# UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

# FORM 20-F

		PURSUANT TO SECTION 12(b) OR (g) S EXCHANGE ACT OF 1934	
$\boxtimes$		UANT TO SECTION 13 OR 15(d) S EXCHANGE ACT OF 1934	
	OI TRANSITION REPORT PURSU		
	OI SHELL COMPANY REPORT		
	Date of event requiring this shell company report	.s Exchange Act of 1754	
	For the transition period from to		
	Commission file n	umber 001-14370	
	COMPAÑÍA DE MINAS E (Exact name of Registrant		
	BUENAVENTURA MIN (Translation of Registration)		
	REPUBLIC (Jurisdiction of incorpo		
	CARLOS VIL SANTA CATALINA (Address of principa	A, LIMA 13, PERU	
	Carlos E. Gálvez, Vice Preside Telephone: (5 Facsimile: (5) Address: Carlos Villaran 790,	11) 419-2540 1) 471-7349 Santa Cataline, Lima 13, Peru	
	(Name, telephone, e-mail and/or facsimile nur Securities registered or to be registered		
Title of each clas			
Common shares,	uss s, nominal (par) value of ten os Soles per share	Name of each exchange on which registered New York Stock Exchange Inc.* Lima Stock Exchange	
	sitary Shares (ADSs) e Common share each	New York Stock Exchange Inc.	
* Not for trading	ng but only in connection with the registration of ADSs pursuant to	o the requirements of the Securities Exchange Commission	
	Securities registered or to be registered pu	-	
	Securities for which there is a reporting obligati		
Indicate the report.	e number of outstanding shares of each of the issuer's classes o	f capital or common stock as of the close of the period covered by the annual	ıual
	hares nominal (par) value of S/.10.00 per share shares nominal (par) value of S/.10.00 per share	274,889,924* 744,640	
	check mark if the registrant is a well-known seasoned issuer, as	,	
marcate by e	Yes ⊠ No □	ichined in Naie 403 of the Securities Act.	
		registrant is not required to file reports pursuant to Section 13 or 15(d) of	the
	Yes □ No ⊠		
during the prece		ired to be filed by Section 13 or 15(d) of the Securities Exchange Act of 19 it was required to file such reports), and (2) has been subject to such file	
	Yes ⊠ No □		
to be submitted a		nd posted on its corporate Web site, if any, every Interactive Data File required this chapter) during the preceding 12 months (or for such shorter period to	
	Yes □ No □		
	check mark whether the registrant is a large accelerated filer, an trated filer" in Rule 12b-2 of the Exchange Act.	accelerated filer, or a non-accelerated filer. See definition of "accelerated f	iler

Large accelerated filer  $\boxtimes$   $\;\;$  Accelerated filer  $\Box$   $\;$  Non-accelerated filer  $\Box$ 

Indicate by check mark which	basis of accounting the registrant has used to	prepare the financial stat	ements included in this filing:
U.S. GAAP □	International Financial Reporting Sta by the International Accounting Standa		Other ⊠
If "Other" has been checked follow.	in response to the previous question, indic	ate by check mark which	financial statement item the registrant has elected to
	Item 17 □ Item 18 ⊠		
If this is an annual report, indi	eate by check mark whether the registrant is  Yes  No  No	a shell company (as define	ed in Rule 12b-2 of the Exchange Act).

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## INTRODUCTION

Presentation of Financial Information

As used in this Annual Report on Form 20-F, or Annual Report, unless the context otherwise requires, references to "we," "us," "our," "Company," "BVN" or "Buenaventura" mean 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 "\$/.", "Nuevo Sol" or "Nuevos Soles" are to Peruvian Nuevos Soles, the legal currency of the Republic of Peru, or Peru.

Until December 31, 2005, we and our subsidiaries maintained our financial books and records in Nuevos Soles, the functional and reporting currency until such date. Effective January 1, 2006, we changed our functional and reporting currency from Nuevos Soles to U.S. Dollars. See Note 2.1(f) to our audited consolidated financial statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008, or the Financial Statements, for an explanation of the main reasons supporting this change. We present our consolidated financial statements in conformity with accounting principles generally accepted in Peru, which we refer to as Peruvian GAAP. See Note 33 to the Financial Statements for a description of the significant differences between the accounting principles we follow under Peruvian GAAP and the accounting principles generally accepted in the United States of America, which we refer to as U.S. GAAP, and Note 34 to the 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, or the Commission, this Annual Report includes certain separate financial statements and other financial information of Minera Yanacocha S.R.L., or Yanacocha, and Sociedad Minera Cerro Verde S.A.A., or Cerro Verde. Yanacocha and Cerro Verde maintain their financial books and records in U.S. Dollars and present their financial statements in accordance with U.S. GAAP and Peruvian GAAP, reconciled to U.S. GAAP, respectively.

We record our investments in Yanacocha and Cerro Verde in accordance with the equity method as described in "Item 5. Operating and Financial Review and Prospects—The Company—General" and Note 2.1(e) to the Financial Statements. Our partnership interest in Yanacocha has been calculated at 43.65 percent for the years ended December 31, 2007 and 2008. As of December 31, 2008 and 2007, our equity interest in Cerro Verde was 19.05 and 18.50 percent, respectively.

# **Exchange Rates**

Effective January 1, 2006, our functional and reporting currency changed from the Nuevo Sol to the Dollar. This change resulted from an evaluation of the currency denominations of our cash flows in recent years and, in particular, reflects the increasing significance of dividends from affiliates denominated in Dollars to our financial position, results of operation and cash flows. Profit and loss accounts for year ended December 31, 2005 were translated into Dollars using the average exchange rate of US\$1.00 to S/.3.305.

