by Chaupiloma pursuant to two assignments of mining rights, both with an initial term of 20 years expiring in 2012, renewable upon Yanacocha's request for an additional 20-year term. Yanacocha pays a royalty to Chaupiloma for the right to mine the five mining concessions of 3 percent of the net sale value of all ore extracted from these mining concessions after deducting refinery and transport costs. For 2001, Yanacocha paid royalties of US$15,3 million to Chaupiloma. The other mining concessions and provisional permits have been assigned to Yanacocha by Chaupiloma on comparable terms.

According to Peruvian mining law, the assignee in an assignment of mining concessions assumes all the duties and rights of the holder of the concession. Management of Yanacocha believes that the mining concessions assigned to Yanacocha are in full force and effect under applicable Peruvian laws and that Yanacocha is in compliance with all material terms and requirements applicable to the mining concessions and is not experiencing any condition, occurrence or event known to it that would cause the revocation, cancellation, lapsing, expiration or termination thereof, except that Yanacocha and Chaupiloma may, from time to time, remake, cancel, terminate or allow to lapse mining concessions assigned to Yanacocha that are not material to the conduct of Yanacocha's business.

Yanacocha has been actively pursuing the acquisition of the land surface or obtaining easements relating to land positions containing prospective geological exploration targets, deposits that can be developed in the future or areas that would be considered for plant or facility sites. To date, Yanacocha has acquired all the surface rights with respect to 12,500 hectares of the surface land covering its Carachugo, Maqui Maqui, San José and Cerro Yanacocha mining operations and the LaQuinua, Cerro Negro and Cerro Quilish deposits. In addition, Yanacocha has acquired 3,200 hectares of surface rights with respect to the Minas Conga deposits. See "—The Company—History and Development".

In addition, Yanacocha is subject to the Urban Mining Concessions Law which was released on December 19, 1998. See "—The Company—Regulatory Framework—Mining and Processing Concessions".

Yanacocha has a processing concession from MEM for its processing plant. The processing concession has an indefinite term, subject to the payment of a fee based on nominal capacity for the processing plant. Yanacocha paid approximately US$71,000 in fees for the processing concession for the year ended December 31, 2001 and is current in the payment of all amounts due in respect of its processing concession.

No other payments or royalties are required by the Peruvian government for Yanacocha to maintain in full force and effect its rights to the properties it is mining or exploring.

Regulation, Permitting and Environmental Matters

Yanacocha is subject to the full range of governmental regulation and supervision generally applicable to companies engaged in business in Peru, including mining laws, labor laws, social security laws, public health, consumer protection laws, environmental laws, securities laws and antitrust laws. See "—The Company—Regulatory Framework—Mining and Processing Concessions" for a general description of Peruvian regulations of mining companies. See "—Mining and Processing Concessions" above for a discussion of Peruvian regulations relating to the mining and processing concessions utilized by Yanacocha in its mining operations.

Yanacocha is required to submit certain documentation with respect to Yanacocha's plans and operations for the review and approval of various Peruvian government entities, including the MEM, the Ministry of Agriculture and the Ministry of Health. Yanacocha is required to file and obtain approval of an EIS for each of its mining operations before being authorized to operate such mine. EISs for the Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua mining operations. Yanacocha has submitted certain supplemental EISs pursuant to the requirement to submit and EIS each time a project's production is expanded by more than 50 percent. All supplemental EISs submitted by Yanacocha to MEM to date have been approved. After an EIS is approved and the mine is placed in operation, a governmental-accredited environmental auditing firm is required to audit the operation two times per year. Each of the Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua mining operations has been and continues to be audited as required and no material pollution problems have been identified.

Yanacocha's corporate policy is to comply with the same level of environmental protection as required by the State of Nevada regulations for mining operations, as well as those of the Peruvian government. Additionally, Yanacocha has agreed to several environmental covenants in loans with the IFC that require Yanacocha to comply with relevant World Bank environmental guidelines and World Bank occupational health and safety guidelines, and such covenants are monitored annually by IFC. See "—Trust Certificates and IFC Loan Documents". Yanacocha charges to income US$3.00 per ounce of gold sold, which represents the cost of the eventual closing of its mines appearing on the balance sheet under Reclamation Liability.

The Company has been informed by Yanacocha that Yanacocha's management believes that the facilities at Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua have all necessary operating permits. All future exploration and development projects require or will require a variety of permits. Although procedures for permit applications and approvals are customarily faster in Peru than in the United States, permitting procedures are still complex, time-consuming and subject to potential regulatory delay.

The Company has also been informed by Yanacocha that Yanacocha's management does not believe that existing permitting requirements or other environmental protection laws and regulations applicable to Yanacocha will have a material adverse effect on its business, financial condition or results of operations. However, Yanacocha's management recognizes the possibility that additional, more stringent environmental laws and regulations may be enacted in Peru, which could result in significant additional expense, capital expenditures, restrictions or delays associated with the development and operation of Yanacocha's properties. Neither the Company nor Yanacocha can predict whether Yanacocha will be able to renew its existing permits or whether material changes in existing permit conditions will be imposed. Non-renewal of existing permits or the imposition of additional conditions with respect to Yanacocha could have a material adverse effect on Yanacocha's financial condition or results of operations.

The Company has been informed by Yanacocha that Yanacocha's management believes that it is in compliance with all of the regulations and international standards concerning safety.

In June 2000, an independent trucking contractor spilled approximately 151 kilograms of mercury near the town of Choropampa, which is located 53 miles southwest of the Yanacocha mine. The mercury, a byproduct of gold mining, was being transported from the mine to a buyer in Lima for use in medical instruments and other industrial applications. Yanacocha initiated a comprehensive health and environmental remediation program immediately after the accident and entered into agreements with the three communities affected by the incident to provide for a variety of public works as a form of compensation for the inconvenience caused by the spill. In August 2000, Yanacocha paid under protest a fine of approximately US$500,000 to the government of Peru. Estimated costs of US$14 million were expensed in 2000 for the remediation, public works, fine and personal compensation. The Company cannot predict at this time whether Yanacocha will incur further expenses as a result of this accident.

Insurance

Yanacocha maintains a comprehensive insurance program designed to address the specific risks associated with its operations, in addition to covering the normal insured risks encountered by major mining companies.

Yanacocha's insurance program consists of a "Primary Program" and an "Umbrella/Excess Program". Coverage under the Primary Program is provided through the local Peruvian insurance market and includes employers' liability, comprehensive third party general liability, comprehensive automobile liability, all risk property on a replacement basis, including transit risks, business interruption insurance and mining equipment. Coverage under the Umbrella/Excess Program is provided through Newmont Mining's master worldwide insurance program and addresses claims that the Primary Program cannot, or will not, cover. During 2001, Yanacocha has received US$3 million from insurance in connection with the mercury spill and expects to receive further insurance payments to cover most of the remediation expenses Yanacocha incurred as a result of the accident.

Trust Certificates and IFC Loan Documents

In 1997, Yanacocha issued debt through the sale of US$100 million Series A Trust Certificates to various institutional investors. The proceeds from the trust certificates were primarily used to finance the Cerro Yanacocha project. At December 31, 2001, 2000 and 1999, US$64 million, US$78 million and US$88 million, respectively, was outstanding under this financing. Interest on the trust certificates is fixed at 8.4 percent and repayments are required quarterly through 2004. Trust certificates are secured by certain of Yanacocha's assets and are also secured by future gold sales through a trust agreement with The Bank of New York.

In order to finance La Quinua project, Yanacocha obtained a credit facility from IFC. Pursuant to an agreement dated December 22, 1999, IFC agreed to extend to Yanacocha a loan in the amount of up to US$20 million (Tranche A) to be repaid no later than December 15, 2009, and a second loan in the amount of up to US$80 million (Tranche B) to be repaid no later than December 15, 2006. As of December 31, 2001 and 2000, Yanacocha borrowed US$100 million and US$45 million, respectively, under this credit facility. This credit facility is available on a revolving basis and will contain similar financial covenants to the previous IFC loans. These covenants consist of affirmative and negative covenants, including, but not limited to the restriction on paying dividends if after giving effect to such payment (a) the current liquidity ratio is less than 1.2:1, (b) the debt to equity ratio is no greater than 70:30, (c) the trailing four quarters debt service coverage ratio is less than 1.3:1, or (d) the reserve coverage ratio is less than 2.0:1. During the revolving period, an interest rate of LIBOR plus 2.375 percent for Tranche A and LIBOR plus 2 percent for Tranche B, will be paid quarterly.

Yanacocha has a US$20 million line of credit with Banco de Crédito del Perú, which expires in July 2004 and has an interest rate of LIBOR plus 2 percent. At December 31, 2001 and 2000, the outstanding amount under this line of credit was US$13 million and US$8 million, respectively.

All Yanacocha debt is secured by certain restricted funds and by substantially all of Yanacocha's property, plant and equipment.

By-Laws of Yanacocha

Yanacocha is governed by the *Ley General de Sociedades Peruana* (the "Peruvian Companies Law") and the *estatutos* (the combined articles of incorporation and by-laws) of Yanacocha (the "Yanacocha By-Laws").

Control Over Major Corporate Events

Pursuant to the Peruvian Companies Law and the Yanacocha By-Laws (including applicable quorum requirements), without the affirmative vote of the partners of Yanacocha representing at least 51 percent of the voting shares, none of the following may occur: (i) an increase or decrease in Yanacocha's capital, (ii) the issuance of any debentures, (iii) any sale of an asset whose book value is at least 50 percent of the paid in capital relating to such asset, (iv) any amendment to the Yanacocha By-Laws in order to change its business form, (v) the merger, consolidation, dissolution or liquidation of Yanacocha or (vi) any other amendment of the Yanacocha By-Laws.

Pursuant to the Shareholders Agreement among Newmont Second, Condesa, *Compagnie Miniére Internationale Or S.A.* and IFC, dated as of August 16, 1993, as amended by a General Amendment Letter, dated August 17, 1994, any member of the Executive Committee of Yanacocha who wishes to propose that Yanacocha's Executive Committee authorize Yanacocha to take a Significant Action (as defined below) must (i) give written notice to each partner of such proposal prior to consideration thereof at a meeting of the Executive Committee and (ii) refrain from voting to approve such Significant Action until (x) the Executive Committee has received the consent of 80 percent of the partners of Yanacocha (a partner is deemed to have consented if no objection is received from such partner within 30 days after being notified) or (y) the Executive Committee has received the consent of at least 51 percent of the partners of Yanacocha and 45 days have elapsed since the member of the Executive Committee who proposed the Significant Action has responded in writing to objections received from objecting partners. "Significant Action" means (i) a disposal or sale of more than 20 percent by value of Yanacocha's fixed assets, (ii) any planned shutdown or cessation of Yanacocha's mining activities that is planned to last for more than one year, (iii) any capital expenditure by Yanacocha exceeding US$20 million, (iv) any disposal or sale by Yanacocha of the mining rights covered by certain concessions or (v) the approval of the development of a project in the area owned by Yanacocha (other than the Carachugo mine and processing facilities).

Preemptive Rights

The Peruvian Companies Law and the Yanacocha By-Laws provide preemptive rights to all partners of Yanacocha. In the event of a capital increase, any partner has a preemptive right to pay its pro rata share of such increase in order to maintain such partner's existing participation in Yanacocha.

In the event of a proposed transfer, exchange or sale, either voluntary or involuntary, of participation (collectively, the "Offered Participation") of one or more partners, any partner has a right to acquire the Offered Participation in proportion to its holdings of partners' capital. In the event that not all of the partners wish to exercise this right or some indicate their decision to acquire a smaller share than that to which they are entitled, the other partners will be entitled to an increase, and, consequently, the remaining participation will be distributed among them in proportion to such partners' capital participation and within the maximum limit of the participation they have stated their intention to acquire. Finally, any Offered Participation remaining unsubscribed by the partners must first be offered to Yanacocha before they may be offered to third parties.

Legal Proceedings

On September 10, 2001, over 900 Peruvian citizens initiated a lawsuit in the Denver District Court for the State of Colorado against Yanacocha and other defendants in connection with the mercury spill near the town of Choropampa, which is described in "Regulation, Permitting and Environmental Matters" above. The plaintiffs seek compensatory and punitive damages on the basis of various claims arising from the accident.

Other than the legal proceeding described above, Yanacocha is involved in certain legal proceedings arising in the normal course of its business, none of which individually or in the aggregate is material to Yanacocha or its operations. For information regarding the legal proceedings relating to the ownership of Yanacocha's equity, see "—The Company—History and Development".

Management of Yanacocha

Executive Committee

Pursuant to the Yanacocha By-Laws, Yanacocha's Executive Committee consists of six members, all of whom are appointed by the partners of Yanacocha. Wayne W. Murdy, Chairman and Chief Executive Officer of Newmont Mining Corporation has been appointed Chairman of Yanacocha's Executive Committee and Alberto Benavides de la Quintana, Chairman of the Board and Chief Executive Officer of the Company, has been appointed as the Vice Chairman of Yanacocha's Executive Committee. The Vice Chairman has the power to preside over the meetings of Yanacocha's Executive Committee in the Chairman's absence. The members of the Executive Committee are elected for a three-year term but may continue in their positions until the next election takes place and the newly elected members accept their positions. Alternate members are elected in the same manner as members and can act in the place of a member with all of their authority when the member is unavailable except that an alternate member may not act as either Chairman or Vice Chairman of Yanacocha's Executive Committee. The Chairman has the right to cast the deciding vote in the event of a deadlock among Yanacocha's Executive Committee.

General Manager/Management Agreement

The Yanacocha By-Laws provide that the Yanacocha Partner's Meeting has the power to appoint and remove the Manager of Yanacocha; the Executive Committee has the power to appoint and revoke other officers of Yanacocha, determine their duties and compensation and grant and revoke powers of attorney. Newmont Peru was named as Yanacocha's Manager according to a publicly filed deed, and it continues to hold that position. Newmont Peru's duties as the Manager are defined in the Management Contract (the "Management Contract"), dated February 28, 1992, as amended, between Yanacocha and Newmont Peru. Pursuant to the Management Contract, Newmont Peru is responsible for managing, conducting and controlling the day-to-day operations of Yanacocha and keeping Yanacocha's Executive Committee informed of all operations through the delivery of various written reports. The Management

Contract was amended as of December 19, 2000. The amendment extends the term of the Management Contract for a period of 20 years starting at the date of amendment and provides that it may be extended for additional terms of 20 years upon request by Newmont Peru. Newmont Peru, however, may cancel the Management Contract by giving six months' prior notice to Yanacocha. The Management Contract will be deemed terminated if, due to reasons attributable to bad management of Yanacocha, except for reasons beyond its control, Newmont Peru is unable to substantially complete the agreed work programs. In exchange for its services as Manager, Newmont Peru receives remuneration of US$2 per ounce of gold production and its equivalent for copper production paid on a quarterly basis, which amount is expected to cover the overhead and administrative expenses for the management of the operations. Also, Newmont Peru may charge Yanacocha for the salaries of employees of Newmont Peru or its affiliates who are directly involved in the operation of Yanacocha. In 2001, Yanacocha accrued fees of US$3.8 million owed to Newmont Peru and its affiliates under the Management Contract.

Control Over Major Corporate Events

See "—By-Laws of Yanacocha" above for a description of certain provisions of Peruvian law and of the Yanacocha By-Laws relating to control over major corporate events.

Preemptive Rights and Rights of First Refusal

See "—By-Laws of Yanacocha" above for a description of certain provisions of Peruvian law and of the Yanacocha By-Laws relating to preemptive rights and rights of first refusal.

Property, Plants and Equipment

The Company's Property

Introduction

The Company operates four mines (Julcani, Uchucchacua, Orcopampa and Recuperada) and has controlling interests in six mining companies which have controlling interests in the Ishihuinca, Antapite, Shila, Paula, Huallanca and Colquijirca mines. The Company also owns an electric power transmission company, an engineering services consulting company and has minority interests in several other mining companies including a significant ownership interest in Yanacocha. See "—The Company—Organizational Structure—Intermediate Holding Companies, Subsidiaries and Equity Participations".

The Company's mining operations are located throughout Peru. The Company's Julcani mine is located in the province of Angaraes in the department of Huancavelica, approximately 500 kilometers southeast of the city of Lima. The Company's Uchucchacua mine is located in the province of Oyón in the department of Lima, approximately 265 kilometers northeast of the city of Lima. The Company's Orcopampa mine is located in the province of Castilla in the department of Arequipa, approximately 1,350 kilometers southeast of the city of Lima. The Company's Recuperada mine is located in the province of Huancavelica, in the department of Huancavelica, approximately 500 kilometers southeast of the city of Lima. The Ishihuinca mine, which is operated by a majority-owned subsidiary of the Company, is located in the province of Caravelí in the department of Arequipa, approximately 780 kilometers southeast of the city of Lima. The Antapite mine, which is operated by a majority-owned subsidiary of the Company, is located in the province of Huaytara in the department of Huancavelica, approximately 434 kilometers southeast of the city of Lima. The Shila mine, which is operated by a wholly-owned subsidiary of the Company, is located in the province of Castilla in the department of Arequipa, approximately 1,350 kilometers southeast of the city of Lima and 100 kilometers south of the Company's Orcopampa mine. The Paula mine, which is operated by a wholly-owned subsidiary of the Company, is located in the province of Castilla, approximately 1,400 kilometers southeast of the city of Lima and 140 kilometers south of the Orcopampa mine. The Huallanca mine, which is operated by a wholly-owned subsidiary of the Company, is located in the province of Bolognesi in the department of Arequipa, approximately 440 kilometers north of the city of Lima. The Colquijirca mine, which is operated by a majority-owned subsidiary of the Company, is located approximately 320 kilometers east of Lima and 10 kilometers south of the city of Cerro de Pasco. The Yanacocha mine, in which the Company has a 43.65 percent interest, is located in the province and department of Cajamarca, approximately 850 kilometers north of Lima.

Operating Properties

Julcani

The Julcani mine is wholly owned and operated by the Company. The Company acquired Julcani in 1953 as its first operating mine. In November 1999, due to the depletion of gold and silver reserves, the Company was forced to suspend production in Julcani and carry out exploration activities only. In 2000, the Company started to carry out the actions required by the Environmental Shutdown Plan, or *Plan de Cierre Ambiental* with respect to the shutdown of several of the mine's zones, and undertook only limited exploration and minimal development efforts primarily in the Herminia zone, which continued through the first semester of 2001. In July 2001, the Company implemented a rescue plan focused on recovering high grade silver ore. The Company also obtained encouraging results from new metallurgical tests, obtaining copper-silver concentrates with a high grade silver, low bismuth content and a high concentration ratio, which allowed the Company to minimize trade penalties. At December 31, 2001, the total assets of Julcani were approximately S/.1.3 million (US$0.4 million).

Julcani is located in the province of Angaraes in the department of Huancavelica, approximately 500 kilometers southeast of Lima at an altitude of between 4,200 and 5,000 meters above sea level. Access is by a 211-kilometer unpaved public road, which connects to a paved public road, and by airstrip.

Run of mine ore is processed in a concentrator plant located 500 meters from the mine entrance. The ore is crushed and ground, and bulk floatation is used thereafter to obtain a silver-gold-lead concentrate. The plant has a rated capacity of 600 dry short tons ("DST") per day. The plant at the Julcani mine was last modernized and expanded to operate at its current capacity in 1986.

Electric power is generated by two Company-owned hydroelectric plants. Power generation capacity from these plants is 800 kw and 1,300 kw, respectively. The Company also relies on the Peruvian national electricity grid through Electro Perú, Peru's national electric utility, for its remaining electrical power. Water for operations of Julcani is obtained from a creek, two springs and a lake.

In 2001, the Company discontinued exploration of narrow silver veins, initiating instead exploration for lead-zinc and for gold-wolframite. In addition, the Company initiated an exploration program for the Carnicería, Serranita and Nueva York veins, which revealed 27,415 DST of mineral with a minimum grade of 0.354 ounces of gold per short ton and 0.181 percent wolframite with a minimum grade of 0.234 ounces of gold per short ton.

Set forth below are certain unaudited operating data for the periods shown for Julcani, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Mining Operations:					
Ore mined (ST)	126,000	135,500	111,230	5,300	38,500
Average gold grade (oz./t)	0.055	0.023	0.017	0.010	0.019
Average silver grade (oz./t)	14.8	14.1	13.0	19.2	20.2
Average lead grade	2.72%	3.42%	2.64%	0.60	0.44
Average copper grade	0.29%	0.21%	0.43%	0.37%	0.60%
Production:					
Gold (oz.)	4,731	2,091	1,477	30	452
Silver (oz.)	1,698,165	1,754,627	1,324,125	95,077	715,216
Lead (ST)	3,226	4,366	2,744	28	132
Copper (ST)	328	255	437	17	191
Recovery rate (gold)	68.0%	66.5%	77.0%	56.8%	61.8%
Recovery rate (silver)	91.1%	91.5%	91.3%	92.9%	92.0%

The significant increase in silver production in 2001 reflects the increase in ore mined at Julcani as a result of intensive exploration conducted in 2000.

Uchucchacua

The Uchucchacua mine is wholly owned and operated by the Company. Operations started in 1975, and Uchucchacua is currently the Company's largest producer of silver. At December 31, 2001, the total assets of Uchucchacua were approximately S/.69.6 million (US$20.2 million).

Uchucchacua is located in the province of Oyón in the department of Lima, approximately 300 kilometers northeast of the city of Lima at an altitude of between 4,000 and 5,000 meters above sea level.

Access is by two unpaved roads, 63 and 140 kilometers, respectively, which connect to the Pan American highway.

Mining at Uchucchacua is conducted underground utilizing cut-and-fill stopping, shrinkage stopping, and sublevel stopping methods. Ore is processed at a mill located at Uchucchacua. The mill, which has a rated capacity of 2,100 DST per day and which had a 98 percent utilization rate in 2001, utilizes differential flotation to obtain a lead-silver concentrate and a zinc concentrate. The mill at the Uchucchacua mine was last modernized and expanded to operate at its current capacity in 1999.

Electric power is generated by a Company-owned 3,400 kw hydroelectric plant and a 3,025 kw diesel generator. The Company utilizes a power line connecting Uchucchacua to the Peruvian national electricity grid and in 1999 completed the installation of electrical distribution facilities within the Uchucchacua mine. Water for operations at Uchucchacua is obtained from three lakes.

In 2001, the Company started construction to deepen the Luz shaft with the purpose of improving the extraction and transportation infrastructure of the mine. In 2002, the Company plans to construct a new drainage tunnel, measuring 4.5 kilometers from a point close to Lake Patón up to the main shaft which will also serve to explore the veins of the Plomopampa and Casualidad zones.

Set forth below are certain unaudited operating data for the periods shown for Uchucchacua, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Mining Operations:					
Ore mined (ST)	440,240	552,881	709,270	725,775	743,290
Average silver grade (oz./t)	14.0	13.6	13.9	16.0	17.47
Average zinc grade	1.23%	1.07%	1.13%	1.54	1.61
Average lead grade	0.84%	0.73%	0.91%	1.06	1.20
Production:					
Silver (oz.)	4,689,887	5,531,493	7,124,080	8,710,424	9,780,260
Zinc (ST)	3,395	3,504	4,543	7,344	7,789
Lead (ST)	3,123	3,423	5,682	6,845	8,010
Recovery rate (silver)	76.0%	73.5%	72.2%	74.8%	75.3%

The increase in silver and zinc production in 2001 reflects improved silver and zinc grades in the ore bodies of the Carmen zone, in addition to the superior quality of ore from the new Rubí and Verónica ore bodies.

Orcopampa

The Orcopampa mine is wholly owned and operated by the Company. The Company leases the rights to the mining concessions of Orcopampa from a group of private investors. The lease agreement expires in 2013 and stipulates a payment from the Company equal to 10 percent of its net sales revenues. Operations started in the Orcopampa mine in 1965. In 2001, the Company made lease payments of US$3.3 million. The Company operated Orcopampa as a silver mine until the late 1980s, when the Company also began to mine gold-bearing veins. In December 1996, Orcopampa S.A., then owner and operator of the Orcopampa mine, merged into the Company. As a result of the merger, Orcopampa S.A. assigned, and the Company assumed, the right to the mining concessions of Orcopampa. At December 31, 2001, the total assets of Orcopampa were approximately S/.59.3 million (US$17.2 million).

The Orcopampa mine is located in the province of Castilla in the department of Arequipa, approximately 1,200 kilometers southeast of the city of Lima at an altitude of between 3,800 and 5,000 meters above sea level. Access is by a 192-kilometer unpaved public road, which connects to the Pan American highway, and by air strip.

Mining at Orcopampa is conducted underground using either mechanized cut-and-fill stopping or shrinkage stopping methods. Ore is processed at a mill located at Orcopampa. The mill, which has a rated capacity of 1,200 DST per day and which had a 81 percent utilization rate in 2001, utilizes both bulk flotation and gravity concentration processes. The flotation concentrates are exported to different smelters around the world. The gravity concentrates are treated at Los Volcanes. Los Volcanes operates a small cyanidation plant adjacent to Orcopampa's mill and produces gold/silver electrolytic precipitates, which are refined in Lima and then sold to Johnson Matthey. The mill at the Orcopampa mine was last modernized and expanded to operate at its current capacity in 1986, and the cyanidation plant at Los Volcanes has been in place since 1991.

Results of exploration conducted in the Nazareno vein, the characteristics of the mineral obtained from the development of the vein and recent metallurgical tests suggested that Orcopampa will continue to yield high-grade gold concentrate. As a result, in December 2001, the Company installed a Merryl Crowe precipitation circuit and smelter at Orcopampa to produce doré bars, which the Company expects will reduce concentrate transportation and processing costs.

Electric power is generated by a 3,900 kw hydroelectric plant owned by the Company and, when water is scarce, by a 3,500 kw diesel generator. Water for operations at Orcopampa is obtained from a lake and three rivers. In 2001, the Company continued exploration activities in the Nazareno vein, and three of the most recent drill holes performed in the western section of the vein indicate that economically viable mineralization extends over that area. Another drill hole performed in the eastern part of the Prometida vein indicated a strong possibility of further ore shoots in both the Prometida and Nazareno veins. As a result, the Company initiated construction of a 560 meter shaft in the central part of the Nazareno vein. To date, the construction of the new shaft has advanced 160 meters.

Set forth below are certain unaudited operating data for the periods shown for Orcopampa, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Mining Operations:					
Ore mined (ST)	254,000	247,300	180,050	255,350	349,350
Average gold grade (oz./t)	0.162	0.077	0.178	0.405	0.451
Average silver grade (oz./t)	14.0	13.8	9.10	1.50	0.63
Average copper grade	0.19%	0.14%	0.071%	0.03%	0.013%
Production:					
Gold (oz.)	34,673	16,020	28,046	96,843	145,910
Silver (oz.)	3,004,121	2,921,870	1,336,367	292,986	156,600
Copper (ST)	433	268	108	59	40
Recovery rate (gold)	84.4%	83.6%	87.5%	90.4%	92.6%
Recovery rate (silver)	84.6%	85.6%	81.5%	75.9%	70.9%

The increase in 1999, 2000 and 2001 gold production is mainly due to the Company's exploration activities in the Nazareno vein, where exploration was concentrated. The continuous decrease in the production of silver since 1997 is due to the near total depletion of silver ore reserves.

Recuperada

The Recuperada mine was formerly owned and operated by Compañía de Minas Recuperada S.A. ("Minas Recuperada"), in which the Company directly and indirectly had a majority economic interest.

On December 31, 1997, however, Minas Recuperada was merged into the Company. Minas Recuperada has historically produced lead and zinc. At December 31, 2001, the total assets of Recuperada were approximately S/.2.2 million (US$0.6 million).

Recuperada is located in the province of Huancavelica, in the department of Huancavelica, approximately 540 kilometers southeast of the city of Lima at an altitude of between 4,300 and 4,800 meters above sea level. Access is by a 242 kilometer unpaved public road that connects to the Pan American highway.

Mining is conducted underground utilizing cut-and-fill stopping. Ore is processed at a mill located at Recuperada. The mill, which has a rated capacity of 500 DST per day and which had a 3% percent utilization rate in 2001, utilizes a differential flotation process. The mill at the Recuperada mine was last modernized and expanded to operate at its current capacity in 1985.

Electric power is generated by a hydroelectric plant owned by the Company. Power generation capacity from this plant is 700 kw. Recuperada also relies on the Peruvian national electricity grid for its remaining electrical power. Water for operations of Recuperada is obtained from a river and a runoff from a snow peak.

Set forth below are certain unaudited operating data for the periods shown for Recuperada, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Mining Operations:					
Ore mined (ST)	73,695	56,250	45,700	80,375	6,055
Average silver grade (oz./t)	9.5	12.75	4.10	8.47	7.70
Average zinc grade	1.50%	1.13%	6.61%	6.02%	6.21%
Average lead grade	1.28%	0.87%	5.04%	3.10%	4.44%
Production:					
Silver (oz.)	597,531	600,175	641,539	465,242	44,041
Zinc (ST)	912	422	2,859	3,639	322
Lead (ST)	839	440	2,197	2,857	229
Recovery rate (silver)	86.3%	83.7%	91.3%	89.1%	94.5%

In 2000, the Recuperada plant processed ore from the Teresita, Palomo and Tinquicorral mines. Production in the Tinquicorral mine started in April 2000. The decrease in silver production in 2000 was due mainly to the end of production at the Palomo mine in September 2000. In March 2001, the Company ceased operations at Recuperada after exhaustive exploration conducted in the area yielded only negative results.

Colquijirca

El Brocal owns the Colquijirca mine. El Brocal was formed in 1956 and is engaged in the extraction, concentration and sale of concentrates of polymetallic minerals, mainly zinc, lead and silver. In 1999, the Company bought an additional 30.4 percent interest in Inversiones Colquijirca, thereby increasing its interest in Inversiones Colquijirca to 51.94 percent. In turn, Inversiones Colquijirca holds 51 percent of El Brocal, providing the Company with a 26.5 percent interest in El Brocal's mining properties, which are: the Colquijirca mine (zinc, lead and silver deposits), the San Gregorio mine (zinc deposits), the Marcapunta mine (copper and gold deposits) and the Santa Barbara mine (mercury deposits). Other unrelated mining investors hold the balance of the capital of Colquijirca. In April 1999, the Company consolidated Inversiones Colquijirca's financial statements, and thus El Brocal's financial statements, with those of the Company, effective January 1, 1999. At December 31, 2001, the total assets of El Brocal were approximately S/.147.1 million (US$42.7 million).

The Colquijirca mine is located 170 kilometers east of the city of Lima and 10 kilometers south of the city of Cerro de Pasco. El Brocal is the largest producer of bulk concentrate (typically zinc, lead and silver) in Peru and one of the largest producers in the world. The Colquijirca mine consists of three important polymetallic deposits: the Tajo Norte deposit which contains zinc, silver and lead ore; the Marcapunta deposit which contains gold-bearing arsenical copper resources; and the San Gregorio deposit which contains zinc.

Mining is conducted through the open-pit method. El Brocal's bulk concentrate typically contains 39 percent zinc, 16 percent lead and a significant amount of silver. Because of the current lack of refining capabilities in Peru for this type of concentrate, the concentrate is exported to Europe and Japan for refining. In July 2000, the Company modernized and expanded the mill located at Colquijirca resulting in an increase in its treatment capacity from 2,500 to 3,000 DST per day.

The Colquijirca mine relies on the Peruvian national electricity grid for its electrical power.

In January 1998, the Company began a rock removal campaign at the Tajo Norte deposit to increase the extraction of ore and to permit the eventual joining of the Principal and Mercedes Norte open pit mines. This campaign, which resulted in an increase in the availability of ore in 2000 and 2001, is ongoing. In 2001, the Company initiated an intensive exploration program at the Marcapunta deposit with the object of confirming mineral resources and finding possible extensions. The Company also decided to postpone a feasibility study for the San Gregorio deposit due to the decline in zinc prices.

Set forth below are certain unaudited operating data for Colquijirca calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,		
	1999(1)	**2000**	**2001**
Mining Operations:			
Ore mined (ST)	963,223	1,059,067	1,218,742
Average silver grade (oz./t)	2.2	3.4	4.2
Average zinc grade	6.02%	5.5%	5.5%
Average lead grade	2.10%	2.3%	2.2%
Production:			
Silver (oz.)	1,498,802	1,833,432	3,453,796
Zinc (ST)	49,077	46,546	50,034
Lead (ST)	16,251	17,143	16,918
Recovery rate (silver) in zinc	38.66%	29.55%	26.29%
Recovery rate (zinc)	82.36%	79.30%	74.61%
Recovery rate (silver) in lead	40.17%	51.02%	44.88%
Recovery rate (lead)	66.85%	70.67%	64.06%

(1) 1999 was the first year the mine's results were consolidated into the Company Financial Statements.

The increase in 2000 and 2001 in silver production is mainly due to the higher grades of ore reserves in both years.

Ishihuinca

In 1985, the Company purchased 51.0 percent of Iminsur, the owner and operator of the Ishihuinca mine. As a result of subsequent purchases of shares of Iminsur, the Company currently owns 76.09 percent of Iminsur. Iminsur has leased the rights to the mining concessions of Ishihuinca from a third party. The lease agreement, which expires in 2015, stipulates payment by Iminsur to the lessor of a royalty of 7 percent of the price of the concentrates sold. In 2001, Ishihuinca paid US$160,000 in royalties. At December 31, 2001, the total assets of Ishihuinca were approximately S/.6.4 million (US$1.9 million).

The Ishihuinca mine is located in the province of Caravelí in the department of Arequipa, approximately 780 kilometers southeast of the city of Lima at an altitude of 2,200 meters above sea level. Access is by the Pan American highway.

Mining is conducted underground utilizing the conventional cut-and-fill stopping method. Ore is processed at a mill located at Ishihuinca. The mill, which has a rated capacity of 200 DST per day and which had a 28.0 percent utilization rate in 2001, utilizes bulk flotation and gravity concentration processes. Flotation concentrates are exported to a smelter. Gravity concentrates are treated by cyanidation and vat leaching at Los Volcanes, and the resulting cyanidation electrolytic precipitates are refined in Lima and then sold to Johnson Matthey. The mill at the Ishihuinca mine was last modernized and expanded to operate at its current capacity in 1993, and the cyanidation plant at Los Volcanes has been in place since 1991.

Electric power is generated by two electric generators, with a capacity of 830 kw, 650 kw and 325 kw, respectively. Water for operations at Ishihuinca is obtained from nearby wells.

Exploration conducted in 2001 indicated economically viable mineralization at Ishihuinca, suggesting that, although ore deposits at the mine seemed depleted, it may still contain reserves that warrant aggressive exploration.

Set forth below are certain unaudited operating data for the periods shown for Ishihuinca, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Mining Operations:					
Ore mined (ST)	88,585	29,309	37,468	42,418	20,337
Average gold grade (oz./t)	0.265	0.232	0.270	0.282	0.560
Average copper grade	0.15%	0.21%	0.14%	0.34%	0.28%
Production:					
Gold (oz.)	19,231	5,654	8,164	9,895	9,770
Copper (ST)	110	55	45	128	46
Zinc (ST)	—	—	49,027	46,546	—
Lead (ST)	—	—	16,751	17,143	—
Recovery rate (gold)	82.8%	83.2%	80.36%	82.86%	85.70%

Heavy rains in March 1998 resulted in partial flooding of the Ishihuinca mine. As a result, Ishihuinca operated at half-capacity during April and May 1998. In June 1998, due to depressed precious metal prices, the Company ceased operations at Ishihuinca until April 1999. The increase in 1999, 2000 and 2001 production of gold is mainly due to the resumption of production in 1999 and the increase in the grade of gold produced since 2000.

Antapite

The Company wholly owns the Antapite mine. However, the Company has leased the mine until July 2015 to Inversiones Mineras del Sur, S.A. ("Iminsur"), which is 78 percent owned by the Company and 22 percent-owned by two Peruvian investors: Bernando Alvarez Calderon and Boris de la Piedra. At December 31, 2001, the total assets of Antapite were approximately S/.50.9 million (US$14.8 million).

Antapite is located in the province of Huancavelica, in the department of Huancavelica, approximately 434 kilometers southeast of the city of Lima at an altitude of approximately 3,400 meters above sea level. Access to the mine is by the Panamerican Highway. The Antapite mine consists of 20,800 hectares and Iminsur has identified epithermal vein gold deposits containing an estimated 400,000 tons of gold ore, with average grades of 0.5 ounces per ton. The Zorro Rojo vein is the main source of ore reserves and development efforts are focused on this vein. Iminsur has initiated exploration of the Liliana vein, which is parallel and close to the Zorro Rojo vein, and is also conducting exploration to confirm the presence of important drill intersections in the Reyna vein located two kilometers from the Zorro Rojo vein.

Mining is conducted underground utilizing the conventional cut-and-fill stopping method. Ore is processed at a cyanidation plant located at Antapite. The plant, which was completed in June 2001, has a capacity of 300 DST per day. The plant has had a utilization rate of 100% since it started operating.

The Antapite mine obtains approximately 60 percent of its electric power through the Peruvian national electricity grid and the remaining power through Grupo Electrico Sultzer. Water for operations at Antapite is obtained from a nearby creek.

Antapite started operations in July 2001 and has produced more than 5,000 ounces of gold per month since August 2001. As of December 31, 2001, the mill treated approximately 60,178 tons of ore with an average gold grade of 0.64 ounces of gold per ton and produced a total of 34,607 ounces of gold.

	Year Ending December 31, 2001(1)
Mining Operations:	
Ore mined (ST)	60.178
Average gold grade (oz./t)	0.64
Average silver grade (oz./t)	1.60
Production:	
Gold (oz.)	34,607
Silver (oz.)	55,304
Recovery rate (gold)	89.4
Recovery rate (silver)	57.5

(1) Mining operations started in July 2001.

Shila

Minera Shila owns 100 percent of the Shila mining operation. The Company holds, directly and indirectly, through Condesa, a 100 percent equity interest in Minera Shila. Cedimin operates the Shila mine, which began production in 1989. At December 31, 2001, the total assets of Shila were approximately S/.23.0 million (US$6.7 million).

In December 2000, Ampato was integrated into Minera Shila and is no longer a separate legal entity. As a result, Minera Shila now holds the properties formerly held by Ampato, including 936.3

hectares of mining rights in the Arhuiera community (Orcopampa district), located in the province of Castilla and department of Arequipa, approximately 1,200 kilometers to the southeast of Lima. Shila will continue to explore gold and silver veins in this mining area.

The Shila mine is located in the province of Castilla in the department of Arequipa, approximately 1,200 kilometers southeast of Lima and 25 kilometers south of the Orcopampa mining operation at an altitude of between 4,650 and 5,400 meters above sea level. Access is by a 250-kilometer unpaved road.

Mining is conducted underground utilizing the conventional cut-and-fill stopping method. Ore is processed at a mill located at Shila with a rated capacity of 250 DST per day. The mill had a 58 percent utilization rate in 2001. The mill utilizes bulk flotation and gravity concentration processes. Flotation concentrates are exported to smelters. Gravity concentrates are treated by cyanidation and vat leaching at Los Volcanes, and the resulting cyanidation electrolytic precipitates are refined in Lima and then sold to Johnson Matthey. The mill at the Shila mine was last modernized and expanded to operate at its current capacity in 2000, and the cyanidation plant at Los Volcanes has been in place since 1991.

Due to the high cost of transportation and smelting of the concentrates, the Company installed a small cyanidation plant at Shila, which entered into operation in August of 2001 with a capacity of 6,349 DST per year.

Electric power for Minera Shila is provided by three diesel generators, two with a capacity of 650 kw and one with a capacity of 1,135 kw. Water for operations at Shila is obtained from runoff from a snow peak.

Set forth below are certain unaudited operating data for the periods shown for Minera Shila, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,				
	1997	**1998**	**1999**	**2000**	**2001**
Mining Operations:					
Ore mined (ST)	64,028	48,983	40,851	51,670	52,633
Average gold grade (oz./t)	0.236	0.299	0.43	0.47	0.47
Average silver grade (oz./t)	11.0	7.8	10.0	7.4	7.9
Production:					
Gold (oz.)	14,047	13,842	16,961	23,510	23,618
Silver (oz.)	632,132	334,801	360,575	346,469	350,969
Recovery rate (gold)	92.8%	94.4%	96.6%	97.3	96.10
Recovery rate (silver)	89.5%	87.5%	88.2%	90.2	86.6

The increase in 2000 and 2001 in gold production is mainly due to slightly higher grades of ore reserves and an increase in ore mined in both years.

Paula

Minera Paula owns 100 percent of the Paula mining operation. Minera Aureas S.A. holds a 49 percent interest in Minera Paula and the Company holds the remaining 51 percent interest through Minera Shila. As of December 31, 2001, the total assets of Paula were approximately S/.3.8 million (US$1.3 million).

The Paula mine is located in the province of Castilla in the department of Arequipa, approximately 1,300 kilometers southeast of the city of Lima and 30 kilometers south of the Orcopampa mining operation, at an altitude of between 5,000 and 5,400 meters above sea level. Access is by a 300 kilometer highway from Arequipa.

Mining is conducted underground utilizing the conventional fill ascending method. After being processed at the Minera Shila processing plant, the concentrates are sold to the Company and then are treated by cyanidation and vat leaching at Los Volcanes. The resulting precipitates are refined in Lima and then sold to Johnson Matthey. The Minera Shila processing plant was last modernized and expanded to operate at its current capacity in 2000, and the cyanidation plant at Los Volcanes has been in place since 1991.

Two diesel generators each with an 65 kw installed capacity provide Minera Paula with electric power. The water for operations at Paula is obtained from runoff from a snowpeak.

Set forth below are certain unaudited operating data for Paula, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,			
Mining Operations:	**1998[(1)]**	**1999**	**2000**	**2001**
Ore mined (ST)	7,226	8,075	8,006	9,689
Average gold grade (oz./t)	0.74	0.63	0.79	0.88
Average silver grade (oz./t)	6.53	5.39	6.90	6.91
Production:				
Gold (oz.)	4,918	4,659	6,057	8,175
Silver (oz.)	38,351	34,591	48,255	59,309
Recovery rate (gold)	92.0%	91.6%	92.8%	95.3%
Recovery rate (silver)	81.3%	79.5%	84.1%	88.6%

(1) 1998 was the first year the mine's results were consolidated into the Company Financial Statements.

Mining operations at the Paula mine continue in an exploration phase. The increase in 2000 and 2001 in gold production is mainly due to the higher gold grades of ore reserves in both years. Similarly, the increase in 2000 and 2001 in silver production is mainly due to the higher silver grades of ore reserves in both year.

Huallanca

Minera Huallanca owns the Pucarrajo mining operation. At December 31, 2001, the total assets of Huallanca were approximately S/.11.9 million (US$3.4 million). Minera Huallanca was a wholly owned subsidiary of Cedimin until March 31, 2002, on which date the Company sold its interest in Minera Huallanca to BHL-Perú S.A.C. See "Item 4. Information on the Company—The Company—History and Development—Recent Developments—Sale of Interest in Minera Huallanca S.A.C."

The Pucarrajo mine is located in the province of Bolognesi, in the department of Ancash, approximately 441 kilometers northeast of the city of Lima at an altitude of between 4,300 and 4,700 meters above sea level. Access to the mine is by a 350 kilometer paved highway.

Mining is conducted underground by the mechanical dynamic reduction method. The minerals are processed in a concentration mill located 8 kilometers from the mine. The mill, which has a treatment capacity of 500 DST per day, produces lead, silver and zinc concentrates that are exported to smelters overseas. The mill had a 81 percent utilization rate in 2001. The mill was last modernized and expanded to operate at its current capacity in 2001.

Electric power is generated by a diesel power generator with a 650 kw capacity and water for the operations is obtained from small lakes in the area.

During 2001, Cedimin conducted exploration at Huallanca to identify higher-grade ore shoots. It also adopted strict cost-control policies in the operation of the mine due to the decline in the price of zinc.

Set forth below are certain unaudited operating data for Huallanca, calculated on the basis of 100 percent of the mine's production.

	Year Ending December 31,			
	1998[1]	**1999**	**2000**	**2001**
Mining Operations:				
Ore mined (ST)	28,404	51,088	95,660	146,079
Average silver grade (oz./t)	3.47	6.38	4.33	2.54
Average zinc grade	9.37%	9.15%	8.95%	8.60%
Average lead grade	1.38%	2.28%	2.03%	0.94%
Production:				
Silver (oz.)	54,692	182,743	312,262	215,498
Zinc (ST)	2,033	3,721	7,027	11,590
Lead (ST)	268	917	1,536	1,083
Recovery rate (silver)	61.12%	64.44%	67.58%	58.10%
Recovery rate (zinc)	84.84%	86.15%	90.44%	92.25%
Recovery rate (lead)	66.27%	80.71%	87.11%	78.87%

(1) 1998 was the first year the mine's results were consolidated into the Company Financial Statements.

The increase in the production of zinc in 2001 is attributable to the positive results of exploration efforts during the year and to the increase in capacity of the mill to 500 DST per day. The decrease in the production of silver and lead in 2001 is due to the depletion of silver and lead deposits at Huallanca and lower average grades of the reserves of these minerals.

Reserves

The Company calculates its ore reserves by methods generally applied within the mining industry and in accordance with the regulations of the Commission. All mineral reserves are estimated quantities of proven and probable ore that under present and anticipated conditions may be economically mined and processed.

The proven and probable ore reserve figures presented in this Annual Report are estimates of the Company and Yanacocha, and no assurance can be given that the indicated level of recovery of gold, silver and certain other metals will be realized. See "Item 3. Key Information—Risk Factors—Reserves Estimates".

The term "proven reserves" means ore reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, and grade and/or quality are computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. The term "probable reserves" means ore reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

The following table lists the proven and probable ore reserves at December 31, 2001 for each mining operation in which the Company has at least a 50 percent interest as well as the average grade of such ore, calculated on the basis of 100 percent of each mine's reserves.

Proven and Probable Ore Reserves at December 31, 2001[(1)]

	Julcani	Uchucchacua	Orcopampa	Recuperada	Colquijirca	Ishihuinca	Antapite	Shila	Paula	Huallanca	Total/Average
Ore Reserves (ST)	25,140	3,278,955	463,570	—	8,494,676	86,150	227,212	67,542	68,401	228,134	12,939,782
Grade:											
Gold (oz./t)	0.011	—	0.421	—	—	0.458	0.481	0.417	0.582	—	0.032
Silver (oz./t)	19.1	15.5	0.10	—	2.77	—	—	11.00	4.3	2.48	5.91
Copper (%)	0.54	—	—	—	—	—	—	—	—	—	—
Zinc (%)	—	2.50	—	—	6.48	—	—	—	—	9.35	5.05
Lead (%)	1.21	1.80	—	—	2.46	—	—	—	—	0.73	2.09
Gold (oz.)	277	—	195,163	—	—	39,414	109,289	28,165	39,809	—	412,117
Silver (oz.)	480,174	50,823,803	46,357	—	23,504,044	—	—	742,962	294,124	567,070	76,458,534
Copper (ST)	136	—	—	—	—	—	—	—	—	—	136
Zinc (ST)	—	81,974	—	—	550,455	—	—	—	—	21,331	653,760
Lead (ST)	304	59,021	—	—	208,989	—	—	—	—	1,685	269,959

(1) Reserves as stated are diluted and mineable.