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 our 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, production, subsidiaries' plans for capital expenditures, estimates of reserves and Peruvian political, economic and legal developments. Additional forward-looking statements related to Cerro Verde contained in this Annual Report include those concerning costs and expenses, the continued improving efficiency of operations, prevailing market prices of copper and molybdenum, production and Peruvian political, economic and legal developments. These forward-looking statements reflect our view with respect to our, Yanacocha's and Cerro Verde'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**

# 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 Financial Statements including the notes thereto appearing elsewhere in this Annual Report. The selected financial information as of December 31, 2007 and 2008, and for the years ended December 31, 2006, 2007 and 2008, is derived from the Financial Statements appearing elsewhere in this Annual Report. The selected financial information as of and for the years ended December 31, 2004 and 2005 has been derived from consolidated financial statements and related notes thereto which are not included in this Annual Report. The report of Medina, Zaldivar, Paredes & Asociados (a member firm of Ernst & Young Global) on our 2007 and 2008 Financial Statements appears elsewhere in this Annual Report. The Financial Statements are prepared and presented in accordance with Peruvian GAAP, which differ in certain respects from U.S. GAAP. Note 33 to the Financial Statements provides a description of the principal differences between Peruvian GAAP and U.S. GAAP as such differences relate to us, and Note 34 to the Financial Statements provides a reconciliation to U.S. GAAP of our net income for the years ended 2006, 2007 and 2008, and shareholders' equity as of December 31, 2006, 2007 and 2008. The operating data presented below is derived from our 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," the 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,							
	2004 <sup>(2)</sup>	2005 <sup>(2)</sup>	2006	2007	2008			
		(In :	thousands of US\$) <sup>(1)</sup>					
Income statement data:								
Peruvian GAAP								
Net sales of goods and services	266,405	283,387	548,072	747,021	766,603			
Revenue associated with performance on executory gold delivery contracts	20,187	28,064	50,325	5,393				
Royalty income	<u>37,797</u>	46,094	48,475	34,014	48,760			
Total income	324,389	357,545	646,872	786,428	815,363			
Operating costs:								
Cost of sales, without considering depreciation and amortization	(99,911)	(103,881)	(149,309)	(182,007)	(251,804)			
Exploration in units in operation	(36,668)	(40,506)	(38,264)	(37,828)	(57,003)			
Depreciation and amortization	(22,426)	(34,300)	(38,844)	(49,550)	(62,993)			
Total operating costs	(159,005)	(178,687)	(226,417)	(269,385)	(371,800)			
Gross income	165,384	178,858	420,455	517,043	443,563			
Operating expenses:								
General and administrative expenses	(22,833)	(34,350)	(36,639)	(59,205)	(34,907)			
Exploration in non-operational areas	(25,877)	(27,812)	(36,190)	(46,407)	(55,231)			
Royalties	(9,254)	(12,209)	(24,420)	(33,978)	(35,694)			
Provision for impairment of long lived assets	-	-	-	-	(18,610)			
Selling expenses	(5,231)	(4,800)	(5,928)	(10,818)	(15,386)			
Total operating expenses	(63,195)	(79.171)	(103.177)	(150.408)	(159,828)			
Operating income before unusual item	102,189	99,687	317,278	366,635	283,735			
Net loss from release of commitments in commercial contracts	102,189	77,007	517,276	(185,922)	(415,135)			
Operating income (loss) after unusual item	102,189	99,687	317,278	180.713	(131,400)			
Operating meonic (1033) after unusuar fem	102,107	77,007	317,270	100,713	(131,400)			
Other income (expenses), net:								
Share in affiliated companies, net	177,423	263,994	313,168	249,555	340,929			
Interest income	3,558	3,523	7,949	11,772	17,851			
Gain (loss) on currency exchange difference	(3,706)	448	(308)	5,190	(12,198)			
Gain (loss) on change in the fair value of gold certificates		-	(4,861)	5,126	-			
Loss from change in the fair value of derivative financial instruments	(17,360)	(26,588)	(13,268)	-	-			
Interest expense	(4,273)	(4,060)	(5,948)	(8,614)	(33,934)			
Loss from exposure to inflation	(2,888)	(2.005)	(10.500)	- (0.606)	(0.200)			
Other, net	(4,811)	(3,227)	(19,502)	(8,686)	(9,290)			
Total other income, net	147,943	234,090	277,230	254,343	303,358			
Income before workers' profit sharing, income tax and minority interest	250,132	333,777	594,508	435,056	171,958			
Provision for workers' profit sharing, net	(5,383)	(2,593)	(14,271)	(19,931)	4,725			
Provision for income tax, net	(29,911)	(22,816)	(64,033)	(43,975)	26,645			
Net income	214,838	308,368	516,204	371,150	203,328			
Net income attributable to minority interest	(8,261)	(19,971)	(88,147)	(96,389)	(50,045)			
Net income attributable to Buenaventura	206,577	288,397	428,057	274,761	153,283			
Basic and diluted earnings per share <sup>(3) (4)</sup>	0.81	1.13	1.68	1.08	0.60			
Basic and diluted earnings per ADS <sup>(3)(4)</sup> Dividends per share	0.81 0.16	1.13 0.18	1.68 0.24	1.08 0.28	0.60 0.20			
·	****							
Average number of shares outstanding	254,459,688	254,459,688	254,442,328	254,442,328	254,442,328			

		As of and for the year ended December 31,								
	2004 <sup>(2)</sup>	2005 <sup>(2)</sup>	2006	2007	2008					
		(In	thousands of US\$) <sup>(1)</sup>	ands of US\$) <sup>(1)</sup>						
U.S. GAAP										
Operating income (loss)	96,961	97,225	302,277	345,618	(122,667)					
Net income – restated <sup>(5)</sup>	206,685	288,488	424,697	225,458	160,170					
Basic and diluted earnings per share – restated <sup>(3)(4)</sup>	0.81	1.14	1.67	0.89	0.63					
Basic and diluted earnings per ADS- restated (3)(4)(5)	0.81	1.14	1.67	0.89	0.63					
Balance sheet data: Peruvian GAAP										
Total assets	973,184	1,251,122	1,735,771	1,981,469	2,268,298					
Total debt	18,803	8,517	10,606	84,119	327,295					
Shareholders' equity	587,023	862,959	1,300,506	1,580,216	1,728,992					
U.S. GAAP										
Total assets – restated <sup>(5)</sup>	972,712	1,250,741	1,732,030	1,972,207	2,222,985					
Shareholders' equity – restated <sup>(5)</sup>	574,649	839,162	1,205,328	1,360,984	1,486,288					
Operating data (unaudited):										
Production <sup>(6)</sup>										
Gold (oz.)	357,562	388,042	405,383	403,955	425,257					
Silver (oz.)	15,095,562	16,429,816	22,179,552	19,430,511	18,606,478					
Proven and probable reserves <sup>(7)</sup>										
Gold (oz.)	931,924	1,036,543	1,032,063	1,315,925	1,080,506					
Silver (oz.)	95,862,405	116,452,462	117,808,602	102,195,344	128,431,875					

As of and for the year ended December 31

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

(2) Until December 31, 2005, our financial books and records were maintained in Nuevos Soles, the functional and reporting currency as of such date. Effective January 1, 2006, we changed the functional and reporting currency from Nuevos Soles to U.S. Dollars. See Note 2.1(f) to the Financial Statements. For comparative purposes, all prior years are presented assuming that U.S. Dollars were used as the reporting currency.

Income per share has been calculated for each year as net income divided by average number of shares outstanding during the year. As of December 31, 2004 and 2005, the total number of Common Shares outstanding was 137,444,962, including 10,585,130 treasury shares, and the total number of Investment Shares outstanding was 372,320, including 15,933 treasury shares. During 2005, we acquired 15,055 Investment Shares that are held as treasury shares. On July 23, 2008, we conducted a two-for-one stock split of our outstanding Common Shares, Investment Shares and ADSs. As a result, we had 274,889,924 outstanding Common Shares, including 21,130,260 treasury shares, and 744,640 outstanding Investment Shares, including 61,976 treasury shares, as of December 31, 2008. In accordance with our accounting policy related to basic and diluted earnings per share, the net income per basic and diluted share has been adjusted retroactively for all periods reported to reflect the stock split. See Note 2.1(x) to the Financial Statements.

(4) We have no outstanding options, warrants or convertible securities that would have a dilutive effect on earnings per share. As a result, there is no difference between basic and diluted earnings per share or ADS.

(5) Net income, total assets and shareholders' equity for the year ended December 31, 2004 have been adjusted retroactively to comply with APB Opinion No. 18 – The Equity Method of Accounting for Investments in Common Stock, due to the change in the accounting treatment of Cerro Verde's investment during 2005.

(6) The amounts in this table reflect the total production of all of our consolidated subsidiaries, including El Brocal, in which we owned a 35.78% controlling equity interest as of December 31, 2008. The production data in this table reflects 100% of El Brocal's production. For the years ended December 31, 2004 to 2008, El Brocal produced 3.4, 4.4, 10.3, 7.1 and 4.6 million ounces of silver, respectively, of which our equity share was 1.1, 1.5, 3.5, 2.4 and 1.7 million ounces of silver.

(7) Proven and probable reserves for our wholly-owned mines as of December 31, 2004, 2005, 2006, 2007 and 2008 were audited by an independent consultant, Algon Investment S.R.L. Proven and probable reserves for El Brocal's mines as of December 31, 2004, 2005, 2006, 2007 and 2008 were audited by an independent consultant, AMEC plc.

# 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, Yanacocha's audited financial statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008, or the Yanacocha Financial Statements, which Dongo-Soria Gaveglio y Asociados (a member firm of PricewaterhouseCoopers) audited. The report of Dongo-Soria Gaveglio y Asociados on the Yanacocha Financial Statements appears elsewhere in this Annual Report. The selected information as of and for the years ended December 31, 2004 and 2005 has been derived from financial statements and related notes thereto which are not included 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. The significant differences between U.S. GAAP and Peruvian GAAP applicable to Yanacocha have been quantified in determining Yanacocha's reported Peruvian GAAP selected financial data. 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," 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,							
2004	2005	2006	2007	2008			
	(In th	nousands of US\$) <sup>(1)</sup>					
1,249,882	1,490,402	1,543,212	1,093,347	1,612,618			
(450,825)	(507,806)	(468,027)	(506,261)	(659,867)			
(179,441)	(193,587)	(171,730)	(159,148)	(169,131)			
(35,236)	(32,884)	(32,254)	(28,234)	(28,151)			
(4,986)	(5,453)	(5,589)	(2,928)	(3,168)			
(6,135)	6,669	(108,646)		(83,424)			
(676,623)	(733,061)	(786,246)	(777,512)	(943,741)			
573,259	757,341	756,966	315,835	668,877			
(1,392)	3,540	6,825	12,698	3,642			
571,867	760,881	763,791	328,533	672,519			
(181,563)	(235,407)	(238,343)	(107,044)	(196,057)			
390,304	525,474	525,448	221,489	476,462			
-	-	· -	-	-			
390,304	525,474	525,448	221,489	476,462			
1 266 550	1 527 609	1 636 009	1 148 546	1,641,301			
				709,234			
				463,814			
127,573	333,170	507,057	211,172	105,011			
1.207.748	1.549.583	1.824.853	1.895.884	1,891,963			
		200,000		205,618			
811,174	1,156,648	1,196,409		1,212,787			
			, , , , , , , , , , , , , , , , , , ,				
1.091.571	1.473.255	1.823.480	1.925.125	1,911,583			
				205,618			
735,203	1,090,679	1,200,562	1,353,180	1,226,994			
2 017 202	3,333,088	2,612,199	1,563,669	1,810,338			
3.017.303		2 DI 2 199	1 201 009	1 810 118			
	1,249,882  (450,825) (179,441) (35,236) (4,986) (6,135) (676,623)  573,259 (1,392) 571,867 (181,563) 390,304	2004 2005 (In the content of the con	2004   2005   2006   (In thousands of US\$)(1)	1,249,882			

<sup>(1)</sup> (2)

Except operating data.
Under U.S. GAAP, Yanacocha recognizes revenues when the price is determinable and upon delivery and transfer of title of gold to the customer. In addition, revenues from silver sales are credited to costs applicable to sales as a by-product credit. Under Peruvian GAAP, revenues, including gold and silver sales, are recognized when doré is delivered to the shipper.