The nine mines that comprise the Company's mining operations are underground mines. Since establishing significant amount of reserves in underground mines requires costly and extensive exploration programs, the Company, in order to control costs, has traditionally pursued an exploration and development program in its mines designed to establish an amount of reserves sufficient to permit the steady production of minerals over an extended period of time. The following table sets forth the aggregate amount of production of ore, gold and silver and the average grade of gold and silver for each of the Company's nine mines for the ten-year period ended December 31, 2001, calculated in each case on the basis of 100 percent of the relevant mine's production.

	Julcani	Uchucchacua	Orcopampa	Recuperada	Colquijirca	Ishihuinca	Antapite	Shila	Paula	Huallanca	Total
Ore mined (ST)	38,500	743,290	349,350	6,055	1,218,742	20,337	60,178	52,633	9,689	146,079	2,644,853
Gold produced (oz.)	452	—	145,910	93	—	9,770	34,607	23,618	8,175	—	222,625
Average Gold Grade (oz./ST)	0.019	—	0.451	0.019	—	0.560	0.643	0.467	0.885	—	0.091
Silver produced (oz.)	715,216	9,780,260	156,600	44,041	3,453,796	—	55,304	350,969	59,309	215,498	14,830,993
Average silver Grade (oz./ST)	20.2	17.47	0.63	7.70	4.2	—	1.60	7.9	6.91	2.54	7.63

Yanacocha's Properties

Operating Properties

For operating data (including ore mined, average gold grade of ore mined and gold production) for each of Yanacocha's operating properties and a description of how ore is processed and the source of electricity and water for each of Yanacocha's operating properties, see "—Yanacocha—Overview" and "—Yanacocha—Description of Yanacocha's Operations".

Carachugo

Carachugo is a 248-hectare gold deposit with a leach pad that covers approximately 187 hectares. Carachugo is Yanacocha's first mine, commencing operations in August 1993. Mining is conducted by the open-pit method. Carachugo has one ore processing facility.

Maqui Maqui

Maqui Maqui is a 57-hectare gold deposit with a leach pad covering 67 hectares, located five kilometers northeast of the Carachugo pit. Operations began in October 1994. Mining at Maqui Maqui is conducted using the open-pit mining method. Mining operations at Maqui Maqui ceased in September 2000. However, gold recovery from the leach pad is ongoing.

San José

San José is a 67-hectare gold deposit (ultimate pit) that shares the leach pad located at Carachugo and is located one and a half kilometers southwest of the Carachugo pit. Operations began in January 1996. Mining at San José is conducted using the open-pit mining method. Ore processing occurs at Carachugo.

Cerro Yanacocha

Cerro Yanacocha is a 223-hectare gold deposit (ultimate pit) with a leach pad currently covering approximately 127 hectares. This mining operation also includes a Merrill Crowe-type processing facility. The Yanacocha pit is located two kilometers northwest of the Carachugo pit. Operations began in the fourth quarter of 1997 using the open-pit mining method.

La Quinua

La Quinua is a 272-hectare gold deposit (ultimate pit) with a leach pad currently covering 127 hectares. The La Quinua pit is located three kilometers southwest of the Yanacocha pit. Ore processing occurs at the Yanacocha plant. Operations began in the fourth quarter of 2001 using the open-pit mining method.

China Linda

In October 1999, the Company commenced production at the China Linda plant, which is located 12 kilometers to the northeast of the Yanacocha installations, in Cajamarca. Access to the plant from Yanacocha is by a ten kilometer private, unpaved road. The Company had 100 percent ownership over China Linda until December 19, 2000, at which date the plant became Yanacocha's property pursuant to the unitization of the Company's and Newmont Mining's properties in Northern Peru. In January 2002, Yanacocha took over the operation of the China Linda plant. See "Item 4. Information on the

Company—The Company—History and Development". Lime is used in the gold and silver mining process to regulate the alkalinity of the cyanide solutions in the leaching process and for pH control in water treatment applications. Currently, the plant has a production capacity of 45,000 tons of lime per year. Additionally, construction gravel is obtained as a sub-product.

Reserves

Under the Management Contract, Newmont Mining, in conjunction with Yanacocha, calculates Yanacocha reserves by methods generally applied within the mining industry and in accordance with the regulations of the Commission. Reserves represent estimated quantities of proven and probable ore that under present and anticipated conditions may be economically mined and processed.

Yanacocha has estimated reserves through the use of drilling, mapping, sampling, geological interpretation, assaying and other standard evaluation methods generally applied by the mining industry.

The following table lists Yanacocha's proven and probable reserves and the average grade of ore at December 31 for 1996 through 2001. Calculations with respect to the estimates of proven and probable reserves are based on a gold price of US$300 per ounce as of December 31, 2001, US$300 per ounce as of December 31, 2000, US$325 per ounce as of December 31, 1999, US$350 per ounce as of December 31, 1998, US$350 per ounce as of December 31, 1997 and US$400 per ounce as of December 31, 1996. Yanacocha's proven and probable reserves represent the total quantity of ore to be extracted from the deposits, allowing for mining efficiencies and ore dilution. Ounces of gold in Yanacocha's proven and probable reserves are prior to any losses during metallurgical treatment.

	Proven and Probable Reserves at December 31, 2001			Proven and Probable Reserves at December 31, 2000			Proven and Probable Reserves at December 31, 1999		
	Tonnage[1] (thousands of dry short tons)	Average Gold Grade (oz./dry short ton)	Ounces Contained (thousands of ounces)	Tonnage(1) (thousands of dry short tons)	Average Gold Grade (oz./dry short ton)	Ounces Contained (thousands of ounces)	Tonnage(1) (thousands of dry short tons)	Average Gold Grade (oz./dry short ton)	Ounces Contained (thousands of ounces)
Cerro Quilish	137,736	0.027	3,700	118,888	0.027	3,251	N/A	N/A	N/A
Cerro Negro	19,494	0.032	631	23,976	0.028	682	22,511	0.030	667
Carachugo	76,986	0.039	2,993	141,460	0.033	4,732	139,310	0.028	3,907
Maqui Maqui	0	0	0	7,589	0.025	192	5,379	0.033	180
San José	6,484	0.021	139	23,388	0.019	453	45,878	0.230	1,041
Cerro Yanacocha	486,001	0.027	13,045	534,946	0.026	14,058	575,063	0.024	13,794
La Quinua	456,766	0.027	12,533	455,522	0.026	12,039	20,105	0.023	9,285
In process	34,622	0.033	1,132	29,749	0.039	1,146	400,828	0.043	856
Total/average	1,218,089	0.028	34,173	1,335,518	0.027	36,553	1,320,025	0.025	32,862

	Proven and Probable Reserves at December 31, 1998			Proven and Probable Reserves at December 31, 1997			Proven and Probable Reserves at December 31, 1996		
	Tonnage(1) (thousands of dry short tons)	Average Gold Grade (oz./dry short ton)	Ounces Contained (thousands of ounces)	Tonnage[1] (thousands of dry short tons)	Average Gold Grade (oz./dry short ton)	Ounces Contained (thousands of ounces)	Tonnage[1] (thousands of dry short tons)	Average Gold Grade (oz./dry short ton)	Ounces Contained (thousands of ounces)
Cerro Negro	23,943	0.027	657	N/A	N/A	N/A	N/A	N/A	N/A
Carachugo	55,691	55,691	1,491	34,018	0.035	1,179	43,686	0.029	1,268
Maqui Maqui	9,789	9,789	400	20,632	0.042	875	32,164	0.047	1,519
San José	37,367	37,367	1,154	47,817	0.028	1,355	50,527	0.029	1,453
Cerro Yanacocha	290,028	290,028	9,227	245,596	0.029	7,167	71,664	0.026	1,866
La Quinua	273,061	273,061	7,128	120,943	0.025	3,002	N/A	N/A	N/A
In process	12,370	12,370	558	7,045	0.043	304	66	0.047	3
Total/average	702,249	702,249	20,615	476,051	0.029	13,882	198,107	0.031	6,109

(1) Calculated using a cut-off grade of not less than 0.010 ounce per dry short ton. Leach recoveries are estimated to be 60% to 83%, depending on each deposit's metallurgical properties. All ore is oxidized.

Yanacocha's gold reserves decreased 7 percent in 2001 compared to 2000 mainly due to mining depletion. As of December 31, 2001, Yanacocha's non-reserve mineralized material was approximately 4.1 million ounces of gold, representing an 8 percent increase over Yanacocha's non-reserve mineralized material of approximately 3.8 million ounces of gold as of December 31, 2000. Newmont has not quoted silver reserves at Yanacocha for the last year due to recovery issues.

Based on the current recovery rate and estimated production levels in 2001, Yanacocha's proven and probable reserves as of December 31, 2001 would be depleted by 2018 unless Yanacocha continues to add to its reserves. Yanacocha expects to add to its reserves by further exploration and development of its non-reserve mineralized material. Yanacocha's management believes that its prospective land positions and mining concessions provide it with potential for future exploration and growth in its non-reserve mineralized material and reserves. See "Item 5. Operating and Financial Review and Prospects—Yanacocha—Exploration and Development Costs; Capital Expenditures".

ITEM 5. Operating and Financial Review and Prospects

THE COMPANY

Introduction

The following discussion should be read in conjunction with the Company Financial Statements as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 and the related notes thereto included elsewhere in this Annual Report. The Company Financial Statements are prepared and presented in accordance with Peruvian GAAP, which differ in certain respects from U.S. GAAP. Note 39 to the Company Financial Statements provides a description of the principal differences between Peruvian GAAP and U.S. GAAP, as such differences relate to the Company, and Note 40 to the Company Financial Statements provides a reconciliation to U.S. GAAP of the Company's net income for the years ended December 31, 1999, 2000 and 2001 and shareholders' equity as of December 31, 2000 and 2001. The Company presents its financial statements in Nuevos Soles.

General

Overview. The Company was established in 1953 and is one of Peru's leading producers of gold, silver and other metals. The Company's consolidated financial statements comprise all the accounts of the Company and its subsidiaries, which include: (i) the Julcani, Uchucchacua, Orcopampa and Huachocolpa mining units; (ii) the Colquijirca, Antapite, Ishihuinca, Shila, Paula and Huallanca mines, which are owned through consolidated subsidiaries; (iii) Chaupiloma, which receives a royalty payment from Yanacocha; (iv) Cedimin, which is mainly a real estate and facilities holding company; (v) Condesa, which holds investments in the Company, Yanacocha and other affiliated mining companies; and (vi) Buenaventura Ingenieros, Conenhua and several other subsidiaries. In March 2002, the Company sold its 100 percent interest in Minera Huallanca to BHL-Perú S.A.C. See "Item 4. Information on the Company—Recent Developments—Sale of Interest in Minera Huallanca S.A.C."

Yanacocha. Substantially all of the Company's income from 1997 to 2001 was derived from its equity interest in Yanacocha. The Company has a 43.65 percent equity participation in Yanacocha through Condesa. The Company's interest in Yanacocha's partnership's equity is accounted for under the equity method and is included under the caption "Investments" on the Company's balance sheets.

Results of operations. The primary factors affecting the Company's results of operations are (i) the amount of gold, silver and zinc produced and sold by the Company; (ii) prevailing world market prices for gold, silver and zinc; (iii) commercial terms with respect to the sale of ore concentrates; (iv) the Company's operating expenses; and (v) the exchange rate between the Nuevo Sol and the U.S. Dollar, as the revenues of the Company are almost entirely denominated in U.S. Dollars, while the Company's operating expenses are primarily denominated in Nuevos Soles.

Gold, silver and zinc price hedging. The Company's revenues and earnings are strongly influenced by world market prices for gold, silver and zinc that fluctuate widely and over which the Company has no control. Depending upon the metal markets and other conditions, the Company may from time to time hedge its gold, silver and zinc sales in order to decrease its exposure to fluctuations in the price of these metals. Until 1998, the Company pursued a limited hedging and options strategy, locking in metals prices on a medium-term basis when the Company considers market prices attractive. However, in 1998 the Company adopted a new hedging strategy, in order to focus on long-term position-taking on the price of precious metals.

The Company regularly examines its strategy with regard to hedging. The Chief Executive Officer, the Chief Financial Officer and the Commercial and Marketing Deputy Manager of the Company coordinate the Company's day-to-day hedging activities. See "Item 11. Quantitative and Qualitative Disclosure About Market Risk", "Item 3. Key Information—Risk Factors—Factors Relating to the Company—Hedging" and Note 32 to the Company Financial Statements.

Operating costs and expenses. Operating costs and expenses consist of (i) operating costs, which are direct production costs, the major component of operating expenses; (ii) exploration and development costs in operative mining sites; (iii) royalties, which consist of payments to third parties to operate leased mining rights; (iv) general and administrative expenses, which principally consist of personnel expenses; (v) sales expenses, which principally consist of freight expenses; (vi) exploration costs in non-operative mining areas; and (vii) assets impairment loss and write-off.

Inflation and devaluation of the Nuevo Sol. As the revenues of the Company are almost entirely denominated in U.S. Dollars, a devaluation of the Nuevo Sol would result in an increase of the Company's revenues when measured in Nuevos Soles. As the operating expenses are primarily denominated in Nuevos Soles, high inflation rates would likely result in an increase of the Company's costs when measured in Nuevos Soles. Therefore, when inflation in Peru is not offset by a corresponding devaluation of the Nuevo Sol relative to the U.S. Dollar, the Company's financial condition and results of operations could be negatively affected.

Peru has experienced low levels of inflation in recent years, except for the year 2001 in which Peru experienced a low level of deflation. Peruvian GAAP require the restatement of assets and liabilities into constant Nuevos Soles as of the date of the latest balance sheet. Thus, holding of net monetary assets would result in a loss from exposure to inflation due to the decreased purchasing power of monetary assets in an inflationary environment (a gain in a deflationary environment). Conversely, a net monetary liability position would result in a gain from exposure to inflation (a loss in a deflationary environment). From May 1996 to 1999, as a result of the global offering of Series B Shares and ADSs representing Series B Shares, the Company held a net monetary asset position. In the years 2000 and 2001, the Company held a net monetary liability position.

Peru has also experienced devaluation of its currency against the U.S. Dollar in recent years, except for the year 2001 in which Peru experienced a revaluation of its currency. In periods of devaluation, holding a net monetary asset position in a foreign currency would result in an exchange gain (exchange loss in periods of revaluation), while holding a net monetary liability position in a foreign currency would result in an exchange loss (exchange gains in periods of revaluation). From May 1996 to 1999, as a result of the proceeds from the global offering of Series B Shares and ADSs representing Series B Shares, the Company held a net asset position in U.S. Dollars. In the years 2000 and 2001, the Company held a net monetary liability position.

The result from exposure to inflation on the consolidated statements of income includes both (i) the loss or gain from exposure to inflation of the Company's net monetary position and (ii) the exchange gain or loss resulting from holding a net position in U.S. Dollars. In each of the years ended December 31, 1999, 2000 and 2001 the results from exposure to inflation of the Company's net monetary position were partially offset by the exchange losses or gains resulting from translating the net U.S. Dollar liability or asset position into Nuevos Soles.

Assuming the Company continues to hold a net monetary liability position, it will continue to have losses or gains from exposure to inflation, depending on inflation or deflation rate levels, respectively. If the Nuevo Sol continues to revaluate relative to the U.S. Dollar, and assuming the Company continues to hold a net liability position in U.S. Dollars, it will continue to experience exchange losses. Therefore, the result from exposure to inflation or deflation will depend on inflation or deflation rates, the relative revaluation or devaluation of the Nuevo Sol versus the U.S. Dollar, and the Company's net monetary position and net U.S. Dollar denominated monetary position. See Notes 3(c) and 6 to the Company Financial Statements.

Peruvian GAAP require that financial statements be restated to reflect the effects of inflation or deflation. Consequently, financial data for all periods in the Company Financial Statements and throughout this document, except as otherwise noted, have been restated in constant Nuevos Soles as of December 31, 2001 to reflect changes in the IPM as published by INEI. See Note 6 to the Company Financial Statements. The following table shows the main indicators of inflation and devaluation in Peru for the last five years:

	1997	1998	1999	2000	2001
Inflation (%)					
Consumer Price Index(1)	6.5	6.0	3.7	3.7	(0.1)
Wholesale Price Index(2)	5.0	6.5	5.5	3.8	(2.2)
Devaluation (%)(3)					
Nuevo Sol vs. US$	5.1	15.4	11.1	0.5	(2.3)

(1) Measures changes in the IPC as published by INEI from December of the previous year to December of the indicated year.
(2) Measures changes in the IPM as published by INEI from December of the previous year to December of the indicated year.
(3) As published by the SBS.

Net income and net distributable income. Under Peruvian law, each company is required to establish a legal reserve of at least 20 percent of its paid-in capital on an unconsolidated basis. An annual contribution of at least 10 percent of net income must be made until such legal reserve equals 20 percent of paid-in capital. The legal reserve may offset losses or be capitalized. However, following any instance in which the reserve is used, Peruvian law calls for mandatory replenishment of the reserve.

Royalties. Royalty expenses consist mainly of payments made by the Company and Iminsur pursuant to leasing agreements relating to mining rights for the Orcopampa and Ishihuinca mines, respectively. Specifically, the Company pays to the lesser a royalty of 10 percent of the price of the concentrates sold, and Iminsur pays a royalty of 7 percent of the price of the concentrates sold.

Environmental protection laws and related regulations. The Company's business is subject to Peruvian laws and regulations relating to the exploration and mining of mineral properties, as well as the possible effects of such activities upon the environment. The Company conducts its operations substantially in accordance with such laws and regulations.

Under Peruvian environmental regulations that were passed in 1993, the Company and most of its affiliated companies are required to file with the Peruvian government an EVAP for each of their mining units to disclose any pollution problems in its operations and, thereafter, to submit a follow-up filing of a PAMA that will provide explanation of how such companies will reduce any pollution problems and other environmental problems in their operations. The Company is currently in substantial compliance with applicable maximum emission levels and filing requirements See "Item 4. Information on the Company—The Company—Regulatory Framework—Environmental Matters".

In 2001, the Company spent approximately US$1.0 million in connection with environmental protection measures. The Company estimates that capital expenditures needed to comply with environmental regulations will be approximately US$1.0 million and expects to end the disbursements related to this matter in the year 2002. This amount will be used on items such as new equipment and the construction of new processing plants and leaching fields, as well as the implementation of a program to minimize the environmental impact and improve the quality of mining residues. There are currently no legal or administrative proceedings against the Company for violation of environmental protection laws or other environmental regulations in Peru that could have a material adverse effect on the Company's financial position or results of operations.

Critical Accounting Policies

Financial Reporting Release No. 60, which was recently released by the Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. See Note 3 to the Company Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of the Company Financial Statements. The following is a brief discussion of the more significant accounting policies and methods used by the Company. In addition, Financial Reporting Release No. 61 was recently released by the Commission to require all companies to include a discussion to address, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments.

General

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to the impairment of long-lived assets, revenue recognition, contingencies and realization of deferred income taxes. Actual amounts could differ significantly from these estimates.

Impairment of long-lived assets

The Company reviews and evaluates the impairment of its long-lived assets when events or changes occur that indicate that the book value may not be recoverable. An impairment loss is the amount in which the book value of an asset exceeds the higher of net selling price or usage value. The usage value is generally considered as the present value of estimated future cash flows expected to be gained from continual use of the asset and from its disposal at the end of its useful life. An impairment loss from previous year is reversed if changes occur in the estimates used when the impairment loss was recognized. Future cash flows include estimates of recoverable ounces and tons, metal prices (considering current and historical prices, price trends and related factors), production levels, capital costs, all based on detailed engineering life-of-mine plans. Assumptions in which estimated future cash flows are based are subject to risks and uncertainties. Differences between assumptions and market conditions and/or the Company's development could have an important effect on the financial condition and results of the operations.

Recognition of revenue and expenses

Sales of concentrates are recorded at the time of shipment when title passes to the customers. Sales are recorded at estimated value according to preliminary billings. The sales amounts are subject to an adjustment based upon final quality assessment and quotations. When it is evident that the quotations to be used in the final billings are lower than those used in the preliminary billing, the excess is reversed in the period in which final prices are known.

Contingencies

Contingent liabilities are recorded in the consolidated financial statements when it is probable that future events will confirm them and when their amount can be reasonably estimated. Contingent liabilities deemed as possible are only disclosed in notes to the financial statements.

Contingent assets are not recognized in the financial statements; however, they are disclosed in notes to the financial statements if it is probable that they will be realized.

Realization of deferred income taxes

The Company's income tax policy records the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in the accompanying consolidated balance sheets, as well as operating loss and tax credit carryforwards. The Company follows specific guidelines regarding the recoverability of any tax assets recorded on the balance sheet and provide any necessary allowances as required.

Results of Operations for the Twelve Months Ended December 31, 2001 and 2000

Net sales. Net sales increased 19.9 percent from S/.421.2 million in 2000 to S/.505.3 million in 2001 due to the following:

(a) Average revenue realized by the Company per ounce of gold decreased 1.7 percent from US$276.18 in 2000 to US$271.48 in 2001. The volume of gold sold increased 75.0 percent from 126,342 ounces in 2000 to 221,036 ounces in 2001 principally due to the increase in production at Orcopampa mining unit, which reached 145,910 ounces in 2001 compared to 96,843 ounces in 2000. Production at Orcopampa increased as a result of the exploration activities in the Nazareno vein where additional reserves were discovered.

(b) Average revenue realized by the Company per ounce of silver decreased 9.9 percent from US$4.85 in 2000 to US$4.37 in 2001. Sales of silver increased 13.6 percent from 12,008,951 ounces in 2000 to 13,642,714 ounces in 2001 due to an increase in the production of the Uchucchacua mining unit, which reached 9,780,260 ounces in 2001 compared to 8,710,423 ounces in 2000. Production at Uchucchacua increased mainly due to the higher grades of ore reserves in the Carmen area.

(c) Average revenue realized by the Company per pound of zinc decreased 23.5 percent from US$0.51 in 2000 to US$0.39 in 2001. The volume of zinc sold increased 4.5 percent from 51,134 tons in 2000 to 53,413 tons in 2001 due to the higher grades of ore reserves.

(d) The Company recognized gains on derivative contracts entered into with major well-known banks of S/.58.3 million in 2001 compared to S/.40.7 million in 2000. The Company uses these contracts to hedge movement in the market prices of precious metals.

Royalties income. Royalties income increased 5.2 percent from S/.51.5 million in 2000 to S/.54.2 million in 2001 due to Yanacocha's increased sales from US$491.8 million in 2000 to US$517.8 million in 2001.

Total costs of operation. Total costs of operation increased 13.5 percent from S/.313.0 million in 2000 to S/.355.2 million in 2001, due to the following:

Operating costs, which includes costs for labor (including contractors and personnel expenses), supplies, depreciation and other, increased 4.8 percent from S/.272.9 million in 2000 to S/.286.2 million in 2001 due principally to more intensive use of labor by S/.5.0 million and greater consumption of supplies by S/.6.8 million, as a result of the increase in the production of gold in the Orcopampa and Antapite mining units (the latter started production in July 2001) and the increase in the production of silver in the Uchucchacua mining unit.

Exploration and development costs in operative mining sites increased 82.7 percent from S/.30.6 million in 2000 to S/.55.9 million in 2001 due principally to the increase of exploration activities in the following mining areas: Tajo Norte (S/.5.5 million), Antapite (S/.2.9 million), Orcopampa (S/.2.6 million), Paula (S/.2.0 million) and Shila (S/.2.0 million). In addition, it includes an additional amortization expense of development costs and mineral lands of S/.4.6 million mainly as a result of increased production in Uchucchacua and Orcopampa mining units, as mentioned above.

Royalty expenses increased 37.5 percent from S/.9.5 million in 2000 to S/.13.1 million in 2001 due mainly to increased sales of gold from the Orcopampa mining unit.