#### Cerro Verde Selected Financial Information and Operating Data

The following table presents selected financial information and operating data for Cerro Verde 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, Cerro Verde's audited financial statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008, or the Cerro Verde Financial Statements. Medina, Zaldívar, Paredes & Asociados (a member firm of Ernst & Young Global) audited the Cerro Verde Financial Statements for 2007 and 2008 and the report of Medina, Zaldívar, Paredes & Asociados on Cerro Verde's financial statements appears elsewhere in this Annual Report. The Cerro Verde Financial Statements for years prior to 2006 were audited by Dongo-Soria Gaveglio y Asociados (a member firm of Pricewaterhouse Coopers). The selected information as of and for the years ended December 31, 2004 and 2005 has been derived from financial statements and related notes thereto which are not included in this Annual Report. The Cerro Verde Financial Statements are prepared and presented in accordance with Peruvian GAAP, which differs in certain respects from U.S. GAAP. Note 26 to the Cerro Verde Financial Statements provides a description of the principal differences between Peruvian GAAP and U.S. GAAP as such differences relate to Cerro Verde, and Note 27 to the Cerro Verde Financial Statements provides a reconciliation to U.S. GAAP of Cerro Verde's net income for the years ended 2006, 2007 and 2008 and shareholders' equity as of December 31, 2007 and 2008. The operating data presented below, which is based on 100 percent of Cerro Verde's production and reserves, is derived from Cerro Verde's records and has not been subject to audit. The 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,						
	2004	2005	2006	2007	2008			
		(In	thousands of US\$) <sup>(1)</sup>	)				
Income statement data:								
Peruvian GAAP								
Net sales of goods	260,782	358,928	667,671	1,794,559	1,835,911			
Total revenues	260,782	358,928	667,671	1,794,559	1,835,911			
Costs of sales								
Total costs of sales	(119,482)	(133,715)	(140,423)	(418,108)	(596,741)			
Gross margin	141,300	225,213	527,248	1,376,451	1,239,170			
Operating expenses	·	_						
Selling expenses	(1,089)	(1,295)	(3,538)	(54,405)	(78,190)			
Negotiated payment (Voluntary contribution)	-	-	-	(48,674)	(29,496)			
Other operating expenses	<del></del>	<u>-</u>	(48,100)	(2,432)	(29,956)			
Total operating expenses	(1,089)	(1,295)	(51,638)	(105,511)	(137,642)			
Operating income	140,211	223,918	475,610	1,270,940	1,101,528			
Other income (expenses), net								
Financial expense	(1,975)	(14)	(2,984)	(23,346)	(7,853)			
Financial income	1,148	7,063	10,899	33,168	20,278			
Other, net	(31)	169	(550)	(426)	(2,366)			
Total other income (expenses), net	(858)	7,218	7,365	9,396	10,059			
Profit before workers' profit sharing and income tax	139,353	231,136	482,975	1,280,336	1,111,587			
Workers' profit sharing	(11,502)	(18,578)	(42,805)	(106,846)	(88,349)			
Income tax	(40,188)	22,105	4,451	(368,805)	(304,805)			
Net income	87,663	234,663	444,621	804,685	718,433			
Basic and diluted earnings per share	0.386	0.785	1.270	2.300	2.052			
Dividends per share	0.066	0.492	-	1.77	2.399			
Average number of shares outstanding	227,309,099	298,911,465	350,056,012	350,056,012	350,056,012			
U.S. GAAP								
Operating income (loss)	141,967	224,715	476,432	1,284,612	1,101,528			
Net income	88,794	235,460	445,443	573,726	718,433			
Basic and diluted earnings per share	0.391	0.788	1.272	1.640	2.05			
Balance sheet data:								
Peruvian GAAP								
Total assets	364,043	908,800	1,651,256	2,035,576	1,983,572			
Total debt	-	1,906	183,667	73,764	-			
Shareholders' equity	265,611	816,436	1,261,057	1,445,742	1,324,175			
U.S. GAAP								
Total assets	347,857	893,851	1,637,584	2,035,576	1,983,572			
Shareholders' equity	255,187	806,809	1,252,252	1,205,978	1,084,411			
Operating data (unaudited):								
Production:			00:					
Copper (in thousands of recoverable pounds)	195,108	206,245	221,726	594,227	694,486			
Proven and probable reserves	1.646.742	1 504 194	1 741 422	1 765 624	2 022 591			
Copper (in thousands of metric tons)	1,646,742	1,594,184	1,741,432	1,765,634	3,022,581			

# 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 Superintendencia de Bancos y Seguros (Superintendent of Bank and Insurance, or 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\$)<sup>(1)</sup>

Year	High <sup>(2)</sup>		Low <sup>(2)</sup> Average <sup>(3)</sup>		Period end <sup>(4)</sup>	
2004		3.499	3	277	3.413	3.277
2005		3.427		253	3.303	3.427
2006		3.355	3.	194	3.264	3.194
2007		3.201	2.	967	3.123	2.995
2008		3.141	2.	690	2.922	3.139
	High <sup>(5)</sup>		Low <sup>(5)</sup>		Average <sup>(6)</sup>	Period end <sup>(7)</sup>
<u>2008</u>						
December		3.140	3.	.075	3.113	3.139
<u>2009</u>						
January		3.174	3.	130	3.1504	3.174
February		3.251	3.	193	3.235	3.248
March		3.258	3.	107	3.173	3.159
April		3.146	2.	989	3.083	2.989
May		3.038	2.	954	2.992	2.992

- Expressed in nominal (not inflation adjusted) Nuevos Soles. Highest and lowest of the twelve month-end exchange rates for each year based on the offered rate.
- Average of month-end exchange rates based on the offered rate.
- End of period exchange rates based on the offered rate.
- Highest and lowest of the exchange notes based on the offered rate on the last day of each month.
- Average of the exchange rates based on the offered rate on the last date of each day in the relevant month.
- The exchange rate based on the offered rate on the last day of each relevant month.

On June 2, 2009, the offered rate for Dollars as published by the SBS was S/2.967 = 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 Mining Exploration Agreements

An integral part of our operations is the participation in mining exploration projects with experienced mining companies. Such projects benefit us by providing a source of outside funds for exploration of mining rights, giving us access to the holdings of outside parties without the risks and costs of outright acquisition. They also enable us to expand the scope of knowledge and experience of our senior management, geologists and engineers through increased contact with their counterparts from other organizations. We can be highly dependent upon our partners, co-venturers or other shareholders in a joint mining exploration project carrying out their obligations under the applicable joint mining exploration agreement or mining operating agreement. Such partners, co-venturers and other shareholders in a joint mining exploration 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 we and Newmont Mining Corporation, a Delaware corporation, or Newmont Mining, have joined together to participate in 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 mining operating agreement, by-laws or shareholders agreement, the value of our investment in the joint mining exploration project could be adversely affected and we could incur significant expense in enforcing our rights or pursuing remedies. There can be no assurance that our 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—Business Overview—Exploration."

#### Investment in International Operations

Foreign operations are subject to certain risks inherent in conducting business abroad, including, among others, exposure to foreign currency fluctuations, devaluations or supply restrictions, exchange control regulations, government policies, price and wage controls, taxation, intervention, social instability and other political, economic or diplomatic developments beyond our control. There can be no assurance that our foreign exploration activities will not be adversely affected in the future.

## Prices of Gold, Silver and Copper

Because our revenues are derived primarily from the sale of ore concentrates containing gold and silver, Yanacocha's revenues are derived primarily from the sale of gold and silver and Cerro Verde's revenues are derived primarily from copper sales, the prices we, Yanacocha and Cerro Verde obtain for gold, silver, copper and ore concentrates containing such metals, and our, Yanacocha's and Cerro Verde'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 our control, including the overall demand for and worldwide supply of gold, silver, copper 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. We have in the past engaged in hedging activities, such as forward sales and option contracts, to minimize our exposure to fluctuations in the prices of gold, silver and other metals. Due to actions taken in 2007 and early 2008 to release our gold hedge book from specified fixed prices, we are now completely unhedged as to the price at which our gold and silver will be sold. As a result, we are fully exposed to the effects of changes in prevailing market prices of gold and silver. See "Risk Factors—Factors Relating to the Company—Hedging," "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and Note 29 to the Financial Statements. For information on gold and silver prices for each of the years in the five-year period ended December 31, 2008, see "Item 4. Information on the Company—Business Overview—Sales of Metal Concentrates." On December 31, 2008 and May 29, 2009, the afternoon fixing spot price of silver on the London market, or London Spot, was US\$10.79 per ounce, respectively. On December 31, 2008 and May 29, 2009, the London Metal Exchange Settlement price fo

The world market prices of gold, silver and copper have historically fluctuated widely and there is no assurance that the prices for these metals will continue to maintain their current high historical levels. We cannot predict whether metal prices will rise or fall in the future. A decline in the market price of one or more of these metals could adversely impact our revenues, net income and cash flows and adversely affect our ability to repay our debt and meet our other financial obligations.

In addition, sustained low gold, silver or copper prices could: reduce revenues further through production declines due to cessation of the mining of deposits, or portions of deposits, that have become uneconomic at the then-prevailing market price; reduce or eliminate the profit that we currently expect from reserves; halt or delay the development of new projects; reduce funds available for exploration; and reduce existing reserves by removing ores from reserves that can no longer be economically processed at prevailing prices. Such declines in price and/or reductions in operations could also cause significant volatility in our financial performance and adversely affect the trading prices of our Common Shares and ADSs.

## Impact of Government Regulation

Our, Yanacocha's and Cerro Verde's activities in Peru depend on mining concessions for exploration, which we refer to as mining concessions, being obtained from the Peruvian Ministry of Energy and Mines, or MEM, in our case, and through the assignment of concessions granted to a related entity by the Peruvian government, in the case of Yanacocha. In addition, our and Yanacocha's activities in Peru depend on provisional permits, obtained from the MEM, for exploration rights of the area of the claim, which we refer to as provisional permits, and together with mining concessions, referred to as mining rights, and/or processing concessions, obtained from the MEM, for treatment of mining ores, or processing concessions, as well as compliance by us and Yanacocha with certain agreements entered into with the Peruvian government. Under Peru's current legal and regulatory regime, our mining rights have an indefinite term and Yanacocha's assigned mining rights have a term of 20 years, contingent upon payment of the annual concession fee for each mining right, with an option to renew for an additional term of 20 years. The mining rights 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. In addition if, in any year, the concession fee is not paid, payment may be made the following year within the term provided for making such payment. Any payment made will be applied to the prior year if such prior year payment was not paid. 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. However, mining and processing concessions will not lapse if the administrative authority failed to issue a resolution declaring the termination of the concession within the first five years following the date on which such payment failure occurred. Our and Yanacocha's processing concessions enjoy the same duration and tenure as the mining rights, 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. We are, and Yanacocha has informed us that Yanacocha is, current in the payment of all amounts due in respect to its mining and processing concessions.

On June 24, 2004, the Peruvian Congress approved Law No. 28258 – Mining Royalties Law. This law established a mining royalty that owners of mining concessions must pay to the Peruvian government for the exploitation of metallic and non-metallic resources. The mining royalties are calculated on a sliding scale with rates ranging from 1 to 3 percent over the value of mineral concentrates based on international market prices. As provided by Law No. 28969, effective since January 26, 2007, government tax agencies are responsible for the collection of mining royalties. See "Item 4. Information on the Company—The Company—Business Overview—Regulatory Framework—Mining Royalties." We made our first payment of the mining royalty pursuant to Law No. 28258 in 2004. Yanacocha and Cerro Verde were exempt from this payment pursuant to its Mining Law Stabilization Agreements under the General Mining Law with the Peruvian government. There can be no assurance that the Peruvian government will not impose additional mining royalties on us, Yanacocha or Cerro Verde in the future or that such mining royalties will not have an adverse effect on our, Yanacocha's or Cerro Verde's results of operations or financial condition.

In addition, during 2006 Peruvian mining companies, represented by the Sociedad Nacional de Minería, Petróleo y Energía, agreed to a mining payment equivalent to 3.75 percent of income after taxes. The payment was negotiated with the Peruvian government and is intended to support government efforts to alleviate poverty. On December 21, 2006, the Peruvian government issued Supreme Decree No. 071-2006-EM, which approved the form of agreement to be entered by mining companies and the Peruvian government and authorized the Minister of Economy and Finance and the Minister of Energy and Mines to sign such agreements. The form of agreement contains the conditions under which the negotiated payment will be paid by Peruvian mining companies. The payment amounts to 3.75 percent of Peruvian income after income tax, including 2.75 percent to be paid to a local mining fund and 1 percent to be paid to a regional mining fund. This payment is payable from 2006 through 2010, contingent on the price of gold. Payments shall be made on or before April 30 of each year, after the income tax sworn declaration is submitted to the Peruvian tax authority. Pursuant to the Supreme Decree 033-2007-EM, mining companies can make the payments to the local and regional funds after such deadline, provided the prior approval of the Ministry of Energy and Mines and the Ministry of Economy and Finance is obtained. Fulfillment of the payment obligations will be reviewed by an audit entity by performing certain agreed-upon procedures to verify the validity of the payment amounts recorded as such with the *Comisión Nacional Supervisora de Empresas y Valores* (National Supervisory Commission of Business and Securities, or CONASEV) to be agreed between the mining company, the Ministry of Energy and Mines and the Ministry of Economy and Finance.

In 2007, Cerro Verde negotiated an agreement with the Peruvian government that allowed a credit against contributions to the local mining fund for Cerro Verde's work in constructing water and sewage treatment facilities in the Arequipa region in 2006. However, during the third quarter of 2007, Cerro Verde's agreement with the government was modified to exclude this credit. Cerro Verde recorded an expense of US\$48.7 million in 2007, of which US\$16.7 million was related to contributions for 2006 and US\$32.0 million was related to contributions for 2007. Cerro Verde recorded an expense of US\$29.5 million in 2008. As of December 31, 2008, Cerro Verde's liability associated with the local mining fund contributions totaled US\$27.9 million.