Total operating expenses. Operating expenses increased 17.5 percent from S/.131.5 million in 2000 to S/.154.4 million in 2001, due to changes in the following components:

General and administrative expenses decreased 4.9 percent from S/.62.5 million in 2000 to S/.59.4 million in 2001 due mainly to the decrease of the allowance for doubtful accounts receivable from S/.7.9 million in 2000 to S/.1 million in 2001. In the year 2000, as a result of the depletion of the reserves of Compañía Minera El Palomo S.A., the Company fully reserved the account receivable originated by the exploration and development services provided to this entity. This decrease was partially offset by an increase in the personnel expenses from S/.27.0 million in 2000 to S/.31.7 million in 2001 due to increased salaries of S/.2.5 million (an average increase of 9 percent) and a provision of S/.2.2 million in connection with a stock appreciation rights program approved by the Company's compensation committee. See Note 17(c) to the Company Financial Statements.

Assets impairment loss and write-off of S/.23.0 million in 2001 is composed of (i) S/.16.8 million related to an impairment loss of long-lived assets (buildings and constructions) in the Julcani and Huachocolpa mining units, which are no longer under development due to the depletion of their reserves, (ii) S/.2.2 million related to the write-off of minor fixed assets, and (iii) S/.4.0 million related to a reserve for obsolete and slow-moving supplies. The impairment loss of the long-lived assets was recorded in year 2001 as required by the International Accounting Standard (IAS) 36 – Impairment of Assets. This standard became operative in Peru effective January 1, 2001. See Notes 9 and 12 to the Company Financial Statements.

Sales expenses decreased 9.2 percent from S/.28.5 million in 2000 to S/.25.8 million in 2001 due to decreased freight expenses by S/.2.2 million mainly as a result of El Brocal's decision to use trains to transport the concentrates from the mine site to the destination point instead of using trucks which are more expensive. These reduced costs were offset by increased sales expenses as a result of increased sales volume.

Exploration costs in non-operative mining areas increased 14.3 percent from S/.40.4 million in 2000 to S/.46.2 million in 2001 due to (i) increase in the exploration activities in its own and joint ventures projects from S/.8.6 million in 2000 to S/.21.8 million in 2001 in order to obtain new reserves of gold, silver, copper, zinc and lead; and (ii) increase of exploration activities in the department of Huancavelica by S/.8.9 million with the purpose of finding new reserves of silver. These increases were partially offset by decreases of exploration efforts in the following areas: Julcani, decrease of S/.6.7 million as a result of confirmation of existence of no economic reserves; and China Linda, decrease of S/.5.7 million as a result of the transfer of the contractual rights in the China Linda lime concession to Yanacocha in 2000.

Operating results. As a result of the foregoing, operating results increased 75.9 percent from a gain of S/.28.3 million in 2000 to a gain of S/.49.8 million in 2001.

Share in affiliated companies. Income from share equity investment in affiliated companies decreased 28.1 percent from S/.273.9 million in 2000 to S/.196.8 million in 2001, principally due to Yanacocha's decreased net earnings. The Company's income from its interest in Yanacocha decreased 30.7 percent from S/.284.2 million in 2000 to S/.196.8 million in 2001 due mainly to the following: (i) decrease of the realized gold price from US$280 per ounce in 2000 to US$270 per ounce in 2001, partially offset by an increase in the volume of ounces of gold sold from 1,795,400 in 2000 to 1,902,500 in

2001, and (ii) increase of cash cost per ounce from US$96 in 2000 to US$123 in 2001, as a result of higher mining costs.

Result from exposure to inflation. The result (gain) from exposure to inflation decreased 34.5 percent from S/.2.4 million in 2000 to S/.1.6 million in 2001 due mainly to (i) the revaluation of the local currency against the U.S. Dollar of 2.3 percent in 2001 (devaluation of 0.5 percent in 2000) and (ii) the deflation of the currency experienced in Peru in 2001 of 2.2 percent (inflation of 3.8 percent in 2000). The Company held a net liability position in U.S. Dollars and in Nuevos Soles in the years 2000 and 2001.

Amortization of mining concessions and goodwill. Amortization of mining concessions and goodwill increased 145.3 percent from S/.6.0 million in 2000 to S/.14.7 million in 2001 due to full year amortization of the additional amount paid in December 2000 for the Cedimin shares (see arbitrage on Cedimin shares described in Note 36(c) to the Company Financial Statements).

Financial, net. Financial net losses increased 64.3 percent from S/.2.5 million in 2000 to S/.4.1 million in 2001 due mainly to increased bank loans held during the year 2001. These loans were obtained principally for financing the construction of Antapite's mining facilities and the development of a new transmission line from Trujillo to Cajamarca to supply electricity to Yanacocha.

Other, net. Other, net decreased 92.6 percent from an income of S/.74.1 million in 2000 to an income of 5.4 million 2001, due mainly to (i) net gain of S/.78.8 million on transfer of contractual positions and sale of assets to Yanacocha recorded in year 2000 (see Note 2 to the Company Financial Statements), (ii) gain of S/.6.3 million recorded in December 2001 in connection with the termination of the agreement signed with Yanacocha for the administration of the China Linda lime plant (see Note 37(c) to the Company Financial Statements), and (iii) expense on exchange of Series A common shares and investment shares for Series B common shares of S/.4.2 million recorded in year 2000 (no amount in year 2001) (see Note 19 to the Company Financial Statements).

Workers' profit sharing. Workers' profit sharing decreased 84.1 percent from S/.4.3 million in 2000 to S/.0.7 million in 2001 due mainly to higher taxable revenues (base for calculating workers' profit sharing) obtained in the year 2000 by Minas Conga as a result of the transfer of contractual positions and sale of assets to Yanacocha. See Note 2 to the Company Financial Statements.

Income tax. Income tax decreased 8.9 percent from S/.26.9 million in 2000 to S/.24.5 million in 2001 due mainly to (i) decrease of income tax expense in Minas Conga of S/.5.1 million due to the reason explained in the preceding paragraph, (ii) increase of income tax expense in Condesa of S/.4.5 million as a result of a non-deductible expense resulting from the deflation of the investment balance, as established by the tax authorities in 2001, and (iii) decrease of income tax of Inversiones Colquijirca of S/.3.1 million originated by its temporary differences in year 2001.

Minority interest. Minority interest expense changed from an expense of S/.31.6 million in 2000 to an income of S/.3.9 million in 2001, due mainly to (i) less income of S/.23.8 million in Minas Conga as a result of the transfer of contractual positions and sale of assets to Yanacocha occurred in December 2000 (see Note 2 to Company Financial Statements), and (ii) its interest in increased losses in Inversiones Colquijirca by S/.12.8 million.

Cumulative effect of changes in accounting principles. The cumulative effect of changes in accounting principles was a loss of S/.62.5 million in 2000. Effective January 1, 2000, the Company made several changes to achieve uniformity in the presentation of its financial statements. See Note 4 to the Company Financial Statements.

Net income. As a consequence of the foregoing, net income decreased 12.7 percent from S/.244.9 million in 2000 to S/.213.6 million in 2001. As a percentage of net sales, net income was 58.1 percent in 2000, compared with 42.3 percent in 2001.

Results of Operations for the Twelve Months Ended December 31, 2000 and 1999

Net sales. Net sales increased 18.9 percent from S/.354.0 million in 1999 to S/.421.2 million in 2000, due to the following:

(a) Average revenue realized by the Company per ounce of gold decreased 0.5 percent from US$277.56 in 1999 to US$276.18 in 2000. The volume of gold sold increased 142.8 percent from 52,033 ounces in 1999 to 126,342 ounces in 2000 due principally to the increase in production at the Orcopampa mining unit, which reached 96,843 ounces in 2000 compared to 28,046 ounces in 1999.

(b) Average revenue realized by the Company per ounce of silver decreased 5.8 percent from US$5.15 in 1999 to US$4.85 in 2000. Sales of silver increased 9.9 percent from 10,930,290 ounces in 1999 to 12,008,951 ounces in 2000 due to an increase in the production of the Uchucchacua mining unit, which reached 8,710,423 ounces in 2000 compared to 7,124,080 ounces in 1999.

(c) Average revenue realized by the Company per pound of zinc increased 1.9 percent from US$0.50 in 1999 to US$0.51 in 2000. The volume of zinc sold increased 3.2 percent from 49,547 tons in 1999 to 51,134 tons in 2000.

(d) The Company recognized gains on derivative contracts entered into with major banks of S/.40.7 million in 2000 compared to S/.35.9 million in 1999. The Company uses these contracts to hedge movement in the market prices of precious metals.

Royalties income. Royalties income increased 4.7 percent from S/.49.2 million in 1999 to S/.51.5 million in 2000 due to Yanacocha's increased sales from US$464.4 million in 1999 to US$491.8 million in 2000.

Total costs of operation. Total costs of operation increased 11.8 percent from S/.280.1 million in 1999 to S/.313.0 million in 2000, due to the following:

Operating costs, which includes costs for labor (including contractors and personnel expenses), supplies, depreciation and other, increased 12.5 percent from S/.242.6 million in 1999 to S/.272.9 million in 2000 due principally to (i) more intensive use of labor by S/.12.8 million and greater consumption of supplies by S/.9.7 million, as a result of the increase in the production of gold and silver in the Orcopampa and Uchucchacua mining units, respectively, and (ii) an increase in the depreciation expense from S/.27.6 million in 1999 to S/.31.6 million in 2000 due to the depreciation of the China Linda lime plant by S/.2.4 million. Exploration and development costs in operative mining sites decreased 6.6 percent from S/.32.8 million in 1999 to S/.30.6 million in 2000.

Royalty expenses increased 104.1 percent from S/.4.6 million in 1999 to S/.9.5 million in 2000 due mainly to increased sales of gold from the Orcopampa mining unit.

Total operating expenses. Operating expenses decreased 3.1 percent from S/.135.6 million in 1999 to S/.131.4 million in 2000, due to changes in the following components:

General and administrative expenses decreased 0.7 percent from S/.63.0 million in 1999 to S/.62.5 million in 2000 due mainly to the following: (i) in 2000, the Company recorded an allowance for doubtful accounts receivable of S/.7.9 million. As a result of the depletion of the reserves of Compañía

Minera El Palomo S.A., the Company fully reserved the account receivable originated by the exploration and development services provided to this entity; (ii) in 2000, the Company recorded additional expenses of S/.3.6 million related to payments made to third parties to exercise the option in mineral lands; and (iii) in 1999, the Company recorded S/.18.0 million of provision related to change from development to exploration in the mining unit of Julcani (see Note 16 (b) to the Company Financial Statements).

Exploration costs in non-operative mining areas decreased 6.9 percent from S/.43.4 million in 1999 to S/.40.4 million in 2000 due to the termination of joint venture exploration projects in 2000, principally the Palla Palla project.

Sales expenses increased 10.0 percent from S/.25.9 million in 1999 to S/.28.5 million in 2000 due to increased freight expenses in connection with increased volume sales.

Operating results. As a result of the foregoing, operating results changed from a loss of S/.12.5 million in 1999 to income of S/.28.3 million in 2000.

Share in affiliated companies. Income from share equity investment in affiliated companies increased 30.8 percent from S/.209.4 million in 1999 to S/.273.9 million in 2000, due mainly to Yanacocha's increased net earnings. The Company's income from its interest in Yanacocha increased 33.9 percent from S/.212.1 million in 1999 to S/.284.2 million in 2000 due mainly to the following: (i) increase in the volume of ounces of gold sold from 1,655,800 in 1999 to 1,795,400 in 2000 and (ii) decrease of cash cost per ounce from US$111 in 1999 to US$96 in 2000, due to lower mining costs resulting from Yanacocha performing the loading and haulage operation on its own (until November 1999, these services were performed by a contractor).

Result from exposure to inflation. The result (gain) from exposure of inflation decreased 44.0 percent from S/.4.4 million in 1999 to S/.2.4 million in 2000 due mainly to (i) the devaluation of the local currency against the U.S. Dollar of 0.5 percent in 2000 versus 11.1 percent in 1999, and (ii) the inflation of the currency experienced in Peru of 3.8 percent in 2000 versus 5.5 percent in 1999. The Company held a net asset and a net liability position in U.S. Dollars and in Nuevos Soles in years 1999 and 2000, respectively.

Amortization of mining concessions and goodwill. Amortization of mining concessions and goodwill increased 4.7 percent from S/.5.7 million in 1999 to S/.6.0 million in 2000. The variation is not significant.

Financial, net. Financial, net losses decreased 55.8 percent from S/.5.6 million in 1999 to S/.2.5 million in 2000 due mainly to time deposits held during the year 2000 that yielded interest amounting to S/.6.4 million in 2000 compared to S/.4.5 million in 1999.

Other, net. Other, net increased 1,022.7 percent from an expense of S/.8.0 million in 1999 to an income of 74.1 million 2000, due mainly to a net gain of S/.78.8 million on the transfer of contractual positions and sale of assets to Yanacocha (see Note 2 to the Company Financial Statements). This amount was offset by (i) expenses of S/.4.2 million incurred in 1999 in connection with the exchange of Series A common shares and Investment Shares for Series B common shares in January 2000 (see Note 19 to the Company Financial Statements), and (ii) a prior year expense of S/.6.5 million recorded in 1999 in connection with the first consolidation of Inversiones Colquijirca's financial statements.

Workers' profit sharing. Workers' profit sharing amounted to S/.4.3 million in 2000 due to taxable revenues (base for calculating workers' profit sharing) obtained in Minas Conga as a result of the transfer of contractual positions and sale of assets to Yanacocha. See Note 2 to the Company Financial

Statements. In addition, in 2000, Inversiones Colquijirca recognized deferred workers' profit sharing originated by its temporary differences of S/.2.6 million.

Income tax. Income tax increased 82.8 percent from S/.14.7 million in 1999 to S/.26.9 million in 2000 due principally to (i) income tax expense in Minas Conga of S/.5.1 million as a result of taxable revenues arising from the transfer of contractual positions and sale of assets to Yanacocha, and (ii) a recognition of S/.5.9 of income tax of Inversiones Colquijirca originated by its temporary differences.

Minority interest. Minority interest expense increased 431.0 percent from S/.6.0 million in 1999 to S/.31.6 million in 2000, due mainly to the increase in Minas Conga's revenues by S/.23.8 million as a result of the transfer of contractual positions and sale of assets to Yanacocha. See Note 2 to the Company Financial Statements.

Cumulative effect of changes in accounting principles. The cumulative effect of changes in accounting principles was a loss of S/.62.5 million. Effective January 1, 2000, the Company made several changes to achieve uniformity in the presentation of its financial statements. See Note 4 to the Company Financial Statements.

Net income. As a consequence of the foregoing, net income increased 51.7 percent from S/.161.3 million in 1999 to S/.244.9 million in 2000. As a percentage of net sales, net income was 45.6 percent in 1999, compared with 58.1 percent in 2000.

Liquidity and Capital Resources

At December 31, 2001, the Company had cash and cash equivalents of S/.84.0 million as compared to S/.21.6 million at December 31, 2000.

Net cash and cash equivalents from operating activities were S/.77.2 million in 2001, S/.90.5 million in 2000 and S/.167.5 million in 1999. The decrease in net cash flow provided by operating activities in 2001 compared to 2000 was mainly attributable to the increase in exploration expenditures to S/.102.3 million compared with S/.55.7 million in 2000, the increase in payments of interest to S/.14.6 million in 2001 compared with S/.8.9 million in 2000, and the decrease in collection of dividends to S/.15.0 million in 2001 compared with S/.90.9 million in 2000 as a result of the 1998 Yanacocha Reinvestment Program which limits the distribution of dividends (see Note 9 to the Yanacocha Financial Statements), partially offset by the increase in collection from customers to S/.509.3 million in 2001 compared with S/.404.1 million in 2000 and the decrease in payments to suppliers and third parties to S/.270.5 million in 2001 compared with S/.279.6 million in 2000. The decrease in net cash flow provided by operating activities in 2000 compared to 1999 was basically attributable to the increase of exploration expenditures to S/.55.7 million in 2001 compared with none in 1999 (until 1999, exploration expenditures were capitalized; therefore, they were presented as investing activities in the 1999 consolidated statement of cash flows), the increase in payments to employees to S/.87.1 million in 2000 compared with S/.70.4 million in 1999, the decrease in collection of dividends to S/.90.9 million in 2000 compared with S/.123.3 million in 1999 as a result of the 1998 Yanacocha Reinvestment Program which limits the distribution of dividends (see Note 9 to the Yanacocha Financial Statements), and the increase of income tax payments to S/.21.0 million in 2000 compared with S/.14.7 million in 1999, partially offset by increased collections from customers to S/.404.1 million in 2000 compared with S/.374.3 million in 1999, and the increase in collection of royalties to S/.48.9 million in 2000 compared with S/.39.0 million in 1999.

Net cash and cash equivalents from investing activities were negative by S/.128.1 million in 2001, negative by S/.130.9 million in 2000 and negative by S/.203.0 million in 1999. The decrease in net cash flow used in investing activities in 2001 compared with 2000 was attributable to the decrease of cash received from sale of assets and transfer of contractual rights to S/.12.7 million in 2001 compared with S/.135.2 million in 2000, and the decrease in payments related to acquisitions of shares to S/.6.2 million in 2001 compared with S/.2.0 million in 2000, partially offset by the decrease in development expenditures to S/.26.7 million in 2001 compared with S/.57.8 million in 2000, and a payment of S/.140.6 million made in 2000 and not in 2001 resulting from the settlement of the legal dispute over Cedimin's shares. The decrease in net cash flow used in investing activities in 2000 compared to 1999 was mainly attributable to cash received from the sale of assets and transfer of contractual positions of S/.135.2 million in 2000, the increase in payments for exploration and development expenditures to S/.57.8 million in 2000 compared with S/.91.9 million in 1999 (until 1999, exploration expenditures were capitalized and were therefore presented as investing activities in the 1999 consolidated statement of cash flow; however, effective January 1, 2000, they are presented as operating activities as a result of a change in the accounting policy (see Note 4 to the Company Financial Statements)), and the decrease of the acquisition of shares to S/.2.0 million in 2000 compared with S/.56.5 million in 1999. These decreases were partially offset by the increase in acquisitions of property, plant and equipment to S/.67.8 million in 2000 compared with S/.54.6 million in 1999, and a payment of S/.140.6 million made in 2000 and not in 1999 resulting from the settlement of the legal dispute over Cedimin's shares. See Note 36(c) to the Company Financial Statements.

Net cash and cash equivalents from financing activities were positive by S/.113.0 million in 2001, positive by S/.5.5 million in 2000 and negative by S/.68.9 million in 1999. The increase in net cash flow provided by financing activities in 2001 compared with 2000 was attributable to the increase of long-term debt from S/.24.5 million in 2000 to S/.118.3 million in 2001 to finance the construction of the facilities of the Antapite mining unit and the development of a new transmission line from Trujillo to Cajamarca to supply electricity to Yanacocha (see Note 17 to the Company Financial Statements), the cash proceeds from sale of treasury ADRs amounting to S/.13.3 million, the increase of bank loans obtained for working capital purposes from S/.31.7 million in 2000 to S/.36.2 million in 2001 and the decrease of long-term debt payments from S/.16.7 million in 2000 to S/.9.7 million in 2001, partially offset by increased payments of dividends from S/.34.0 million in 2000 to S/.45.1 million in 2001. The increase of net cash flow provided by financing activities in 2000 is attributable to the increase of bank loans and overdrafts from negative by S/.27.6 million in 1999 to positive by S/.31.7 million in 2000 and the increase of proceeds from long-term debt from S/.2.7 million in 1999 to S/.24.5 million in 2000, partially offset by long-term debt payments of S/.10.9 million in 1999 to S/.16.7 million in 2000.

Exploration and Development Costs; Capital Expenditures

Total capital expenditures and exploration and development costs for 2002 and 2003 (excluding exploration and development costs at the Company's principal mines, which are included as part of their cost of production) are estimated to be approximately US$29.9 million and US$15.7 million, respectively. These budgeted expenditures include the following projects: the construction of hoists at Uchucchacua and Orcopampa and general exploration projects. See "Item 4. Information on the Company—The Company—History and Development—Capital Expenditures". Exploration and development costs at locations other than the Company's principal mines are estimated to be approximately US$7.0 million in 2002 and US$7.0 million in 2003. Exploration and development costs, including such costs at the Company's principal mines are estimated to be approximately US$19.5 million. These exploration and development costs include all of the costs associated with exploration activities such as drilling, equipment and geological and metallurgical testing. Exploration and development expenditures for 2002 and 2003 relate primarily to the development of the following mining units and projects: La Zanja, Tantahuatay, Lancones, Hatun Orcco, Huancavelica, Ccarcahuaso and others. See "Item 4. Information on the Company—The Company—Business Overview—Exploration".

The Company undertook in EVAPs filed with the Peruvian government in March 1995 to make capital expenditures in respect of environmental projects. In 2000 and 2001, the Company incurred capital expenditures in connection with these environmental projects of approximately US$1.1 million and US$1.1 million, respectively. The Company expects to incur capital expenditures in respect of environmental projects of approximately US$3.2 million in 2002 and US$1.8 million in 2003. The Company's capital spending plans under the EVAPs were approved by the Peruvian government. The development of more stringent environmental protection programs in Peru could impose additional costs and other constraints on the Company's operations. See "Item 4. Information on the Company—The Company—Business Overview—Regulatory Framework—Environmental Matters".

The following table shows the Company's contractual obligations as of December 31, 2001:

		Payments Due By Period (in millions of Nuevos Soles)			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long-Term Debt	137.5	7.0	18.0	1.4	111.1
Capital Lease Obligations	N/A				
Operating Leases	N/A				
Unconditional Purchase Obligations	N/A				
Other Long-Term Obligations	13.7	—	—	—	12.7
Total Contractual Cash Obligations	150.2	7.0	18.0	1.4	123.8

As of December 31, 2001, the Company had no other commercial commitments.

The Company expects that it will meet its working capital, capital expenditure and exploration and development expense requirements for the next several years from internally generated funds, cash on hand and dividends received from its investments in non-consolidated mining operations, including Yanacocha. Additional financing, if necessary for the development of any project, is expected to be obtained from borrowings under bank loans and the issue of debt securities. There can be no assurance, however, that sufficient funding will be available to the Company from the internal or external sources to finance any future capital expenditure program, or that external funding will be available to the Company for such purpose on terms or at prices favorable to the Company. A very significant decline in the prices of gold and silver would be reasonably likely to affect the availability of such sources of liquidity. In addition, if the Company funds future capital expenditures from internal cash flow, there may be less funds available for the payment of dividends.

YANACOCHA

Introduction

The following discussion should be read in conjunction with the Yanacocha Financial Statements as of December 31, 2000 and 2001 and for the years ended December 31, 1999, 2000 and 2001 and the related notes thereto included elsewhere in this Annual Report. The Yanacocha Financial Statements are prepared and presented in accordance with U.S. GAAP. Note 17 to the Yanacocha Financial Statements provides a description of the principal differences between U.S. GAAP and Peruvian GAAP, as such differences relate to Yanacocha, and Note 18 to the Yanacocha Financial Statements provides a reconciliation to Peruvian GAAP of Yanacocha's net income for the years ended December 31, 1999, 2000 and 2001 and partner equity as of December 31, 2000 and 2001. Yanacocha presents its financial statements in U.S. Dollars.

Overview

Yanacocha was established in January 1992 and commenced production activities in August 1993. The primary factors affecting Yanacocha's results of operations are (i) prevailing world market prices for gold, (ii) the amount of gold produced and sold by Yanacocha and (iii) Yanacocha's cash costs.

Gold prices

Yanacocha's revenues and earnings are strongly influenced by world market prices for gold. Such prices have historically fluctuated widely and are affected by numerous factors. Yanacocha has not engaged in gold price hedging activities, such as forward sales or option contracts, to minimize its exposure to fluctuations in the price of gold.