#### Environmental and other Regulatory Matters

Our, Yanacocha's and Cerro Verde's exploration, mining and milling activities, as well our and Yanacocha's smelting and refining activities, are 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 use and generation, use and storage of explosives, surface rights, housing and other facilities for workers, reclamation, taxation, labor standards, mine safety and occupational health.

We anticipate 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 our, Yanacocha's and Cerro Verde's operations and require us, Yanacocha and Cerro Verde to make significant capital expenditures in the future. Although we believe we are substantially in compliance, and Yanacocha and Cerro Verde have advised us that Yanacocha and Cerro Verde are substantially in compliance, with all applicable environmental regulations, there can be no assurance that future legislative or regulatory developments will not have an adverse effect on our, Yanacocha's or Cerro Verde's business or results of operations. See "Item 4. Information on the Company—The Company—Business Overview—Regulatory Framework—Environmental Matters" and "—Permits" and "Item 4. Information on the Company—Yanacocha—Regulation, Permit and Environmental Matters."

## Hedging

Since 2003, we have been modifying the terms of certain derivative instruments in order to qualify them as normal sales contracts. On January 15, 2007, we modified the schedule of commitments for gold with two of our clients. As a consequence of this modification, we transferred 208,000 and 108,000 gold ounces that had been committed for sale in 2007 and 2008, respectively, and committed them for sale in 2012 instead, without any cash disbursement. In March and May 2007, we negotiated with several counterparties to eliminate the fixed or maximum price component on determined commitments for a total of 971,000 gold ounces scheduled for delivery from 2008 to 2012, which required us to make aggregate payments of US\$315.69 million. Additionally, in January and February 2008, we negotiated with several counterparties to eliminate the fixed or maximum price component on all of our outstanding gold commitments, representing 922,000 gold ounces, which required us to make aggregate payments of US\$517.15 million. As a result, we are fully exposed to the effects of changes in prevailing market prices of gold, silver and copper. See "—Factors Relating to the Company—Prices of Gold, Silver and Copper."

At El Brocal, we implemented a base metal hedging policy for a maximum of 25 percent of El Brocal's total payable metal contained per year, for up to three years. As of March 31, 2009 all transactions entered have been forward pricing operations through non-delivery (Asian) swaps. Outstanding hedging commitments for 2009 to 2011 amount to 10 percent of payable metal and are as follows: (i) 5,200 metric tons of copper at an average price of US\$8,147 per metric ton, (ii) 14,300 metric tons of lead at an average price of US\$2,302 per metric ton and (iii) 12,000 metric tons of zinc at an average price of US\$2,637 per metric ton. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and Note 28 to the Financial Statements.

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

#### Speculative Nature of Metals Exploration

Precious metals exploration, particularly gold exploration, is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that our, Yanacocha's or Cerro Verde's 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 our or Yanacocha's exploration programs will result in the expansion or replacement of current production with new proven and probable ore reserves.

Advanced exploration 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 proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual over expected prices may mean reserves, once found, will be uneconomical to produce. It is not unusual in new mining operations to experience unexpected problems during the start up phase. Yanacocha and Cerro Verde used US\$725 per ounce of gold and US\$1.60 per pound of copper to calculate their gold and copper reserves, respectively, as of December 31, 2008; we use a fixed price of US\$725 per ounce of gold and a three-year average historic price of US\$13.00 per ounce of silver to calculate our proven and probable ore reserves.

# Increased Costs Could Affect Profitability

Costs at any particular mining location frequently are subject to variation due to a number of factors, such as changing ore grade, changing metallurgy and revisions to mine plans in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities, such as fuel, electricity and labor. Commodity costs are at times subject to volatile price movements, including increases that could make production at certain operations less profitable. Reported costs may be affected by changes in accounting standards. A material increase in costs at any significant location could have a significant effect on our profitability.

#### Indebtedness

We incurred significant indebtedness during 2007 and 2008 in connection with the unwinding of our gold hedge book. The agreements governing our indebtedness contain covenants that restrict our ability to:

- incur additional indebtedness;
- engage in transactions with affiliates;
- create liens on our assets;
- make certain investments:

- sell assets, subject to certain exceptions;
- acquire other companies or dissolve, liquidate or merge with or into other companies;
- enter into unrelated businesses;
- make guarantees;
- enter into burdensome agreements; and
- enter into certain hedging transactions other than in the ordinary course of business.

In addition, we are required to maintain certain financial ratios and operating metrics.

Any failure to comply with the restrictions under any agreement governing our other indebtedness may result in an event of default. Such default may allow the creditors to accelerate the related debt, which may trigger cross-acceleration or cross-default provisions in other debt agreements. Our assets and cash flow may not be sufficient to fully repay borrowings under our debt instruments that are accelerated upon an event of default.

If we are unable to repay, refinance or restructure our indebtedness under, or amend the covenants contained in, our loan or credit agreements at maturity or in the event of a default, the lenders could declare all borrowings outstanding (together with accrued interest and other fees) immediately due and payable and institute foreclosure proceedings against the security. Any such actions could force us into bankruptcy or liquidation.

Capital Intensive Nature of Precious Metals Exploration

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

#### Reserves Estimates

The proven and probable ore reserve figures presented in this Annual Report are our, Yanacocha's and Cerro Verde's estimates, and there can be no assurance that the level of recovery of gold, silver, copper and certain other metals will be realized. Reserve estimates may require revision based on actual production experience. Market price fluctuations of gold, silver and 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 our or Yanacocha's profitability in any particular accounting period. See "Item 4. Information on the Company—Property, Plants and Equipment—Vanacocha's Properties—Reserves."

#### Replacement of Reserves

As we produce gold, silver, zinc and other metals, we deplete our ore reserves for such metals. To maintain production levels, we must replace depleted reserves by exploiting known ore bodies and locating new deposits. Success in exploration for gold, silver and the other metals we produce is very uncertain and there is a risk that our depletion of reserves will not be offset by new discoveries.