Cost applicable to sales

Cost applicable to sales include: (i) operating costs, consisting primarily of direct production costs such as mining and treatment of the ore, which are the most significant components of cost applicable to sales, (ii) employee profit sharing of 8 percent of pre-tax profits calculated in accordance with Peruvian generally accepted accounting principles, (iii) royalties of 3 percent of net sale value of all gold extracted from the mining concessions payable to Chaupiloma after deducting refinery and transport costs, (iv) management fees payable to Newmont Peru, the operator of Yanacocha, (v) selling expenses and (vi) other costs.

Income tax

The uniform income tax rate in Peru is currently 30 percent of Peruvian taxable income and for financial statement purposes is calculated for Yanacocha in accordance with U.S. GAAP. Pursuant to Supreme Decree No.027-98-EF, mining companies can obtain a tax benefit in the form of an investment credit, by effectively reinvesting non-distributed profits in capital expansion projects that increase the company's productivity. This investment credit is based on 80 percent of amounts reinvested.

Companies in Peru are required to collect and pay to the Peruvian government on a monthly basis value-added taxes (collectively, "VAT") on all goods and services (including construction contracts) sold by them in Peru and for the importation of goods and services into Peru. The applicable VAT currently in effect is 18 percent. A company receives a credit for VAT so collected that can be used against any VAT paid by it on the goods and services it purchases.

Exports from Peru, however, are not subject to VAT. Since an export company is not required to collect VAT on its exports, there is generally insufficient VAT collected by it to credit the VAT paid by such company. Therefore, an exporter may instead apply such credit (with a limit of up to 18 percent of the exporter's exports in the month in which the credit is applied) to their monthly payments of taxes in the following order: (i) first, to the exporter's VAT tax; (ii) second, any remaining credit to the exporter's annual income tax; and (iii) third, any remaining credit after (i) and (ii) to any other tax owed by the exporter to the Peruvian government. If there is no or insufficient tax against which such credit can be applied, an export company may request monthly a tax refund from the Peruvian government limited to 18 percent of exports for such month. Export companies (including Yanacocha) generally request a tax refund of a portion of their VAT credit from the Peruvian government each month.

Yanacocha has entered into Mining Law Stabilization Agreements under the General Mining Law with the Peruvian government. A Mining Law Stabilization Agreement is a standardized agreement prepared by the MEM, the Ministry of Economy and Finance, the Central Bank and other Peruvian governmental ministries. Such agreements (i) provide stabilized corporate tax rates, (ii) grant the ability to obtain VAT credit, (iii) provide full access to foreign currency and guarantee treatment in all foreign exchange matters as is given to Peruvian nationals, (iv) protect against foreign exchange controls and (v) grant the right to freely dispose of and export mineral products.

Under a Mining Law Stabilization Agreement entered into on May 19, 1994, between Yanacocha and the Peruvian government, represented by the MEM, with respect to mining activities involving the Chaupiloma Tres, Chaupiloma Cuatro and Chaupiloma Cinco mining concessions, which include the Carachugo and San José mining operations (the "Carachugo Stabilization Agreement"), Yanacocha's income derived from the Carachugo and San José mining operations is subject to the Peruvian tax rules in effect on October 29, 1999 for 15 years, commencing in 1995. Therefore, Yanacocha has a stabilized corporate tax rate of 30 percent and is entitled to certain tax benefits, including the right to use up to a 20 percent annual overall depreciation rate for fixed assets.

Yanacocha is a party to a similar Mining Law Stabilization Agreement entered into on September 12, 1994 with the Peruvian government, represented by the MEM, with respect to mining activities involving the Chaupiloma Seis and Chaupiloma Doce concessions, which include the Maqui Maqui mining operation (the "Maqui Maqui Stabilization Agreement"). Pursuant to the Maqui Maqui Stabilization Agreement, Yanacocha's income derived from the Maqui Maqui operations is subject to the Peruvian tax rules in effect in May 6, 1994 for 15 years, commencing in 1997. Therefore, Yanacocha has a stabilized corporate tax rate of 30 percent and is entitled to tax benefits similar to those provided under the Carachugo Stabilization Agreement. As permitted under these Mining Law Stabilization Agreements, Yanacocha began keeping its official accounting records in U.S. Dollars effective January 1, 1995.

In addition, on December 29, 2000, the Company received approval of its application for a Mining Law Stabilization Agreement with respect to mining activities involving the Chaupiloma Uno, Chaupiloma Dos and a portion of the Chaupiloma Tres mining concessions, which includes the Cerro Yanacocha mining operation and other mines to be developed in connection with the Cerro Yanacocha deposit complex (the "Chaupiloma Stabilization Agreement"). Pursuant to the Chaupiloma Stabilization Agreement, Yanacocha's income derived from the operations applicable thereto is subject to the Peruvian tax rules in effect on May 22, 1997 for 15 years, commencing in 2000.

Critical Accounting Policies

Financial Reporting Release No. 60, which was recently released by the Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 2 to the Yanacocha Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of Yanacocha's Financial Statements. The following is a brief discussion of the more significant accounting policies and methods used by Yanacocha. In addition, Financial Reporting Release No. 61 was recently released by the Commission to require all companies to include a discussion to address, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments.

General

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates and assumptions relate to the depreciation and amortization of property, plant and equipment and mine development, impairment of long-lived assets, and provision for reclamation and mine closure. Actual amounts could differ significantly from these estimates.

Depreciation and amortization of property, plant and equipment and mine development

Expenditures for new facilities or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives of such facilities.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, including costs to further delineate the ore body and remove overburden to initially expose the ore body, are capitalized. Such costs, and estimated future development costs, are amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves.

Impairment of long-lived assets

Yanacocha reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured as the amount by which asset carrying value exceeds fair value. Fair value is generally determined using estimated future cash flow analysis. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows include estimates of recoverable ounces, gold and silver prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, all based on detailed engineering life-of-mine plans. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions and market conditions and/or Yanacocha's performance could have a material effect on Yanacocha's financial position and results of operations.

In August 2001, the Financial Accounting Standards Board issued SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets" that established a single accounting model, based on the framework of SFAS No. 121 ("Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of"), for long-lived assets to be disposed of by sale. The statement was adopted on January 1, 2001 and there was no impact upon adoption.

Provision for reclamation and mine closure

Estimated future reclamation costs are based principally on legal and regulatory requirements. Such costs are accrued and charged over the expected operating lives of the mines using the unit-of-production method.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations" that established uniform methodology for accounting for estimated reclamation and abandonment costs. The statement will be adopted January 1, 2003 when Yanacocha will record the estimated present value of reclamation liabilities and increase the carrying amount of the related asset. Subsequently, the reclamation costs will be allocated to expense over the life of the related assets and will be adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate. Yanacocha is in the process of quantifying the effect of adoption on January 1, 2003.

Results of Operations for the Twelve Months Ended December 31, 2001 and 2000

Sales

Sales increased 5.2 percent from US$491.8 million in 2000 to US$517.8 million in 2001, due principally to increased gold production, offset by declining gold prices. The volume of gold sold increased 9.1 percent from 1,795,400 ounces in 2000 to 1,902,500 ounces in 2001. The average gold price realized per ounce of gold decreased 3.6 percent from US$280 in 2000 to US$270 in 2001 in line with market prices.

Interest revenues and other

Interest revenues and other decreased 50.9 percent from US$3.6 million in 2000 to US$1.8 million in 2001 as a result of a decrease in bank deposits.

Costs applicable to sales

Costs applicable to sales increased 40.4 percent from US$172.4 million in 2000 to US$242.1 million in 2001 due primarily to increased production and cash costs. Cash costs per ounce of gold increased 28.1 percent from US$96 in 2000 to US$123 in 2001, due mainly to an increase in operating costs from US$75 per ounce in 2000 to US$86 per ounce in 2001 as a result of increased mining activities (blasting, loading and haulage) principally in Cerro Yanacocha, increased salaries as agreed with the workers and more expenses incurred in connection with public relations.

Depreciation and depletion

Depreciation and depletion increased 21.7 percent from US$62.4 million in 2000 to US$75.9 million in 2001. This increase is attributable to a full year of depreciation of capital expenditures made in 2000 and depreciation of additions to property, plant and equipment related to the La Quinua mine which started production in 2001.

Interest expense and other

Interest expense and other increased 110.2 percent from US$6.5 million in 2000 to US$13.8 million in 2001. This increase is due primarily to a net increase of long-term debt of US$49.0 million in 2001.

Exploration costs

Exploration costs increased 16.1 percent from US$10.3 million in 2000 to US$12.0 million in 2001 due primarily to sulfide explorations in Cerro Yanacocha.

Remediation costs

Remediation costs decreased 97.7 percent from US$10.0 million in 2001 to US$0.2 million in 2000. The amount recorded in 2000 correspond to a variety of public works incurred as compensation for the disruption and inconvenience caused by a mercury spill near the town of Choropampa. In addition, the amount covers other remediation efforts, personal compensation and a fine. See Note 16 to the Yanacocha Financial Statements.

Income tax provision

Income tax provision decreased 2.8 percent from US$41.9 million in 2000 to US$40.7 million in 2001. This decrease is due primarily to decreased taxable income as a result of decreased net earnings. In addition, the Company used a 1998 reinvestment credit of US$29.5 million in 2000, while it used US$3.2 million of 1998 reinvestment credit and US$9.6 million of a new reinvestment credit in 2001.

Cumulative effect of change in accounting principles

Yanacocha changed its method of accounting for revenue recognition in the fourth quarter of 2000, effective January 1, 2000, to record sales when third party refined gold is delivered to the customer. Previously, revenue was recognized upon the completion of the production process at the mine site. The net effect of this change in accounting method was a loss of US$5.0 million.

Net Income

As a consequence of the foregoing, net income decreased 27.8 percent from US$186.9 million in 2000 to US$134.9 million in 2001. As a percentage of sales, net income decreased from 38.0 percent in 2000 to 26.1 percent in 2001.

Results of Operations for the Twelve Months Ended December 31, 2000 and 1999

Sales

Sales increased 5.9 percent from US$464.4 million in 1999 to US$491.8 million in 2000, due mainly to increased gold production, offset by declining gold prices during the year. The volume of gold sold increased 8.4 percent from 1,655,800 ounces in 1999 to 1,795,400 ounces in 2000. The average gold price realized per ounce of gold was US$280 in 1999 and 2000, in line with market prices.

Interest revenues and other

Interest and other decreased 6.4 percent from US$3.9 million in 1999 to US$3.6 million in 2000.

Costs applicable to sales

Costs applicable to sales decreased 8.9 percent from US$189.3 million in 1999 to US$172.4 million in 2000, due primarily to reduced costs for loading and haulage. Yanococha has performed these services since November 1999 (the services were previously performed by a contractor). Cash cost per ounce of gold decreased 13.5 percent from US$111 in 1999 to US$96 in 2000, mainly due to a decrease in operating costs from US$86 per ounce in 1999 to US$75 per ounce in 2000.

Depreciation and depletion

Depreciation and depletion increased 20.1 percent from US$51.9 million in 1999 to US$62.4 million in 2000. This increase is attributable to a full year of depreciation of capital expenditures made in 1999 and depreciation of additions to property plant and equipment made in 2000.

Interest expense and other

Interest expense and other decreased 55.2 percent from US$14.6 million in 1999 to US$6.5 million in 2000. This decrease is due primarily to (i) a US$5.4 million compensation paid to Zublin in 1999 as a result of the termination of the mining contract, and (ii) lower interest expense of US$3.8 million as a result of long-term debt repayments.

Exploration costs

Exploration costs increased 9.4 percent from US$9.5 million in 1999 to US$10.3 million in 2000 due primarily to a new sulfide program and exploration at Corimayo.

Remediation costs

Remediation costs were US$10.0 million in 2000. This amount has been recorded to provide a variety of public works as compensation for the disruption and inconvenience caused by a mercury spill near the town of Choropampa. In addition, the amount covers other remediation efforts, personal compensation and a fine. See Note 16 to the Yanacocha Financial Statements.

Income tax provision

Income tax provision decreased 22.4 percent from US$54.0 million in 1999 to US$41.9 million in 2000. This decrease is due primarily to realized investment credits of US$29.5 million in 2000 in comparison with US$7.2 million in 1999, offset by increased pre-tax income in line with increased net earnings.

Cumulative effect of change in accounting principles

Yanacocha changed its method of accounting for revenue recognition in the fourth quarter of 2000, effective January 1, 2000, to record sales when third party refined gold is delivered to the customer. Previously, revenue was recognized upon the completion of the production process at the mine site. The net effect of this change in accounting method was a loss of US$5.0 million.

Net Income

As a consequence of the foregoing, net income increased 25.5 percent from US$149.0 million in 1999 to US$186.9 million in 2000. As a percentage of sales, net income increased from 32.1 percent in 1999 to 38.0 percent in 2000.

Liquidity and Capital Resources

At December 31, 2001, Yanacocha had cash and cash equivalents (excluding cash and cash equivalents in the Deutsche Investitions und Entwicklungsgesellschaft GmbH of Germany ("DEG") and IFC Reserve Account established in connection with the Yanacocha Receivables Securitization) of US$10.5 million, substantially all of which were held in U.S. Dollars, as compared to US$30.6 million and US$43.1 million at December 31, 2000 and 1999, respectively.

Yanacocha's operations generated a net cash flow of US$228.0 million in 2001, US$273.5 million in 2000 and US$217.9 million in 1999. The decrease in net cash flow provided in operating activities in 2001 was attributable to the decrease in gold prices and increase in operating costs. The increase in net cash flow provided by operating activities in 2000 and 1999 was attributable to the increase in production and sales of gold, offset by reduced costs for loading and haulage in 2000.

Net cash used in investing activities was US$276.9 million in 2001, US$266.1 million in 2000 and US$126.3 million in 1999. Such investing activities consisted primarily of capital expenditures associated with the development of the Carachugo, Cerro Yanacocha and La Quinua mines (including US$45.7 million for the acquisition of mining rights, land and the China Linda lime plant in 2000).

Net cash provided by financing activities was US$28.7 million in 2001, negative by US$19.9 million in 2000 and negative by US$97.3 million in 1999. In 2001, financing activities consisted principally of the payments of dividends to partners of US$10.0 million and repayments of long-term debts by US$34.5 million, offset by proceeds from long-term debt of US$75.7 million, as described in Note 10 to the Yanacocha Financial Statements. In 2000, the Company paid dividends of US$60.1 million and repaid long-term debt by US$15.1 million. These cash payments were offset by proceeds from long-term debt by US$53.0 million necessary to finance the expansion and development of the mines. In 1999, Yanacocha paid an aggregate amount of US$80 million in dividends in respect of 1999 earnings and repaid long-term debt by US$18.1 million.

Exploration and Development Costs; Capital Expenditures

Yanacocha's exploration and development costs during the period from 1992 through 2001 were financed with a combination of internally generated funds, advances from shareholders and loans from DEG and IFC. For 2002, Yanacocha will spend approximately US$12.4 million on exploration and development that will be expensed and an additional US$6.7 million that will be capitalized and that relates to exploration activities for ore bodies that are currently classified as reserves. These exploration and development costs include all of the costs associated with exploration activities such as drilling services (which are subcontracted), geologists and metallurgical testing. See "Item 4. Information on the Company—Yanacocha—Exploration".

Yanacocha's capital expenditures from its formation in 1992 through 2001 were financed with a combination of internally generated funds, advances from shareholders, loans from DEG and IFC and proceeds from the Yanacocha Receivables Securitization (see Note 10 to the Yanacocha Financial Statements). Such capital expenditures have related principally to the development of the Carachugo, Maqui Maqui, Cerro Yanacocha and San José mining operations, the construction of the two plants at Carachugo and Yanacocha that include a leach solution processing facility at each plant and a smelter at the Carachugo plant, the expansion of the leach pads for the Carachugo and Maqui Maqui mining operations, and for the Cerro Yanacocha and La Quinua mining sites. Yanacocha's capital expenditures from its formation through December 31, 2001 totaled approximately US$1,062.5 million.

Yanacocha anticipates that its capital expenditures for 2002 will be approximately US$202 million (including the capitalized exploration costs referred to above).

The following table shows Yanacocha's contractual obligations as of December 31, 2001:

	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
		Payments Due By Period (in thousands of U.S. Dollars)			
Long-Term Debt	177,000	20,000	97,000	48,000	12,000
Capital Lease Obligations	21,302	6,087	7,638	7,577	—
Operating Leases	N/A				
Unconditional Purchase Obligations	N/A				
Other Long-Term Obligations	N/A				
Total Contractual Cash Obligations	198,302	26,087	104,638	55,577	12,000

The following table shows Yanacocha's other commercial commitments as of December 31, 2001:

	Total Amounts Committed	Less than 1 year	1-3 years	4-5 years	Over 5 years
		Amount of Commitment Expiration per Period (in thousands of U.S. Dollars)			
Lines of Credit	7,000	—	7,000	—	—
Standby Letters of Credit	N/A				
Guarantees	N/A				
Standby Repurchase Obligations	N/A				
Other Commercial Commitments	N/A				
Total Commercial Commitments	7,000	—	7,000	—	—

Yanacocha expects that it will meet its working capital, capital expenditure and exploration and development requirements for the next several years from internally generated funds, cash on hand, borrowings from banks and financial institutions and the proceeds from the Yanacocha Receivables Securitization. Yanacocha expects that it will not need additional financing if the price of gold remains over US$250 per ounce. There can be no assurance that sufficient funding will be available to Yanacocha from internal or external sources to finance future working capital, capital expenditures and exploration and development requirements, or that external funding will be available for such purpose on terms or at prices favorable to Yanacocha. A very significant decline in the price of gold would be reasonably likely to affect the availability of such sources of liquidity.

Research and Development

The Company is a mining exploration, development and production company and does not engage in research and development activities.

Trend Information

Other than as disclosed in this Annual Report, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

For the Company's exploration activities, there is no production, sales or inventory in a conventional sense. The Company's financial success is dependent upon the extent to which it is capable of discovering mineralization and the economic viability of developing exploration properties. The development of such properties may take years to complete and the resulting income, if any, cannot be determined with certainty. Further, the sales value of mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, including the market value at a given time of the metals produced.

ITEM 6. Directors, Senior Management and Employees

Board of Directors and Senior Management

The Board of Directors of the Company is responsible for policy decisions and overall direction of the Company and other corporate matters in accordance with the Company By-laws and the Peruvian Companies Law. The Company's executive officers oversee the business of the Company and are responsible for the execution of the policy decisions of the Board of Directors. The Board of Directors, which must be comprised of a minimum of seven members, is elected at the annual obligatory meeting of shareholders (the "Annual Obligatory Meeting") for a three year term. The last election took place on March 26, 2002, and the next election is scheduled for March 2005. See Item 10. "Additional Information—Memorandum and Articles of Association".

The Company's current directors and executive officers are as follows:

Name	Position	Date First Appointed	Current Term Ends
Directors			
Alberto Benavides de la Quintana(1)	Chairman of the Board	1980	March 2005
Jorge Benavides de la Quintana(1)	Director	1955	March 2005
Norman Anderson	Director	1994	March 2005
Luis Coleridge	Director	2000	March 2005
Aubrey Laurence Paverd	Director	2002	March 2005
Carlos H. Plenge Washburn	Director	1980	March 2005
Víctor de la Torre Romero	Director	1991	March 2005
Executive Officers			
Roque Benavides Ganoza(1)	President and Chief Executive Officer	2001	
Carlos E. Gálvez Pinillos	Vice-President and Chief Financial Officer	2001	
Raúl Benavides Ganoza(1)	Business Development Vice-President	1997	
Mario Santillán Farje	Operations Vice-President	1992	
José Miguel Morales Dasso(1)	General Counsel	1970	
César E. Vidal	Explorations Vice-President	1996	
Carlos Humberto Rodríguez Calle	Comptroller	1975	

(1) Alberto Benavides de la Quintana is the father of Roque Benavides Ganoza and Raúl Benavides Ganoza, the father-in-law of José Miguel Morales Dasso and the brother of Jorge Benavides de la Quintana.

Set forth below is biographical information concerning members of the management of the Company:

Alberto Benavides de la Quintana, Founder, Chairman. Mr. Alberto Benavides served as Chief Executive Officer of the Company from 1953 to February 2001 and as a director of the Company from 1953 to 1964 and from 1971 to the present, serving as Chairman since 1980. He has been Vice Chairman of Yanacocha's Board of Directors since 1992. He also has served as a director of numerous other mining and mining-related companies that are subsidiaries of the Company. He spent 17 years (1944-1952 and 1964-1971) with Cerro de Pasco Corporation, a Delaware corporation engaged in the mining business that has since been expropriated by the Peruvian government and renamed Centromín Perú, where he was in various management and executive positions involved in the exploration and geology of mines in Peru, including serving as President from 1964 to 1971. He served as President of the Privatization Committee for Centromín from 1992 to 1994 and as director of the *Banco Central de Reserva del Perú* (the Central Reserve Bank of Peru) from 1992 to 2000. He received a B.S. degree in Engineering from the *Universidad Nacional de Ingeniería* (National University of Engineering, or "UNI") in Peru in 1941 and an M.S. in Geology from Harvard University in 1944 and completed the Advanced Management Program at the Harvard Business School in 1971.

Jorge Benavides de la Quintana, Director. Mr. Jorge Benavides has been a director of the Company since 1955. He served as General Manager of the Company from 1964 to 1986. He also served on the board of Recuperada S.A. from 1981 to 1996. He received his B.S. in Agricultural Engineering from the *Universidad Nacional Agraria* (National Agrarian University) in 1961.

Norman Anderson, Director. Mr. Anderson has been a director of the Company since 1994. He is currently President of Anderson & Associates, a Canadian consulting firm. In 1991, he was elected Chairman of the Board of International Corona Corporation, a Canadian gold mining company that has since merged with a wholly owned subsidiary of Homestake Company, a U.S. mining company. From 1980 to 1986, he was Chief Executive Officer and Chairman of the Board of Cominco. He was employed from 1970 to 1973 by AMAX Inc., a company that has since merged with Cyprus Minerals Company to create Cyprus Amax, and from 1953 to 1970 by Cominco. He is currently a Chairman and Chief Executive Officer of EuroZink Mining Corporation and is a director or officer of other minor mining companies. Mr. Anderson graduated from the University of Manitoba with a B.S. in Geological Engineering in 1953.

Luis Coleridge, Director. Mr. Coleridge was elected as a director of the Company on March 29, 2000 and is a member of the Company's Audit Committee. Mr. Coleridge also currently works as an independent business consultant, which he has done throughout much of his career. He also was a partner at Arthur Andersen & Co. from 1965 to 1997 and a professor of auditing at the *Universidad Nacional Mayor de San Marcos* ("UNMSM") from 1966 to 1970 and at other Peruvian universities. Mr. Coleridge received his B.S. in Economic and Commercial Sciences and Accounting and his Ph.D. in Economic and Commercial Sciences from UNMSM.

Aubrey Laurence Paverd, Director. Dr. Paverd is currently a private consultant based in Melbourne, Australia. From 1994 to 2000 he held the position of Group Executive Exploration with North Ltd., a diversified mining company with gold and base metal mines in Australia, Europe, North and South America. His career with Newmont Mining Corporation spanned 21 years. Beginning as Chief Geologist South Africa in 1973, rising through the positions of Chief Geologist Tsumeb Corporation Ltd., Namibia, a subsidiary of Newmont, to assistant to the Vice President Exploration in New York in 1979, Director of Foreign Exploration in 1981 and ultimately Vice President of Exploration when he left Newmont in 1994. Mr. Paverd was also a lecturer in geology at Rhodes University during 1972 and 1973 and worked as a field and mining geologist in Australia and Zambia during the period from 1962 to 1969. He received B.Sc. (Hons) and M.Sc. degrees from Rhodes University in 1961 and 1966 respectively and a Ph.D. from the University of James Cook North Queensland in 1972. Mr. Paverd is currently also a director of Randgold Resources Ltd., a London listed West African gold mining company.