As of December 31, 2008, Yanacocha's proven and probable reserves (excluding Conga's proven and probable reserves) were estimated to be 13.0 million ounces of gold, representing a 17.4 percent decrease over Yanacocha's proven and probable reserves as of December 31, 2007, which were estimated to be 15.8 million ounces of gold. The decrease in reserves of gold was mainly due to a mining depletion of 2.6 million ounces, as well as a decrease of 0.1 million ounces of gold reserves due to unit cost increases, additional drilling, updated block models, revised pit designs, leach pad inventory adjustments, transfer of reserves to non-reserve mineralization due to social issues and leach pad capacity limitations, partially offset by metal price increases, an increase in the expected recoverable ounces in leach pads and the improvement of pit design.

As of December 31, 2008, our proven and probable reserves were estimated to be 1.1 million ounces of gold, which represented a 15% decrease from an estimated 1.3 million ounces of gold reserves as to December 31, 2007. The decrease in reserves of gold was mainly due to depletion of reserves in our Antapite and Porcota mines.

## Industry Risks

The business of mining, smelting and refining gold, silver, copper 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. We, Yanacocha and Cerro Verde each maintain insurance against risks that are typical in the mining industry in Peru and in amounts that we 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 us or Yanacocha or to other companies within the industry.

Increased Equipment Costs and Shortages; Increase Production Costs

In recent years there has been a significant increase in mining activity worldwide in response to increased demand and significant increases in prices of natural resources. The opening of new mines and expansion of existing mines has led to increased demand for, and increased costs and shortages of, equipment, supplies and experienced personnel. These cost increases have significantly increased overall operating and capital budgets of companies like ours, and continuing shortages could affect the timing and feasibility of expansion projects.

Energy represents a significant portion of our production costs. Our principal energy sources are electricity, purchased petroleum products, natural gas and coal. An inability to procure sufficient energy at reasonable prices could adversely affect our profits, cash flow and growth opportunities. Our production costs are also affected by the prices of commodities we consume or use in our operations, such as sulfuric acid, grinding media, steel, reagents, liners, explosives and diluents. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control and such prices are at times subject to volatile movements. Increases in the cost of these commodities could make our operations less profitable, even in an environment of relatively high copper prices. Increases in the costs of commodities that we consume or use may also significantly affect the capital costs of new projects.

#### Labor Matters

Between 2002 and early 2007, we did not experience any strikes. On April 30, 2007, we experienced a five-day labor stoppage at the Uchucchacua mine, which coincided with a strike called by the National Mining and Metallurgical Union. In November 2007, unionized workers at Uchucchacua engaged in a three-day strike called by the National Mining and Metallurgical Union.

On February 27, 2008, the unionized workers of our Uchucchacua, Orcopampa, Ishihuinca and Antapite mines went on strike for three days, demanding an increase in the amount of their statutorily-required 8 percent share of our annual pre-tax profits. On June 5, 2008, our Uchucchacua laborers went on a four-day strike to support their negotiating position in the collective bargaining process. On June 30, 2008, the union of contractor workers of our Uchucchacua mining unit commenced a 7-day strike promoted by the National Federation of Mining Unions, which was declared illegal by the Peruvian Work Ministry.

There can be no assurance that we will not experience strikes or other labor-related work stoppages that could have a material adverse effect on our operations and/or operating results in the future.

In February 2004, Yanacocha entered into its first collective bargaining agreement with Workers' Union of Minera Yanacocha S.R.L., or the Union, which was created and registered before the Peruvian Labor Ministry on December 9, 2003. This collective bargaining agreement expired in February 2007. In May 2007, Yanacocha completed negotiations with the Union's members and entered into a new collective bargaining agreement, which is applicable only to the Union's members and effective from March 2007 to February 2010. Yanacocha has informed us that it considers its relations with its employees to be good. However, a small percentage of Union members engaged in a two-day strike in November 2007, called by the National Mining and Metallurgical Union. The strike did not have any material impact on Yanacocha's operations; nevertheless there can be no assurance that Yanacocha will not experience other strikes or 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" and "Item 4. Information on the Company—Yanacocha—Employees."

On June 10, 2008, the Sindicato Unico de Trabajadores of Sociedad Minera de Cerro Verde S.A.A. commenced an 11-day strike at Cerro Verde. The strike, which was declared illegal by the Peruvian Work Ministry, ended on June 21, 2008 and did not negatively impact Cerro Verde's operations. On November 15, 2008 Cerro Verde and the Sindicato Único de Trabajadores signed a union agreement that is retrospectively applicable from September 1, 2008 through August 31, 2011.

# Political and Social Perception

Our and Yanacocha's exploration and production activities are potentially subject to political and social risks. Over the past several years, we and Yanacocha have been the target of local political protests, including community protests at our La Zanja project, a roadblock in protest of drilling activities at Yanacocha's Cerro Quilish mine and a roadblock carried out by members of the Combayo community. In September 2004, due to the incidents at Cerro Quilish, Yanacocha suspended all drilling activities at this mine. In December 2004, Yanacocha removed the Cerro Quilish gold deposit from its proven and probable reserves. See "Item 4. Information on the Company—The Company—Business Overview—Greenfield Exploration Projects—La Zanja" and "Item 4. Information on the Company—Yanacocha—Legal Proceedings." There can be no assurance that these incidents will not continue, or that similar incidents will not occur, or that the continuation or intensification of community protests would not adversely affect our or Yanacocha's exploration and production activities or our or Yanacocha's results of operations or financial condition.

#### Investment Company Act

As of December 31, 2008, we owned a 43.65 percent partnership interest in Yanacocha and a 19.05 percent equity interest in Cerro Verde. These interests may constitute "investment securities" for purposes of the U.S. Investment Company Act of 1940, as amended, or 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 we were deemed to be an investment company and did not qualify for an exemption from the provisions of the Investment Company Act, we would be required to register with the Commission and would be subject to such regulations, which would be unduly burdensome and costly for us and possibly adversely impact us.

We received an order from the Commission on April 19, 1996 declaring us 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. We intend to conduct our operations and maintain our investments in a manner, and will take appropriate actions as necessary, to ensure we 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 our, Yanacocha's and Cerro Verde's operations are conducted in Peru. Accordingly, our, Yanacocha's and Cerro Verde's business, financial condition or results of operations 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 and local and foreign investment as well as limitations on imports, restricted the ability of companies to dismiss employees, expropriated private sector assets (including mining companies) and prohibited the remittance of profits to foreign investors.

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

In July 1990, Alberto Fujimori was elected president of Peru, 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. However, after Fujimori's reelection to his third five-year term of office on May 29, 2000, Fujimori resigned from his post amid increasing social pressure. The Peruvian Congress appointed Valentin Paniagua as interim President. New elections were subsequently held on April 8, 2001 and a run-off election was held on June 3, 2001, in which Alejandro Toledo was elected President. President Toledo's government 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.