Carlos H. Plenge Washburn, Director. Mr. Plenge is a founder of the Company and has been a director of the Company since 1980. Mr. Washburn has also served as deputy director of Yanacocha since 1995 and a director of Recuperada S.A. from 1987 to 1996 and Iminsur since 1985. From 1953 to the present, he has been a consulting engineer with a special concentration in mechanical mining for numerous mining companies. He worked in the concentration department of Cerro de Pasco from 1950 to 1953 and in the department of investigations of Cerro de Pasco from 1941 to 1948. In 1949, he served as a sub-director of the *Cuerpo de Ingenieros de Minas del Perú* (Corps of Mining Engineers of Peru). He attended the *Escuela Nacional de Ingenieros* (National School of Engineers) in Peru and received his B.S. in Mining Engineering from the University of Missouri-Rolla in 1940 and a M.S. in Minerals from the School of Mines of Montana in 1941.

Víctor de la Torre Romero, Director. Mr. de la Torre has been a director of the Company since 1991, of Recuperada S.A. from 1991 to 1996 and is a member of the Company's Audit Committee. Mr. de la Torre has been associated with Cementos Lima S.A., one of the largest producers of cement in Peru, since 1952, serving as a director since 1981 and Chairman of the Board from 1985 to 1993. He received his B.A. in Economics.

Roque Benavides Ganoza, President and Chief Executive Officer. Mr. Benavides was the Chief Financial Officer of the Company from 1985 to February 2001, when was appointed President and Chief Executive Officer. Prior to that time, he served as Assistant to the Chairman of the Board of the Company from 1980 to 1985 and as a Project Engineer of the Company from 1977 to 1979. Mr. Benavides also has been a deputy director of Yanacocha since 1992 and was the General Manager of Recuperada S.A., formerly a majority-owned subsidiary of the Company that has since merged with the Company, from 1981 to 1996. He currently is serving as an executive officer of the Company and as a director of six of its 11 majority-owned subsidiaries. He also has served as a director of the *Sociedad de Minería y Petróleo del Perú* (Mining and Petroleum Society of Peru) since 1988, serving as Chairman of the Board from 1993 to 1995. Mr. Benavides served as chairman of the *Confederación Nacional de Instituciones Empresariales Privadas* (CONFIEP) from 1999 to March 2001. In 2001, Mr. Benavides was appointed Vice Chairman of the World Gold Council. Mr. Benavides received a B.S. in Engineering from *Pontificia Universidad Católica del Perú* (Pontifical Catholic University of Peru) in Lima, Peru in 1977 and an M.B.A. from Henley, The Management College of Brunnel University in 1980, completed the Program for Management Development at the Harvard Business School in 1985 and the Advanced Management Program at Templeton College of Oxford University in 1997.

Carlos E. Gálvez Pinillos, Vice-President and Chief Financial Officer. Mr. Gálvez was the Deputy Manager, Finance and Information Systems, from 1985 to February 2001, when he was appointed Vice President and Chief Financial Officer. He served as Deputy Manager of the Company's Treasury from 1980 to 1985, and as Treasurer from 1978 to 1980. Mr. Gálvez has also served as director of the Colquirrumi and Coimolache subsidiaries of the Company and was appointed Director of Conenhua in 2000 and El Brocal in 2002. He also has served as Director of the *Sociedad de Minería, Petróleo y Energía del Perú* (Mining, Petroleum and Energy Society of Peru) since 2000. Prior to joining the Company, Mr. Gálvez served as Managerial Adjunct for Finance and Credit from 1977 to 1978 at *Banco Minero del Perú* (Mining Bank of Peru). He has also served as a Board member of the *Comité de Operación Económica del Sistema Eléctrico Nacional* (Committee of Economic Operation of the National Electric System). Mr. Gálvez received his B.A. in Economics from the *Universidad Nacional Federico Villarreal* in 1976, his M.B.A. from the University of the Pacific in 1980 and completed the Program for Management Development at The Harvard Business School in 1997.

Raúl Benavides Ganoza, Business Development Vice-President. Mr Benavides has been the Business Development Vice-President of the Company since 1992. He is also currently a Member of the Board of Yanacoha (1992-to date) and of several of the of the Company's subsidiaries. From 1984 to 1996 he was Manager of Orcopampa. Prior to that time, Mr Benavides was a Manager of Operations from 1983 to 1984 and Chief of Mining from 1980 to 1983 at Colquirrumi. Since 1995, he has been a professor of mining administration at *Pontificia Universidad Católica del Perú*. Mr. Benavides also has served as Vice President of the *Instituto de Ingenieros de Minas* (Institute of Mining Engineering) since 1994 and was also the President of the *Instituto de Seguridad Minera del Perú* (Mining Safety Institute of Peru) from 1996 to 2000. Mr. Benavides received a B.S. in Mining Engineering from the University of Missouri-Rolla in 1980, an M.S. in Mineral Engineering-Management from Pennsylvania State University in 1984 and completed the Program for Management Development at The Harvard Business School in 2001.

Mario Santillán Farje, Operations Vice-President. Mr. Santillán has been manager of the Company since 1992. Prior to that time, Mr. Santillán served as Vice-Manager of Operations of the

Company from 1982 to 1992, Superintendent of the Company's Julcani mine from 1977 to 1982, Superintendent of the Company's Orcopampa mine from 1974 to 1977 and Division Chief/Captain of the Company's Julcani mine from 1970 to 1974. From 1968 to 1970, he was Chief of Mining at Mina Yuritala, a Peruvian mining company. He is a member of the *Colegio de Ingenieros del Perú* (Engineering Association of Peru) and is currently a d`irector in the Executive Council of the *Instituto de Ingenieros de Minas del Perú* (Peruvian Institute of Mining Engineers). He received a B.S. in Mining Engineering from UNI in 1968 and also studied advanced courses in mining at *Pontificia Universidad Católica del Perú*, UNI, the *Universidad del Pacífico* (University of the Pacific) in Peru and the Colorado School of Mines.

José Miguel Morales Dasso, General Counsel. Mr. Morales has been General Counsel to the Company since 1973. Mr. Morales has also served as a director of Yanacocha since 1995. Prior to that time, he served as a deputy director of Yanacocha from 1992 to 1995. Mr. Morales currently also serves as a director of seven of the eleven mining and mining-related subsidiaries or affiliates of the Company. In addition, he has served as a director of the *Instituto Nacional de Derecho de Minería y Petróleo* (National Institute of Mining and Petroleum Law), serving as its President from 1989 to 1990 and as a director of the *Sociedad de Minería y Petróleo del Perú* (Mining and Petroleum Society of Peru) since 1998, serving as its vice chairman since 2000. He has been a director of the following non-mining related companies: Almacenera del Perú S.A. from 1992, Inversiones Cosepa S.A. from 1979, Hotel Costa del Pacífico S.A. from 1994 and El Pacífico—Peruana Suiza Compañía de Seguros from 1979. Since 1973, he also has been a partner of Estudio Aurelio García Sayán—Abogados, a Lima law firm. Mr. Morales received his law degree from *Pontificia Universidad Católica del Perú* in 1968 and completed the Sloan Program at Stanford University's Graduate School of Business in 1976.

César E. Vidal, Explorations Vice-President. Mr. Vidal has been Explorations Vice-President of the Company since the beginning of 1996. From 1981 to 1987, he served as a geologist for BISA. Prior to joining the Company, from 1991 to 1995, he served as an independent economic geologist consultant to several mining companies, including the Company. From 1987 to 1991, he served as the chief geologist for Perubar S.A., a Peruvian zinc mining company. Mr. Vidal received his B.S. in Geology from UNI in 1977, a Ph.D. in Geology from the University of Liverpool in 1980 and certification as an engineering geologist in Peru from UNI in 1984. He also was a post-doctoral research fellow at the *Universität Heidelberg* (the University of Heidelberg) from 1985 to 1986.

Carlos Humberto Rodríguez Calle, Comptroller. Mr. Rodríguez has served as Comptroller of the Company since 1975 and as Secretary of the Company's Audit Committee. He also served as Comptroller at Cyanamid Peruana S.A., a Peruvian chemical and pharmaceutical company, from 1965 to 1975, and as General Accountant at Petrolera Amotape S.A., a Peruvian oil company devoted to exploration and development of oil, from 1963 to 1964. Mr. Rodríguez received his B.S. in Economic and Commercial Sciences and Accounting from *Pontificia Universidad Católica del Perú* in 1972. In 1988, Mr. Rodríguez obtained a degree in Management from *Universidad de Piura.*

Compensation

During the year ended December 31, 2001, the aggregate amount of compensation paid by the Company to all directors and executive officers was approximately S/.6.5 million, including director's fees accrued in 2000 and paid in 2001. The Company does not disclose to its shareholders or otherwise make available public information as to the compensation of its individual directors or executive officers.

The Company has a program that allows certain executives to receive a cash remuneration equivalent to any excess of the market value at a future date over a stated price of a stated number of the Company's ADSs. This program is in effect as long as the executives are employed by the Company at the settlement date of the program. See Note 16(c) to the Company Financial Statements.

Board Practices

The Audit Committee is responsible for assisting in the appointment of independent auditors to be elected at the general meeting of shareholders ("General Meeting") and reviewing the scope of internal and external audits. The Audit Committee also reviews compliance with internal control systems, reviews the Company's annual and quarterly financial statements, reviews financial statements before their presentation to the *Comisión Nacional Supervisora de Empresas y Valores* (National Supervisory Commission of Business and Securities, or "CONASEV") and maintains the integrity of the preparation of audits. The members of the Audit Committee are currently Messrs. Coleridge and de la Torre Romero. As of the date of filing of this Annual Report, the Company has not yet appointed the third member of the Audit Committee.

Employees

At December 31, 2001, the Company had 940 employees on its payroll. In addition, the Company has entered into arrangements with independent contractors which employed 1366 persons who worked at the Company's operations. Although the total number of employees has decreased since December 31, 1997, the Company has sought to strengthen its workforce by implementing a qualifications-based hiring policy and, with respect to employees working in the mines, reducing the average age of the workforce. As of December 31, 2001, the average tenure of the permanent laborers of the Company at the Julcani, Uchucchacua, Orcopampa and Recuperada mines (the only mines for which the Company has long-term historical records) was approximately 17 years.

Of the Company's 940 permanent employees, approximately 69 percent are members of eight different labor unions, four for clerical workers and four for permanent laborers, which represent all clerical workers or laborers, respectively, in collective bargaining negotiations with the Company. Each of the labor unions is a company-based union with an affiliation to a national union. Administrative personnel are not represented by unions. Labor relations for unionized and non-unionized employees in the Company's production facilities, including compensation and benefits, are governed by collective bargaining agreements, the terms and length of which are negotiated throughout the year as the various collective bargaining agreements come up for renewal. These collective bargaining agreements are typically one year in length, and set wages for the applicable period and include increases as negotiated and certain other employee benefits such as overtime, bonuses and family benefits.

Compensation received by the Company's employees includes salary, other cash payments (such as overtime, vacation pay and bonuses including, but not limited to, high altitude and underground mining bonuses) and non-cash benefits. Non-cash benefits include medical insurance, life insurance and training programs for workers and administrative staff. For mine and processing plant workers, benefits also include transportation services, meals or food allowances, education for children of the Company's employees and housing, hospitals and a full range of social services for the Company's permanent employees and their families at townsites near its mines in compliance with mining regulations. The Company voluntarily provides power, water and sewage services for the camp and houses of the workers as well as for certain towns nearby. In addition, pursuant to a profit-sharing plan mandated by Peruvian labor legislation, employees of mining companies in Peru are entitled to receive the Employee Profit Sharing Amount, four percent of such profits to be distributed based on the number of days each employee worked during the preceding year and the remaining four percent of such profits to be distributed among the employees based on their relative salary levels. Effective January 1, 1997, the annual payment to each employee under the profit sharing plan cannot exceed 18 times such employee's monthly salary, and any difference between the Employee Profit Sharing Amount and the aggregate amount paid to employees must be contributed by the Company to a fund to be established to promote employment and employee training.

Under Peruvian law, the Company may dismiss workers for cause by following certain formal procedures. The Company may dismiss a worker without cause, provided that the Company pays such worker a layoff indemnification in an amount equal to one and a half month's salary for each full year worked plus the pro rata portion for any uncompleted year, not to exceed in the aggregate 12 months' salary. In addition, all employees are entitled to a severance payment upon termination of their employment, regardless of the reason for such dismissal, equal to one month's salary for each full year worked plus the pro rata portion for any incomplete year. Pursuant to a modification of the Peruvian labor laws enacted in 1991, the Company must deposit in a bank account for the benefit of each employee in May and November of each year funds for severance payments. However, this system has been replaced on a temporary basis by a monthly payment equal to 8.33 percent of the monthly salary, which is deposited into such bank account. This temporary system was established in January 2001 and has recently been extended until October 2002. The executive employees of the Company deposited their share of these severance payments with the Company, earning interest at an annual rate of eight percent for Dollar deposits and at a monthly rate of 1.5 percent for Nuevo Sol deposits. Such deposit was permitted by law for a period of two years and may be extended for similar terms by mutual agreement of the parties. In June 1996, the Company repaid its obligations to the executive employees with respect to these deposits.

The Company's permanent employees receive the benefit of one of two types of pension arrangements. All workers can choose to enroll in the ONP or in AFPs. The Company is required to withhold from each of the salaries of the employees enrolled in the ONP system approximately 13 percent of such employee's salary, and pay such amount to the ONP system and withhold from the salary of each employee enrolled in the AFP system between 12 and 13 percent of such employee's salary, and pay such amounts to the respective AFP. The Company has no liability for the performance of these pension plans. The Company also pays to the employees of the independent contractors an amount of money sufficient to cover the employers' costs with respect to severance and pension payments.

In addition, the Company pays to the ES SALUD nine percent of its total payroll for general health services for all permanent employees. Prior to May 1997, the Company was required to pay to the ES SALUD one percent of its payroll of blue collar employees for employment-related illness and accidents (the "Workers Compensation Fund Payment"). Since May 1997, the Workers Compensation Fund Payment is one percent. However, Law 26790 also requires the Company to provide private insurance representing an average payment equal to 1.30 percent of the payroll of covered employees for employment-related incapacity and death for blue collar employees and other employees exposed to mining-related hazards. The Company must also pay a total of two percent of its total payroll for the Extraordinary Solidarity Tax.

In the past five years, the Company has experienced one strike that lasted more than 48 hours. The strike occurred in April 1998 at the Uchucchacua mine and lasted 13 days, resulting in cumulative losses of approximately US$506,000.

Share Ownership

At May 3, 2002, Directors and Executive Officers of the Company, as a group, owned 30,589,793 Common Shares, representing a percentage beneficial ownership of Common Shares of 22.20 percent. The Directors and Executive Officers of the Company do not own any Investment Shares.

ITEM 7. Major Shareholders and Related Party Transactions

Major Shareholders

At May 3, 2002, the Company had outstanding 137,444,962 Common Shares and 372,320 Investment Shares. The Common Shares are voting securities. The table below sets forth certain information concerning ownership of (i) the Common Shares and Investment Shares, and (ii) the aggregate Common Shares and Investment Shares, as of May 3, 2002 with respect to each shareholder known to the Company to own more than 2.5 percent of the outstanding Common Shares and with respect to all directors and executive officers of the Company as a group.

Control of the Company

Shareholder	Number of Common Shares	Percentage Beneficial Ownership of Common Shares[2]	Number of Investment Shares	Percentage Beneficial Ownership of Investment Shares	Number of Common Shares and Investment Shares	Percentage Beneficial Ownership of Common Shares and Investment Shares
Benavides Family[1]	38,898,990	28.31	—	—	38,898,990	28.23
Cia Minera Condesa S.A.	10,565,130	7.69	11,460	—	10,576,590	7.68
AFP Integra	4,569,167	3.33	—	—	4,569,167	3.32
AFP Nueva Vida	4,186,900	3.05	—	—	4,186,900	3.04
Directors and Executive Officers as a Group	30,589,793	22.26	—	—	30,589,793	22.20

(1) Includes Common Shares directly or indirectly owned by Alberto Benavides de la Quintana and certain members of his immediate and extended family and their spouses.

(2) The beneficial ownership of Common Shares adds up to more than 100 percent due to participation by certain members of the Benavides Family as Directors and/or Executive Officers of the Company.

As of May 31, 2002, the Company estimates that 27,939,637 ADSs are held in the United States which represent approximately 39.80 percent of Common Shares outstanding. The number of institutional record holders of the Company's Common Shares (or of ADSs representing its Common Shares) in the United States was eight institutions at May 31, 2002.

Related Party Transactions

Except as otherwise disclosed herein, no director, senior officer, principal shareholder or any associate or affiliate thereof, had any material interest, direct or indirect, in any transaction since the beginning of the Company's last financial year that has materially affected the Company, or any proposed transaction that would materially affect the Company. Except as otherwise disclosed herein, the Company has entered into no transactions with parties that are not "related parties" but who would be able to negotiate terms not available on an arm's-length basis. The Company enters, from time to time in the ordinary course of business, into management, exploration, mine development, engineering and employment contracts with joint venture companies in which one or more of its direct or indirect subsidiaries holds equity or partnership interests

Chaupiloma is owner of the mining rights developed by Yanacocha and received a 3 percent royalty on quarterly sales, after deducting refinery and transportation costs. Royalties amounted to S/.49,234,000, S/.51,559,000 and S/.54,248,000 in 1999, 2000 and 2001, respectively, and are presented as royalty income in the consolidated statements of income.

Following the unitization of the Company's and Newmont Mining's properties in Yanacocha in October 2000, the Company and Newmont Mining entered into an administration agreement setting forth that the Company would manage the China Linda lime plant until December 18, 2010, for a monthly fee of US$10,000 plus reimbursement of all incurred costs. However, in December 2001, Yanacocha terminated the agreement and the Company ceased to manage the China Linda plant. As a result of the termination, the Company received a payment of $1,800,000 from Yanacocha. See "Item 4. Information on the Company—The Company—History and Development" and Note 2(b) to the Company Financial Statements.

Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

Consolidated Financial Statements

See "Item 19. Exhibits" for a list of financial statements filed under Item 18.

Other Financial Information

Legal Proceedings

Other than the legal proceeding relating to Yanacocha described in "Item 4. Information on the Company—Yanacocha—Legal Proceedings" and as described below, the Company and Yanacocha are each parties to certain other legal proceedings arising in the normal course of its business, none of which, individually or in the aggregate, is material.

The Company and Condesa, together with Newmont Mining, Newmont Second and certain individuals, are defendants in an action filed by Patrick Maugein, a French citizen, in the United States District Court for the District of Colorado in February 2002. Maugein alleges that the defendants violated the federal RICO statute, and similar provisions of Colorado laws, and tortiously interfered with certain of plaintiff's claimed contract rights, all in connection with lawsuits in Peru concerning the ownership of Yanacocha, and defamed and otherwise injured Maugein through publications in France by a French author not named as a defendant in the action. The Company, Condesa, Newmont Mining and Newmont Second were the plaintiffs in the Peruvian litigation, which concluded in 1998, and in which they successfully enforced a provision of Yanacocha's by-laws that required another Yanacocha shareholder, an affiliate of Bureau de Rechereches Géologiques et Miniéres ("BRGM"), to sell its Yanacocha shares to affiliates of the Company and Newmont Mining. BRGM had sought to cause its affiliate to sell its Yanacocha shares to Normandy Mining Ltd. The parties involved in the Peruvian litigation and certain related persons reached a settlement of all claims in October 2000 as described elsewhere in this Annual Report under Item 4: Information on the Company- The Company- History and Development. Maugein, who claims he was engaged as an advisor to Normandy, asserts that he was injured because Normandy had promised to pay him if the Peruvian Supreme Court reversed the lower courts and reached a result favorable to Normandy (which did not occur). Maugein seeks damages of not less than $25 million plus interest (which could be subject to trebling under RICO) plus unspecified punitive damages. The Company considers Maugein's claims to be without merit and is vigorously contesting the action. The defendants have filed motions to dismiss the action based on various grounds, but briefing of those motions has not been completed. It is not possible to predict when the court will rule on the motions.

Dividend Policy and Dividends

The Company can distribute three kinds of dividends: (i) cash dividends, which are paid out of the Company's net distributable income for each year, (ii) stock dividends that are akin to stock splits rather than distributions of earnings, which are issued for the purpose of adjusting the book value per share of the Company's stock, and (iii) stock dividends for the purpose of capitalizing profits, in each case as described in more detail below. All shares outstanding and fully paid are entitled to share equally in any dividend declared based on the portion of the capital of the Company represented by such share. Shares of capital stock which are only partially paid participate in a dividend or distribution in the same proportion that such shares have been paid at the time of the dividend or distribution. No cash dividend may be declared in respect of a given year unless the Company has earned net distributable income in respect of such year. However, a company may declare dividends during the year. The Company may make interim provisional payments to shareholders in respect of net distributable income for the current fiscal year, which are referred to as "provisional dividends", as explained below.

The Board of Directors, following the end of each fiscal year, makes a recommendation to the annual obligatory shareholders' meeting regarding the amount and timing of payments, if any, to be made as dividends on the Company's Common Shares and Investment Shares. However, the amount and timing of such payments, if any, is subject to approval at such annual obligatory shareholders' meeting of the Company, as well as to the availability of earnings to distribute, and takes into consideration any provisional dividends paid out during the year. Holders of at least 20 percent of total Common Shares outstanding can require that no less than 50 percent of the after-tax profits of the Company during the previous year and legal reserve allocation be paid out in the form of dividends.

Available earnings are subject to the following priorities. First, the mandatory employee profit sharing of eight percent of pre-tax profits (which may differ from pre-tax profits determined under Peruvian GAAP due to different depreciation treatment and different adjustments of non-taxable income and/or non-deductible expenses) is paid. Next, remaining earnings are taxed at the standard corporate income tax rate of 27 percent. Not less than ten percent of such after-tax net profits must then be allocated to a legal reserve, which is not available thereafter except to cover future losses or for use in future capitalizations. Amounts reserved are nevertheless included in taxable income. The obligation to fund this reserve continues until the reserve constitutes 20 percent of the paid-in share capital. In addition, the holders of Common Shares can allocate any portion of the net profits to any special reserve. The remainder of the net profits is available for distribution to shareholders. The Company must pay additional tax at the rate of 4.1 percent of the total amount of dividends distributed with respect to net profits generated starting in 2002, except in the case of distributions of dividends to entities domiciled in Peru only.

Dividends on issued and outstanding Common Shares and Investment Shares are distributed in accordance with the proportion of the total capital represented by such respective shares. Dividends are distributed pro rata in accordance with the number of Common Shares or Investment Shares. Accordingly, any dividend declared would be apportioned 99.73 percent to the holders of Common Shares and 0.27 percent to the holders of Investment Shares. This proportion will not change in the future except and to the extent holders of Common Shares and Investment Shares exercise their preemptive rights disproportionately in any future issuance of Common Shares and Investment Shares, or the Company issues Common Shares without preemptive rights in accordance with Article 259 of the Peruvian Companies Law.

Holders of Common Shares and Investment Shares are not entitled to interest on dividend payments.

Holders of ADRs are entitled to receive dividends with respect to the Common Shares underlying the ADSs evidenced by such ADRs, subject to the terms of the related Amended and Restated Deposit Agreement, to the same extent as owners of Common Shares.

To the extent that the Company declares and pays dividends on the Common Shares, owners of the ADSs on the relevant record date are entitled to receive the dividends payable in respect of the Common Shares underlying the ADSs, subject to the terms of the Amended and Restated Deposit Agreement. Cash dividends are paid to the Depositary in Nuevos Soles and, except as otherwise described under the Amended and Restated Deposit Agreement, are converted by the Depositary into U.S. Dollars and paid to owners of ADRs net of currency conversion expenses. Under the Amended and Restated Deposit Agreement, the Depositary may, and will if the Company so requests, distribute stock dividends in the form of additional ADRs evidencing whole ADSs resulting from a dividend or free distribution of Common Shares by the Company received by the Depositary. Cash dividends paid with respect to the Common Shares and amounts distributed with respect to ADSs are not currently subject to

Peruvian income or withholding taxes. See "Item 10. Additional Information—Taxation—Peruvian Tax Considerations".

The Company issues stock dividends for value per share of the Company's stock. The book value of the Company's share capital is based on the nominal (par) value of each share but is adjusted to account for inflation; thus, in inflationary periods, the Company's book value will increase while its nominal value will remain constant. In order to adjust the book value of each share to equal or approximate its nominal value, the Company periodically issues new shares that are distributed as stock dividends to each existing shareholder in proportion to such shareholder's existing holdings, unless it increases the nominal value of the existing shares. These stock dividends (which under the Peruvian income tax law are not considered dividends) do not change a stockholder's percentage of interest in the Company. In addition, the Company may from time to time capitalize profits and, in such case, it has to distribute stock dividends representing the profits capitalized.

Dividends not collected within ten years will be retained by the Company, increasing its legal reserve, and the right to collect such dividends will expire.

Under Peruvian law, each company may make formal cash distributions only out of net distributable income (calculated on an individual, unconsolidated basis and demonstrated by a balance sheet at any given time). The Company, however, may pay provisional dividends. Payment of provisional dividends shall be approved on the basis of financial statements which show the existence of net distributable income obtained during the current fiscal year. In the event that, following such an interim provisional payment, the Company suffers a loss or if it finishes its fiscal year with a net income that is lower than the amount of provisional dividends paid during such fiscal year, it could legally require all shareholders (including holders of ADRs) to return such payment to the Company with interest. However, it has been and continues to be the Company's policy not to require shareholders to return such payment of provisional dividends, but rather to cover such contingency through a "dividends paid in advance" account to be offset by future net distributable income.

The following table sets forth the amounts of interim and final dividends and the aggregate of dividends paid with respect to the years 1997 through 2001. Dividends with respect to these years were paid per Series A Share, Series B Share and ADS. Effective on May 3, 2002, the Company redesignated its Series B Shares and Series A Shares as Common Shares. From and after such date, each of the Company's ADSs, which previously represented two Series B Shares, has represented two Common Shares. See "See "Item 4. Information on the Company—The Company—History and Development—Recent Developments—Redesignation of the Company's Shares and ADSs":

Year ended December 31,	Per Series A Share(1)			Per Series B Share(1)			Per ADSs(1)			Per Investment Share(1)		
	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total
1997	0.0676	—	0.0676	0.0676	—	0.0676	0.1352	—	0.1352	0.0676	—	0.0676
1998	0.0950	0.1500	0.2450	0.0950	0.1500	0.2450	0.1900	0.3000	0.4900	0.0950	0.1500	0.2450
1999	0.1050	0.1600	0.2650	0.1050	0.1600	0.2650	0.2100	0.3200	0.5300	0.1050	0.1600	0.2650
2000	0.1100	0.2550	0.3650	0.1100	0.2550	0.3650	0.2200	0.5100	0.7300	0.1100	0.2550	0.3650
2001	0.1100	0.2100	0.3200	0.1100	0.2100	0.3200	0.2200	0.4200	0.6400	0.1100	0.2100	0.3200

(1) Interim and final dividend amounts are expressed in nominal Nuevos Soles as of December 31, of 1997, 1998, 1999, 2000 and 2001, respectively. Beginning in 1999, Investment Shares replaced Labor Shares.

Significant Changes

Effective on May 3, 2002, the Company redesignated its Series B Shares and Series A Shares as Common Shares. From and after such date, each of the Company's ADSs, which previously represented two Series B Shares, has represented two Common Shares. See "See "Item 4. Information on the

Company—The Company—History and Development—Recent Developments—Redesignation of the Company's Shares and ADSs".

ITEM 9. The Offer and Listing

Offer and Listing Details

Not applicable.

Plan of Distribution

Not applicable.

Trading Markets

Effective on May 3, 2002, the Company redesignated its Series B Shares and Series A Shares as Common Shares. From and after such date, each of the Company's ADSs, which previously represented two Series B Shares, has represented two Common Shares. See "See "Item 4. Information on the Company—The Company—History and Development—Recent Developments—Redesignation of the Company's Shares and ADSs". Accordingly, since May 3, 2002, the Common Shares and ADSs representing the Common Shares (each ADS representing two Common Shares) have been listed and traded on the New York Stock Exchange under the symbol "BVN". In addition, the Common Shares are listed and traded on the Lima Stock Exchange. The Investment Shares have been listed and traded on the Lima Stock Exchange since 1979.

At May 3, 2001, the share capital with respect to the Common Shares was S/.549,779,848 represented by 137,444,962 shares and the share capital with respect to the Investment Shares was S/.1,489,280 represented by 372,320 shares. The Common Shares represent 100 percent of the outstanding share capital of the Company. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. At May 3, 2002, there were 1,871 owners of record of the Common Shares and 2,464 owners of record of the Investment Shares.

Historical Information

The Series B Shares and the ADSs representing the Series B Shares (each ADS representing two Series B Shares) were listed, and the ADSs were traded, on the New York Stock Exchange from May 31, 1996 until May 2, 2002, under the symbol "BVN". In addition, the Series B Shares were listed and traded on the Lima Stock Exchange from May 15, 1996 until May 2, 2002. The ADSs representing the Series B Shares were issued under the terms of a Deposit Agreement dated May 20, 1996, among the Company, The Bank of New York, as depositary, and the owners and beneficial owners of ADSs. The Series A Shares were listed and traded on the Lima Stock Exchange since 1971.

The creation of the Series B Shares was authorized at an extraordinary meeting of shareholders held on March 20, 1996. At that meeting, outstanding common shares were renamed as Series A Shares, and a capital increase of a new class of common shares, designated Series B Shares, was approved. On May 31, 1996, the Series B Shares began trading on the Lima Stock Exchange and on May 15, 1996, the ADSs began trading on the New York Stock Exchange. On November 26, 1997, the Company consummated the Series A Exchange Offer, pursuant to which it exchanged 32,472,952 Series A Shares for an equal number of Series B Shares. Immediately prior to the Series A Exchange Offer, there were 98,995,000 Series A Shares and 19,154,617 Series B Shares. Upon consummation of the exchange, there were 66,522,048 Series A Shares and 51,627,569 Series B Shares.

On December 10, 1998, the Company consummated an exchange offer pursuant to which it exchanged 18,666,198 Labor Shares (now known as Investment Shares) for 18,666,198 Series B Shares. On December 3, 1999, the Company commenced an exchange offer, pursuant to which it offered to exchange on a one-for-one basis, all outstanding Series A Shares and Investment Shares for its Series B Shares (the "Redemption and Exchange Offer"). The Redemption and Exchange Offer terminated, in accordance with its terms, on January 13, 2000. As a result of the Redemption and Exchange Offer, 23,433,294 Series A Shares and 629,147 Investment Shares were tendered for redemption and/or exchange and accepted by the Company and were exchanged for equal numbers of Series B Shares. At December 31, 1999 (prior to the consummation of the Redemption and Exchange Offer), the share capital with respect to the Series A Shares was S/.66,522,048 represented by 66,522,048 shares; the share capital with respect to the Series B Shares was S/.70,293,767 represented by 70,293,767 shares; and the share capital with respect to the Investment Shares was S/.1,011,467 represented by 1,001,467 shares. Following the consummation of the Redemption and Exchange Offer, the share capital with respect to the Series A Shares was S/.43,088,754 represented by 43,088,754 shares; the share capital with respect to the Series B Shares was S/.94,356,208 represented by 94,356,208 shares and the share capital with respect to the Investment Shares was S/.372,320 represented by 372,320 shares. At December 31, 2001, the share capital with respect to the Series A Shares was S/.43,088,754 represented by 43,088,754 shares; the share capital with respect to the Series B shares was S/.94,356,208 represented by 94,356,208 shares, and the share capital with respect to the Investment Shares was S/.372,320 represented by 372,320 shares.

Trading Information

For the periods indicated prior to May 3, 2002, the table below sets forth the trading volume and the high and low closing prices of the Common Shares and Investment Shares in Nuevos Soles. The table also includes for the same periods the trading volume and the high and low closing prices of the ADSs representing the Common Shares in U.S. Dollars from the date after the redesignation of the Company's Series B Shares and Series A Shares as Common Shares on May 3, 2002. See "Item 4. Information on the Company—The Company—History and Development—Recent Developments—Redesignation of the Company's Shares and ADSs":

	Common Shares(1)			ADSs(2)			Investment Shares(1)		
	Trading Volume (in millions)	High (in nominal S/. per share)	Low	Trading Volume (in millions)	High (in US$ per ADS)	Low	Trading Volume (in millions)	High (in nominal S/. per share)	Low
Monthly highs and lows									
2002									
May (from May 3)	1.76	54.53	45.15	5.58	31.71	26.29	0.03(3)	31.50(3)	31.50(3)
June (through June 15)	1.13	52.88	44.66	2.56	30.10	26.05	0.01	34.00	31.00

(1) Source: Lima Stock Exchange
(2) Source: Bloomberg
(3) Information for the month of May provided from May 1, 2002.

For the periods indicated prior to May 3, 2002, the table below sets forth the trading volume and the high and low closing prices of the Series A Shares, Series B Shares and Investment Shares in Nuevos Soles. The table also includes for the same periods the trading volume and the high and low closing prices of the ADSs representing the Series B Shares in U.S. Dollars. During 2000 and 2001, the Series A Shares were traded on the Lima Stock Exchange on approximately 54.80 percent and 0.71 percent, respectively, and the Series B Shares on approximately 27.92 percent and 20.36 percent, respectively, of each respective year's trading days, and the Investment Shares were traded on the Lima Stock Exchange on approximately zero percent and 18.83 percent of each respective year's trading days. The following information is not restated in constant Nuevos Soles:

	Series A Shares[1]			Series B Shares[1]			ADSs[2]			Investment Shares[1]		
	Trading Volume (in millions)	High	Low	Trading Volume (in millions)	High	Low	Trading Volume (in millions)	High	Low	Trading Volume (in millions)	High	Low
		(in nominal S/. per share)			(in nominal S/. per share)			(in US$ per ADS)			(in nominal S/. per share)	
Annual highs and lows												
1997	49.58	29.20	16.80	12.90	32.25	16.80	17.74	24.25	14.88	13.28	25.60	12.40
1998	6.12	19.97	13.76	28.26	22.81	12.95	17.69	16.23	8.55	30.10	19.57	8.75
1999	5.65	24.87	20.65	20.12	30.04	20.54	14.37	19.00	11.25	0.65	28.17	13.73
2000	23.61	33.67	20.25	26.34	34.93	20.29	17.63	22.25	10.37	0.68	25.71	20.90
2001	0.30	28.17	22.67	19.20	36.15	24.23	29.25	21.16	13.68	0.06	26.44	18.80
Quarterly highs and lows												
2000												
1st quarter...........	23.48	33.67	31.20	5.16	34.93	29.45	4.80	22.25	15.56	0.65	25.71	24.18
2nd quarter...........	0.03	30.00	29.44	4.06	31.52	27.63	3.43	18.56	14.87	0.01	22.87	20.99
3rd quarter............	0.05	29.00	27.75	2.64	29.57	27.06	3.18	18.00	14.06	0.01	23.50	22.53
4th quarter............	0.05	21.50	20.25	14.48	24.20	20.29	6.22	15.00	10.37	0.01	21.50	20.90
2001												
1st quarter............	0.05	24.66	22.67	5.96	28.26	24.23	5.90	16.23	13.68	0.01	22.83	20.95
2nd quarter...........	0.13	25.85	23.99	3.88	30.87	27.21	7.67	17.80	14.96	0.01	23.58	22.66
3rd quarter............	0.06	28.17	26.66	6.03	35.18	30.11	8.93	20.31	17.11	0.03	26.44	22.85
4th quarter............	0.06	26.83	25.12	3.33	36.15	31.65	6.75	21.16	18.27	0.01	20.93	18.80
Monthly highs and lows												
2001												
December	0.02	25.00	24.50	1.01	35.71	31.40	1.48	21.00	18.19	0.01	20.00	16.80
2002												
January	0.01	28.90	24.98	1.02	41.00	34.00	3.41	23.75	19.71	0.01	20.12	16.80
February	0.05	39.00	29.00	1.99	45.75	39.85	5.25	26.60	22.80	0.01	36.23	24.30
March	0.09	44.50	39.00	0.75	47.30	39.20	3.07	27.99	22.85	0.01	36.23	27.50
April	0.09	46.50	44.50	1.15	48.00	45.37	3.53	29.07	25.70	0.01	37.00	33.01

(1) Source: Lima Stock Exchange
(2) Source: The New York Stock Exchange, Inc.

Selling Shareholders

Not applicable.

Dilution

Not applicable.

ITEM 10. Additional Information

Share Capital

Not applicable.

Memorandum and Articles of Association

Organization and Register

The Company was formed on September 7, 1953 by public deed as a Peruvian *sociedad anónima.* However, in May of 1998, the Company By-laws were changed to conform with the new Peruvian Companies Law. The term of existence is indefinite and its principal place of business is Lima, Peru.

The Company is managed by the General Meeting, the Board of Directors and the management.

Objectives and Purposes

The legal purpose of the Company is to engage in mining operations and related activities either directly or through majority-owned subsidiaries and controlled companies. Likewise, it may hold shares of companies performing mining operations.

Directors

The Board of Directors, which must be comprised of a minimum of seven members, is elected at the Annual Obligatory Meeting. Any changes in the Board of Directors require the approval of the shareholders. In the case of resignation of Directors, the Board of Directors may appoint substitute Directors who will serve until the next shareholders' meeting.

Directors are elected as a group for a term of three years and may be reelected indefinitely. Pursuant to Article 29 of the Company By-laws, Directors are not required to be shareholders of the Company. The Board of Directors, in their first meeting after the Annual Obligatory Meeting that elects them, must choose from among its members a Chairman and a Vice Chairman. The Peruvian Companies Law requires that all companies (*sociedades anónimas*) provide for the representation of minority shareholders on their Boards of Directors. To that effect, each Common Share of the Company gives the holder the right to as many votes as there are directors to be elected. Each holder may pool his votes in favor of one person or distribute them among various persons. Those candidates for the Board who receive the most votes are elected directors.

The Board of Directors meets when called by the Chairman of the Board or when requested by another Director or the Manager, who is appointed by the Board. The Board of Directors is validly convened when all Directors are present and unanimously agree to carry out the meeting for the purpose of transacting the business that has been proposed.

The Company By-laws do not contain any provisions related to a director's power to vote on matters in which the director is materially interested. However, Article 180 of the Peruvian Companies Law requires a director with an interest that conflicts with that of the Company on a specific matter to disclose such interest to the Company and abstain from participating in the deliberation and decision of the said matter.

The Company By-laws also do not contain any provisions with respect to the power of the Directors to vote upon matters relating to their own compensation. Nevertheless, Article 30 of the Company By-laws requires that the Board of Directors receive compensation of no more than 4 percent of the profits of each fiscal year after making deductions for workers' profit sharing, taxes, reinvestment of profits for tax benefits and legal reserves. This amount will be submitted for ratification by the General Meeting during the annual obligatory meeting, at which time it approves the balance sheet, taxes, reinvestment of profits for tax benefits and legal reserves.

The Company By-laws contain no provision relating to the directors' power to borrow from the Company. However, Article 179 of the Peruvian Companies Law provides that directors of a company may enter into an agreement with such company only in the event that the agreement relates to operations the company performs in the regular course of business. Further, a company may provide a loan to a director or grant securities in his favor only in connection with operations that the company usually performs with third parties. Agreements, credits, loans or guarantees that do not meet the requirements set forth above require prior approval from at least two thirds of the members of the company's Board of Directors. Directors are jointly liable to the company and the company's creditors for contracts, credit, loans or securities executed or granted without complying with Article 179 of the Peruvian Companies Law.

Neither the Company By-laws nor the Peruvian Companies Law contain age limit requirements for the retirement or non-retirement of directors.

Shares and Voting Rights

The Company has two classes of shares, the Common Shares and the Investment Shares. The Common Shares represent 100 percent of the outstanding share capital of the Company. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital.

Holders of Common Shares are entitled to one vote per share, with the exception of the election of the Board of Directors, where each such holder is entitled to one vote per share per nominee. Each holder's votes may be cast all for a single nominee or distributed among the nominees at the holder's discretion. Holders of Common Shares may attend and vote at shareholder meetings either in person or through a proxy. Additionally, holders of Common Shares have the right to participate in the distribution of dividends and shareholder equity resulting from liquidation. The Company By-laws do not establish a maximum time limit for the payment of the dividends. However, according to Article 232 of the Peruvian Companies Law, the right to collect past-due dividends in the case of public companies that are *sociedades anónimas abiertas*, as is the Company, expires at 10 years from the date on which the payment was due in accordance with the dividend declaration.

The Company's share capital may be increased by holders of Common Shares at a shareholder meeting. Capital reductions may be voluntary or mandatory and must be approved by holders of Common Shares at a shareholder meeting. Capital reductions are mandatory when accumulated losses exceed 50 percent of capital to the extent such accumulated losses are not offset by accumulated earnings and capital increases within the following fiscal year. This requirement has been temporarily suspended through December 31, 2003. Capital increases and reductions must be communicated to CONASEV, the Lima Stock Exchange and the *Superintendencia Nacional de Administración Tributaria* (SUNAT) and published in the official gazette El Peruano and in a widely circulated newspaper in the city in which the Company is located.

The Investment Shares do not represent the Company's stock obligations. Holders of Investment Shares are neither entitled to exercise voting rights nor to participate in shareholder meetings. However, Investment Shares confer upon the holders thereof the right to participate in the dividends distributed according to their nominal value, in the same manner as Common Shares.

Changes in the Rights of Shareholders

The Company By-laws do not contain special provisions relating to actions necessary to change the rights of holders of the classes of shares. However, Article 88 of the Peruvian Companies Law establishes that all shares of a same class must have the same rights and obligations, and that in the event that the Company decides to establish different rights and obligations it must create a different class of shares, which creation will be agreed upon by the General Meeting in accordance with the requirements for modification of the Company By-laws. These requirements are described under "—Shares and Voting Rights" above.

The rights of any class of shares may not be reduced except in accordance with the Peruvian Companies Law.

Shareholders' Meetings

Pursuant to Peruvian law and the Company By-Laws, the Annual Obligatory Meeting must be held during the three-month period after the end of each fiscal year. Additional General Meetings may be held during the year. If the Company does not hold at least the Annual Obligatory Meeting during the three-month period after the end of each fiscal year or any other shareholder meeting required by the Peruvian Companies Law or the Company By-Laws, CONASEV will call for such meeting. In any case, a holder of at least one share of the Common Shares will be entitled to request from a court an order to convene such a meeting. Any shareholder meetings are convened by the Board of Directors when deemed convenient for the Company or when it is requested by the holders of at least five percent of the Common Shares. If, at the request of holders of five percent of the Common Shares, the shareholder meeting is not convened within 15 days of the receipt of such request, CONASEV will call for such meeting. Notwithstanding the notice requirements as described in the preceding two sentences, any shareholder meeting will be deemed called and legally installed, provided that the shareholders representing all of the voting shares are present, and provided that every present shareholder, whether or not such shareholder has paid the full price of such shareholder's shares, agrees to hold the shareholder meeting and accepts the business to be discussed therein. Holders of Investment Shares have no right to request the Board to convene shareholder meetings.

Since the Company is a *sociedad anónima abierta*, notice of shareholders' meetings must be given by publication of a notice, with the publication occurring at least 25 days prior to any shareholders' meeting, in El Peruano and in a widely circulated newspaper in the city in which the Company is located. The notice requirement may be waived at the shareholder meeting by holders of 100 percent of the outstanding Common Shares. According to Article 25 of the Company By-Laws and Article 257 of the Peruvian Companies Law, shareholder meetings called for the purpose of considering a capital increase or decrease, the issuance of obligations, a change in the Company By-Laws, the sale in a single act of assets with an accounting value that exceeds 50 percent of the capital stock of the Company, the merger, division, reorganization, transformation or dissolution of the Company, are subject to a first, second and third quorum call, each of the second and third quorum to occur upon the failure of the preceding one. A quorum for the first call requires the presence of shareholders holding 50 percent of the total voting shares of the Company. For the second call, the presence of shareholders holding at least 25 percent of the total voting shares of the Company constitutes a quorum, and for the third call there is no quorum requirement. These decisions require the approval of the majority of the voting shares represented at the shareholder meeting. General Meetings convened to consider all other matters are subject to a first and second quorum call, the second quorum call to occur upon the failure of the first quorum.

In the case of shareholder meetings called for the purpose of considering the removal of members of the Board of Directors, at least 75 percent and 70 percent of the total number of Common Shares outstanding are required to be represented at the shareholder meeting on the first quorum call and second quorum call respectively. Provided such quorum is attained, the affirmative vote of no less than two thirds of the total number of Common Shares outstanding is required to effect the removal of members of the Board of Directors. The special quorum and voting requirements described above cannot be modified at a shareholder meeting called for the purpose of considering the removal of members of the Board of Directors.

Under the Company By-Laws, the following actions are to be taken at the annual obligatory shareholders' meetings: approval of the Company's balance sheets, profit and loss statements and annual reports; approval of management performance; allocation of profits; election of external auditors; election of the members of the Board of Directors; and any other matters submitted by the Board of Directors. The following actions are to be taken at the same annual shareholders' meetings if the quorum and majority requirements are met or at any other shareholders' meeting: any amendment of the Company By-Laws; any decision to increase or reduce capital; any decision to issue debt; initiating investigations or requesting auditor's reports; liquidating the Company or merging, consolidating, dissolving, or changing its business form or structure.

In accordance with Article 21 of the Company By-laws, only those holders of Common Shares whose names are inscribed in the Share Register not less than 10 days in advance of a meeting shall be entitled to attend shareholder meetings and to exercise their rights.

Limitations on the Rights of Nonresident or Foreign Shareholders

There are no limitations in the Company By-laws or the Peruvian Companies Law on the rights of nonresident or foreign shareholders to own securities or exercise voting rights on the securities of the Company.

Change in Control

There are no provisions in the Company By-laws that would have the effect of delaying, deferring or preventing a change in control of the Company.

Disclosure of Share Holdings

There are no provisions in the Company By-laws governing the ownership threshold above which shareholder ownership must be disclosed. However, according to Regulation No. 630-97-EF/94.10 of the CONASEV, when a person or financial group acquires in one act or various successive acts, a percentage considered significant (more than 25 percent) of the shares with voting rights of a company, it is necessary to follow a special procedure called an *Oferta Pública de Adquisiciones*, or Takeover Bid, that has the effect of alerting the other shareholders and the market that a person or financial group has acquired a significant percentage of a company's voting shares. In addition, the Company must inform CONASEV and the Lima Stock Exchange of any transfer of more than 5 percent of paid-in-capital of the Company.

Changes in the Capital

The Company By-laws do not establish special conditions for increases or reductions of capital that are more stringent than is required by the Peruvian Companies Law. Furthermore, the Peruvian Companies Law forbids *sociedades anónimas abiertas*, such as the Company, from including in their by-laws stipulations limiting the transfer of their shares or restraining their trading in other ways.

Material Contracts

Not applicable.

Exchange Controls

Since August 1990, there have been no exchange controls in Peru and all foreign exchange transactions are based on free market exchange rates. Prior to August 1990, the Peruvian foreign exchange market consisted of several alternative exchange rates. Additionally, during the last two decades, the Peruvian currency has experienced a significant number of large devaluations, and Peru has consequently adopted, and operated under, various exchange rate control practices and exchange rate determination policies, ranging from strict control over exchange rates to market determination of rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares of Peruvian companies to receive and repatriate 100 percent of the cash dividends distributed by such companies. Such investors are allowed to purchase foreign exchange at free market currency rates through any member of the Peruvian banking system and transfer such foreign currency outside Peru without restriction.

Taxation

The following summarizes the material Peruvian and United States tax consequences under present law of the purchase, ownership and disposition of ADSs or Common Shares. The discussion is not a full description of all tax considerations that may be relevant to a decision to purchase ADSs or Common Shares. In particular, this discussion deals only with holders that hold ADSs or Common Shares as capital assets and that have the U.S. dollar as their functional currency. The summary does not address the tax treatment of certain investors that may be subject to special tax rules, such as banks, securities dealers, insurance companies, tax-exempt entities, persons that will hold ADSs or Common Shares as a position in a "straddle" or "conversion transaction" for tax purposes and holders of ten percent or more of the voting shares of the Company. There is no tax treaty currently in effect between Peru and the United States. Accordingly, the discussions below of Peruvian and U.S. tax considerations are based on the domestic law of each of Peru and the United States which are subject to change and possibly with retroactive effect. The Company believes, and the discussion therefore assumes, that the Company is not and will not become a foreign personal holding company for United States Federal income tax purposes.

As used herein, "Peruvian holder" means an owner of ADSs or Common Shares that is (i) an individual domiciled in Peru, (ii) a business entity created under the laws of Peru, or (iii) a Peruvian branch, agency or permanent establishment of a non-Peruvian individual or entity. "U.S. Holder" means a beneficial owner of ADSs or Common Shares that is (i) a United States citizen or resident, (ii) a domestic corporation or partnership, (iii) a trust subject to the control of a U.S. fiduciary and the primary supervision of a U.S. court or (iv) estate the income of which is subject to United States Federal income taxation regardless of its source.

Peruvian Tax Considerations

Cash Dividends and Other Distributions

Cash dividends paid with respect to the Common Shares and amounts distributed with respect to ADSs are not currently subject to Peruvian income or withholding taxes. Distributions of additional Common Shares or preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all shareholders of the Company generally will not be subject to Peruvian income or withholding taxes.

Capital Gains

Capital gains resulting from the sale or other disposition of ADSs or Common Shares are exempted from Peruvian income tax if the transaction is effected on a Peruvian stock exchange (floor session) on or before December 31, 2002. There is no assurance that this exemption will be extended beyond December 31, 2002.

An entity organized in Peru will be subject to Peruvian tax on capital gains from sales of Common Shares after December 31, 2002 or from any sale on or before such date not effected on a Peruvian stock exchange. The amount of any taxable capital gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder adjusted by the effects of inflation.

An individual holder will be taxed on capital gains from the sale or other disposition of Common Shares only if (a) such individual (i) in the case of an individual domiciled in Peru, "customarily transacts in shares or other securities" or (ii) in the case of an individual not domiciled in Peru, "customarily transacts in shares issued by Peruvian companies" and (b) the sale of such shares (i) is made on or before December 31, 2002 and is not effected on a Peruvian stock exchange or (ii) is effected after December 31, 2002. For this purpose, an individual "customarily transacts in shares or other securities" if such person makes at least ten purchases and at least ten sales of shares or other securities during the taxable year, and an individual "customarily transacts in shares issued by Peruvian companies" if such person makes at least ten purchases and at least ten sales of shares issued by Peruvian companies during the taxable year. The amount of any taxable gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder.

Individuals and entities who are not domiciled in Peru, as well as Peruvian agencies, branches or other permanent establishments of individuals or entities not otherwise domiciled in Peru, will not be subject to Peruvian tax on capital gains from the sale or disposition of ADSs, whether effected on a Peruvian Stock Exchange or elsewhere, nor from the deposit or withdrawal of Common Shares in exchange for ADSs effected through a Peruvian Stock Exchange. For Peruvian tax purposes domicile would, in general, be indicated by a permanent business presence in Peru.

Other Considerations

No Peruvian estate or gift taxes are imposed on the gratuitous transfer of ADSs or Common Shares. No stamp, transfer or similar tax applies to any transfer of Common Shares, except for commissions payable by seller and buyer to the Lima Stock Exchange (0.15 percent of value sold), fees payable to CONASEV (0.05 percent of value sold), brokers' fees (about 0.05 percent to 1 percent of value sold) and added taxes (at the rate of 18 percent) on commissions and fees. Any investor who sells its Common Shares on the Lima Stock Exchange will incur these fees and taxes upon purchase and sale of the Common Shares.

United States Federal Income Tax Considerations

Assuming the obligations contemplated by the Amended and Restated Deposit Agreement are being performed in accordance with its terms, holders of ADSs (or ADRs evidencing ADSs) generally will be treated for United States federal income tax purposes as the owners of the Common Shares represented by those ADSs.

Cash Dividends and Other Distributions

Cash dividends paid with respect to Common Shares or Common Shares represented by ADSs generally are includible in the gross income of a U.S. Holder as ordinary income. Dividends generally are treated as foreign source income. Dividends paid to a U.S. Holder that is a corporation are not eligible for the dividends received deduction available to corporations. Dividends paid in Nuevos Soles are includible in a United States dollar amount based on the exchange rate in effect on the date of receipt (which, in the case of ADSs, will be the date of receipt by the Depositary) whether or not the payment is converted into U.S. Dollars at that time. Any gain or loss recognized upon a subsequent sale or conversion of the Nuevos Soles for a different amount will be United States source ordinary income or loss. Distributions to U.S. Holders of additional Common Shares or preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all shareholders of the Company generally will not be subject to United States federal income tax.

A non-U.S. Holder generally is not be subject to United States Federal income or withholding tax on dividends paid with respect to Common Shares or Common Shares represented by ADSs, unless such income is effectively connected with the conduct by the non-U.S. Holder of a trade or business within the United States.

Capital Gains

U.S. Holders will recognize capital gain or loss on the sale or other disposition of ADSs or Common Shares (or preemptive rights with respect to such shares) held by the U.S. Holder or by the Depositary. U.S. Holders will not recognize gain or loss on deposits or withdrawals of Common Shares in exchange for ADSs or on the exercise of preemptive rights. Any gain recognized by a U.S. Holder generally will be treated as United States source income. Consequently, in the case of a disposition of Common Shares (which, unlike a disposition of ADRs, may be taxable in Peru), the U.S. Holder may not be able to claim the foreign tax credit for any Peruvian tax imposed on the gain unless it has sufficient foreign source income from other sources against which it can apply the credit.

A non-U.S. Holder of ADSs or Common Shares will not be subject to United States income or withholding tax on gain from the sale or other disposition of ADSs or Common Shares unless (i) such gain is effectively connected with the conduct of a trade or business within the United States or (ii) the non-U.S. Holder is an individual who is present in the United States for at least 183 days during the taxable year of the disposition and certain other conditions are met.

Passive Foreign Investment Company

The Company believes it is not and will not become a passive foreign investment company for United States Federal income tax purposes. A foreign corporation is a passive foreign investment company (a "PFIC") in any taxable year in which, after taking into account the income and assets of certain subsidiaries pursuant to the applicable look-through rules, either (i) at least 75 percent of its gross income is passive income or (ii) at least 50 percent of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

If the Company were a PFIC in any year during which a U.S. Holder owned ADSs or Common Shares, the U.S. Holder would be subject to additional taxes on any excess distributions received from the Company and any gain realized from the sale or other disposition of ADSs or Common Shares (regardless of whether the Company continued to be a PFIC). A U.S. Holder has an excess distribution to the extent that distributions on ADSs or Common Shares during a taxable year exceed 125 percent of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the ADSs or Common Shares). To compute the tax on an excess distribution or any gain, (i) the excess distribution or the gain is allocated ratably over the U.S. Holder's holding period for the ADSs or Common Shares, (ii) the amount allocated to the current taxable year is taxed as ordinary income and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

If the Company were a PFIC, U.S. holders of interests in a holder of ADSs or Common Shares may be treated as indirect holders of their proportionate share of the ADSs or Common Shares and may be taxed on their proportionate share of any excess distribution or gain attributable to the ADSs or Common Shares. An indirect holder also must treat an appropriate portion of its gain on the sale or disposition of its interest in the actual holder as gain on the sale of the ADSs or Common Shares.

Information Reporting and Backup Withholding

Dividends in respect of the ADSs or Common Shares and the proceeds from the sale, exchange, or redemption of the ADSs or Common Shares may be reported to the United States Internal Revenue Service and a backup withholding tax may apply to such amounts unless the holder (i) is a domestic corporation (which may be required to establish its exemption by carrying its status on U.S. Internal Revenue Service Form W-9), (ii) in the case of a U.S. Holder other than a corporation, provides an accurate taxpayer identification in the manner required by applicable law, (iii) in the case of a non-U.S. Holder, provides a properly executed U.S. Internal Revenue Service Form W-8BEN; or other successor Form, or otherwise, (iv) establishes a basis for exemption. The amount of any backup withholding from a payment to a U.S. Holder generally will be allowed as a credit against the U.S. Holder's United States Federal income tax liability.

Dividends and Paying Agents

Not applicable.

Statement by Experts

Not applicable.

Documents on Display

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, Buenaventura files annual reports and other information to the Securities and Exchange Commission. These materials, including this Annual Report on Form 20-F and the exhibits thereto, may be inspected and copied at the Commission's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and 233 Broadway, New York, New York 10279-0001. Copies of the materials may be obtained from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the Commission's Public Reference Room by calling the

Commission in the United States at 1-800-SEC-0330. The Commission also maintains a web site at http://www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the Commission. Form 20-F reports and some of the other information submitted by the Company to the Commission may be accessed through this web site.

Subsidiary Information

Not applicable.

ITEM 11. Quantitative and Qualitative Disclosures About Market Risk

The following discussion contains forward looking statements that are subject to risks and uncertainties, many of which are out of the Company's control. The Company's primary market risks are related to fluctuations in the prices of gold, silver and zinc. To a lesser extent, the Company is subject to market risk related to fluctuations in US$/Nuevo Sol exchange rates and to market risk related to interest rate fluctuation on its cash balances and on borrowings under its credit facilities.

Gold, silver and zinc hedging and sensitivity to market price

The Company's revenues and expenses are to a great extent influenced by world market prices for gold, silver and zinc that fluctuate widely and over which the Company has no control. Depending upon the metal markets and other conditions, the Company from time to time hedges its gold, silver and zinc sales in order to decrease its exposure to fluctuations in the price of these metals. Until 1998, the Company pursued a limited hedging and options strategy, locking in metals prices on a medium-term basis when the Company considered market prices attractive. However, in 1998 the Company adopted a new hedging strategy, in order to focus on long-term position-taking on the price of precious metals.

Currently, the Company engages in gold, silver and zinc price hedging activities, such as forward sales and options contracts. The Company presently hedges only for risk management purposes and does not hold or issue financial instruments for trading purposes. See Note 32 to the Company Financial Statements.

Forward sales agreements obligate the Company to sell gold, silver or zinc at a specified price on a specified date. Put options provide the buyer with the right, but not the obligation, to sell gold, silver or zinc at the contract price. Call options provide the buyer with the right, but not the obligation to purchase gold, silver or zinc at the contract price.

The Company recognized revenues of S/.35,879,000 in 1999, S/.40,670,000 in 2000 and S/.58,309,000 in 2001 in connection with hedging operations settled in these years.

As at December 31, 2001 the estimated fair value of the net hedging position was negative by US$31,347,323. Fair value estimates are made at the balance sheet date, based upon relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment. Changes in assumptions and market conditions could significantly affect these estimates. Factors used in determining the fair value of gold, silver, zinc and other metals call options are the contracted sales price of gold, silver, zinc or other metals to current spot price and the probability of movements in the price of gold, silver, zinc or other metals over the term of the option. As at December 31, 2001, the combination of the current spot price and the probability of future price changes has had a significant effect on the fair value of gold, silver, zinc or other metals call options sold. However, the effect of the probability of future price changes on the fair value estimate diminishes over the life of the option.

The Company regularly examines its strategy with regard to hedging. The Chief Executive Officer, the Chief Financial Officer and the Commercial and Marketing Deputy Manager of the Company coordinate the Company's day-to-day hedging activities.

Hedging Contracts

As of April 30, 2002, the Company had entered into the following hedging contracts:

(1) A contract for the sale of 167,000 ounces of silver per month, for a total of 2,004,000 ounces of silver per year between February 1999 and January 2000, at a fixed price of US$6.33 per ounce with monthly maturities (to reduce the cost of this sales contract, the Company sold call options for 2,004,000 ounces of silver per year between February 2000 and January 2004).

(2) A contract for the sale of 2,400,000 ounces of silver per year or 100,000 ounces of silver per month, at a fixed price of US$6.50 per ounce, with monthly maturities from December 2000 through November 2002 (as part of this transaction, the Company sold calls for 65,000 ounces of gold per month at the strike price of US$385 per ounce for the period September 2005 through December 2005, which have been restructured at the same strike price and volume for the period September 2006 through December 2006).

(3) A contract for the sale of 2,400,000 ounces of silver per year or 100,000 ounces of silver per month, at a fixed price of US$6.50 per ounce, with monthly maturities from January 2001 through December 2002 (as part of this transaction, the Company sold calls for 65,000 ounces of gold per month at the strike price of US$385 per ounce for the period December 2005 through March 2006, which have been restructured at the same strike price and volume for the period December 2006 through March 2007).

(4) A contract for the sale of 40,000 ounces of gold per year, or 10,000 ounces of gold per quarter, at a fixed price of US$340 per ounce, with quarterly maturities expiring on March 2003. At the buyer's option, two days before the end of any given quarter, the notional amount could be set to 20,000 ounces of gold and the Company would be required to sell to the buyer 20,000 ounces of gold at US$350 per ounce for the corresponding quarter. This transaction provides for automatic quarterly renewals for up to eight years commencing December 2002 through September 2010 until in three consecutive quarters the price of gold before the end of a quarter is not above US$300 per ounce.

(5) A contract for the sale of 30,000 ounces of gold per year, or 7,500 ounces of gold per quarter, at a fixed price of US$350 per ounce, with quarterly maturities, commencing in July 2002 through July 2009 (if, however, the price of gold two days before the end of a quarter is higher than US$350 per ounce, the Company is instead required in the following quarter to sell to the buyer 30,000 ounces of gold at US$350 per ounce), and that provides for quarterly renewals at the buyer's option for up to eight years.

(6) A contract consisting of two parts: (a) a contract for the sale of 16,000 ounces of gold per year, or 4,000 ounces of gold per quarter at a fixed price of US$340 per ounce, with quarterly maturities, from September 1999 through June 2002 and (b) a contract relating to the sale of gold with quarterly maturities over the periods from September 2003 through June 2005, and September 2005 through June 2009, where (i) if for a

given quarter the average market price of gold is greater than US$285 but not greater than US$310, the Company will be paid an amount equal to the difference between zero ounces (such number of ounces increasing to up to 8,000 ounces as the average market price of gold increases) at US$340 and such average market price for those ounces and (ii) if for a given quarter the average market price of gold is at least US$310 but not more than US$340, the Company will be paid the difference between US$340 and the average market price for 8,000 ounces.

(7) Two contracts, each consisting of two parts: (a) a contract for the sale of 12,000 ounces of gold per year, or 3,000 ounces of gold per quarter, at a fixed price of US$340 per ounce, with quarterly maturities, from September 1999 until June 2002 and (b) a contract relating to the sale of gold with quarterly maturities over the periods of September 2003 through June 2005 and September 2005 through June 2009, where (i) if for a given quarter the average market price of gold is greater than US$285 but no greater than US$310, the Company will be paid an amount equal to the difference between zero ounces (such number of ounces increasing to up to 12,000 ounces as the average market price of gold increases) at US$340 and such average market price for those ounces, and (ii) if for a given quarter the average market price of gold is at least US$310 but not more than US$340, the Company will be paid the difference between US$340 and the average market price for 12,000 ounces.

(8) A contract for the sale of 200 metric tons of zinc per month, for a total of 1,400 metric tons of zinc between June and December 1999, at a fixed price of US$1,150 per metric ton, with monthly maturities (to reduce the cost of this sales contract, the Company sold call options for 2,400 metric tons of zinc per year, or 200 metric tons of zinc per month, at a fixed price of US$1,285 and US$1,300 per metric ton for 2001 and 2002, respectively).

(9) A contract for the sale of 30,000 ounces of gold per year, or 7,500 ounces of gold per quarter, at a fixed price of US$345 per ounce, with quarterly maturities expiring on July 2003 (if however, the price of gold two days before the end of a quarter is higher than US$345 per ounce, the Company is instead required in the following quarter to sell to the buyer 15,000 ounces of gold at US$345 per ounce), and that provides for quarterly renewals at the buyer's option for up to eight years commencing October 2003 through July 2011.

(10) A contract consisting of two parts encompassing the period from September 2001 through August 2006: (1) an agreement for the sale of 1,500,000 ounces of silver or 25,000 ounces of silver per month, at a fixed price of US$6.00 per ounce, with monthly maturities (unless in any given month the average market price is US$4.00 or below, in which case there is no sale under this part of the contract); and (2) an agreement for the sale of silver, with weekly maturities between September 2001 and August 2006, where (a) if the prevailing market price of silver is greater than US$6.00 but at or above US$7.00, the Company pays an amount equal to the difference between 5,769.25 ounces (such number of ounces increasing to up to 11,538.50 ounces per week as the prevailing market price of silver increases) at the prevailing market price and US$6.00 for those ounces.

As part of this transaction the Company is required to sell to the buyer 60,000 ounces of gold per year or 15,000 ounces of gold per quarter at a price of US$385 per ounce between March 2003 and December 2005, and 15,000 ounces of gold per quarter at a price of US$420 per ounce between March and December 2008, at the buyer's option on each decision date (end of December 2002, end of December 2003, end of December 2004, end of December 2007, and for quarterly maturities of the year following the exercise of the option).

If the buyer exercises its option, it will pay to the Company a bonus premium of US$250,000 annually on the last business day in the years from 2002, 2003, 2004, 2007 and the Company will also own put options for 120,000 ounces of gold per year or 30,000 ounces per quarter at a price of US$300 per ounce between March 2003 and December 2005, and between March and December 2008.

(11) A contract for the sale of 60,000 ounces of gold per year or 15,000 ounces of gold per quarter at a fixed price of US$347.50 per ounce, with quarterly maturities expiring from March 2002 until December 2003. This transaction provides for quarterly renewals for up to eight years, commencing March 2004 through December 2011 if the gold price is above US$290 per ounce.

(12) A contract for the sale of 1,500,000 ounces of silver or 125,000 ounces per month between January and December 2003, at a fixed price of US$6.20 per ounce with monthly maturities. As part of this transaction, the Company sold calls for 45,000 ounces of gold at the strike price of US$385 per ounce for the period January 2007 through March 2007.

(13) As of June 15, 2001, the Company restructured a contract to encompass the period from April 2001 through November 2005, consisting of two parts: (1) an agreement for the sale of 1,200,000 ounces of silver per year, 100,000 ounces of silver per month, at a fixed price of US$5.80 per ounce, with monthly maturities (unless, in a given month, the average market price is US$4.15 or below, in which case there is no sale under this part of the contract); and (2) an agreement relating to the sale of silver, with weekly maturities, where (a) if the prevailing market price of silver is greater than US$6.20 but not greater than US$7.00, the Company pays an amount equal to the difference between 23,077 ounces (such number of ounces increasing to up to 46,154 ounces per week as the prevailing market price of silver increases) at the prevailing market price and US$6.20 for those ounces, or (b) if the prevailing market price of silver is greater than US$5.80 but not greater than US$6.20, the Company is paid an amount equal to the difference between zero ounces (such number of ounces increasing to up to 23,077 ounces per week as the prevailing market price of silver increases) at US$6.20 and the prevailing market price for those ounces.

As part of this transaction, the Company sold gold calls with a strike price of US$350 per ounce for 2,000 ounces per month commencing January 2003 through December 2005.

As of April 30, 2002, El Brocal had entered into the following hedging contracts:

(1) A contract for the sale of 50,000 ounces of silver per month between January and May 2002, and of 100,000 ounces of silver per month between January and December 2002, for a total of 950,000 ounces, at an average price of US$4.63 per ounce.

(2) A contract for the sale of 1,500 metric tons of zinc per month, for a total of 18,000 metric tons between January and December 2002, at a fixed price of US$860 per metric ton, with monthly maturities (unless in any given month the average market price is lower than US$770 per metric ton, in which case the fixed price of $860 per metric ton will not apply to the tonnage corresponding proportionally to that particular day).

(3) A contract for the sale of 1,500 metric tons of zinc per month, for a total of 16,500 metric tons between February and December 2002, at a fixed price of US$870 per metric ton, with monthly maturities (unless in any given month the average market price is lower than US$750 per metric ton, in which case the fixed price of $870 per metric ton will not apply to the tonnage corresponding proportionally to that particular day).

(4) El Brocal acquired two put options for the purchase of: (a) 3,000 metric tons of zinc per month for the months of January, February, March and April 2002 at a strike price of US$800 per metric ton, and (b) 2,500 metric tons of zinc per month for the months of May and June 2002 at a strike price of US$800 per metric ton. El Brocal's acquisition of these put options is linked to the sale of call options for the sale of: (a) 725 metric tons of zinc per month for a total of 8,700 metric tons between January and December 2002 at a strike price of US$925 per metric ton, (b) 1,000 metric tons of zinc per month for a total of 9,000 metric tons between April and December 2002 at a strike price of US$920 per metric ton, (c) 875 metric tons of zinc per month for a total of 5,250 metric tons between July and December 2002 at a strike price of US$920 per metric ton, and (d) 400 metric tons of zinc per month for a total of 4,000 metric tons between March and December 2002 at a strike price of US$915 per metric ton.

Exchange Rate Sensitivity

The revenues of the Company are almost entirely in U.S. Dollars, and a majority of the Company's operating expenses are in U.S. Dollars while a minority is in Nuevos Soles. As a result, fluctuations in the exchange rate would not have a material adverse effect on the Company and the Company does not hedge against foreign currency exchange rate risk.

Interest Rate Sensitivity

Borrowings under the Company's credit facilities carry variable LIBOR-based interest rates. The Company's long-term indebtedness is both fixed and variable rate. The Company does not hedge against its exposure to interest rate risk.

The Company maintains its demand accounts in local banks in Nuevo Soles and U.S. Dollars. The Company also maintains time deposits in local banks denominated in U.S. Dollars. Although these deposits are subject to interest rate risk, the amount of these cash balances is not significant, and a change in interest rates would not have a material adverse effect on the Company.

ITEM 12. Description of Securities Other Than Equity Securities

Not applicable.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

ITEM 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not applicable.

ITEM 15. (Reserved)

Not applicable

ITEM 16. (Reserved)

Not applicable.

PART III

ITEM 17. Financial Statements

Not applicable.

ITEM 18. Financial Statements

Please refer to Item 19.

ITEM 19. Exhibits

(a) Index to Financial Statements and Schedules

(b) Index to Exhibits

1.1	By-Laws (Estatutos) of Compañía de Minas Buenaventura S.A.A., as amended April 30, 2002 (with English translation)
1.2	By-Laws (Estatutos) of Minera Yanacocha S. R. L., as amended October 18, 1999 (with English translation)
99.1	Letter from Compañía de Minas Buenaventura S.A.A. regarding certain representations from Arthur Andersen concerning audit quality controls

Signature

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, as amended, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Compañía de Minas Buenaventura S.A.A.

By: ______________________________
Carlos E. Gálvez Pinillos
Chief Financial Officer

Date: June 21, 2002