At the elections held on April 9, 2006, no presidential candidate received the required 50 percent or more of the votes. As a result, a second round election between the top two presidential candidates, Ollanta Humala Tasso from the *Partido Union por el Peru*, or the UPP, and Alan García Pérez of the *Partido Alianza Popular Revolucionaria*, or APRA, was held on June 4, 2006. Alan García Pérez was elected, but he has no majority in Congress. The new government has continued the economic policies of its predecessor.

During 1980s and early 1990s the Sendero Luminoso, or SL, and the Movimiento Revolucionario Tupac Amaru, or MRTA, terrorist organizations were particularly active in Peru. Although SL and MRTA were almost de-activated in 1992 and 1997 respectively, we cannot guarantee that acts by these or other terrorist organizations will not adversely affect our operations in the future.

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*, or IPC, and published by Instituto Nacional de Estadística e Informática, or INEI, has fallen from a high of 7,649.7 percent in 1990 to 3.5 percent in 2004, 1.5 percent in 2005, 1.1 percent in 2006, 3.93 percent in 2007 and 6.7 percent in 2008. 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 revaluation of 5.5 percent in 2004, a devaluation of 4.5 percent in 2005, a revaluation of 6.4 percent in 2006, a revaluation of 7.0 percent in 2007 and a devaluation of 5.4 percent in 2008. Our revenues and operating expenses are primarily denominated in U.S. Dollars. If inflation in Peru were to increase without a corresponding devaluation of the Nuevo Sol relative to the U.S. Dollar, our financial position and results of operations, and the market price of our Common Shares and American Depositary Shares, or 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, 2008 were US\$31.2 billion as compared to US\$27.7 billion at December 31, 2007. Although actual foreign reserves must be maintained at levels that will allow the succeeding government the ability to manage the Peruvian economy and to assure monetary stability in the near future, 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—Selected Financial Data—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.

Deterioration in Economic and Market Conditions in Latin America and Other Emerging Market Countries

The market for securities issued by Peruvian companies is influenced by economic and market conditions in Peru and, to varying degrees, market conditions in other Latin American and emerging market countries. Although economic conditions are different in each country, the reaction of investors to developments in one country is likely to cause the capital markets in other countries to fluctuate. For example, political and economic events, such as the crises in Venezuela, Ecuador, Bolivia, Brazil and Argentina, have influenced investors' perceptions of risk with regard to Peru. The negative investor reaction to developments in our neighboring countries may adversely affect the market for securities issued by countries in the region, cause foreign investors to decrease the flow of capital into Latin America and introduce uncertainty about plans for further integration of regional economies.

## 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 our 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, or 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

We prepare our financial statements using Peruvian GAAP, which differs 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 33 to the Financial Statements for a description of the significant differences between Peruvian GAAP and U.S. GAAP, as such differences relate to us, and Note 34 for a reconciliation to U.S. GAAP of our net income and shareholders' equity for the period included therein. In addition, as a foreign private issuer in the United States, we have less intensive reporting requirements and information regarding us may not be as readily disseminated into the market

#### Enforceability of Civil Liabilities

We are organized under the laws of Peru. A significant majority of our directors and officers reside outside the United States (principally in Peru). All or a substantial portion of our assets or the assets of such persons 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 us or upon such persons 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. We have been advised by our 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 our outstanding share capital held by Alberto Benavides de la Quintana, our Chairman and former Chief Executive Officer, and certain members of his immediate and extended family and their spouses, or the Benavides Family, as of April 30, 2009, was 26.97 percent. Because of the significant ownership interest the Benavides Family holds in common shares and because the Investment Shares held by others 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, as further amended and restated as of November 12, 2003, among us, The Bank of New York, as depositary, or the Depositary, and the owners and beneficial owners of ADSs, or the Amended and Restated Deposit Agreement, relating to our ADSs, if holders of ADSs 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 us, which will likely be Alberto Benavides de la Quintana, a discretionary proxy to vote such shares, unless we inform the Depositary that we do not wish such proxy to be given.

Fewer and Less Well-Defined Shareholders' Rights

Our 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 our shares by Alberto Benavides de la Quintana and certain other members of the Benavides Family could materially and adversely affect prevailing market prices for the Common Shares and ADSs. There is no contractual restriction on the disposition of shares of our share capital by our shareholders, including the Benavides Family. Furthermore, under the *Ley General de Sociedades Peruana*, or Peruvian Companies Law, any restriction on the free sale of shares in a *sociedad anónima abierta* (open stock company) such as we are, is null and void.

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 us 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, or 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. We intend 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 will then 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 us would be diluted proportionately. The Depositary has discretion to make rights available

## ITEM 4. Information on the Company

# THE COMPANY

# **History and Development**

# Overview

We are Peru's largest publicly-traded precious metals company and are engaged in the exploration, mining and processing of gold, silver and, to a lesser extent, other metals, in Peru. We currently operate the Julcani, Recuperada, Orcopampa, Poracota, Uchucchacua, Antapite and Ishihuinca mines and have controlling interests in two other mining companies which operate the Colquijirca, Marcapunta and Shila-Paula mines. We also own an electric power transmission company and an engineering services consulting company and have 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, and Cerro Verde, a Peruvian company that operates a copper mine located in the south of Peru. For the year ended December 31, 2008, our consolidated net sales were US\$766.6 million and our consolidated net income was US\$153.3 million. The tables below summarize the total production and our equity share of production for the Julcani, Recuperada, Orcopampa, Poracota, Uchucchacua, Antapite and Ishihuinca, Shila-Paula, Colquijirca, Marcapunta, Yanacocha and Cerro Verde mines for the year ended December 31, 2008:

		TOTAL PRODUCTION				BUENAVENTURA'S EQUITY SHARE OF PRODUCTION					
UNIT	Silver Oz	Gold Oz	Lead DST n thousands)	Zinc DST	Copper DST	BVN SHARE (%)	Silver Oz	Gold Oz housands exc	Lead DST ept percentage	Zinc DST	Copper DST
Orcopampa	111	285	-	-	-	100.00	111	285	-	-	-
Poracota	25	46	-	-	-	100.00	25	46	-	-	-
Uchucchacua	11,417	-	12	12	-	100.00	11,417	-	12	12	-
Julcani	1,594	-	2	-	-	100.00	1,594	-	2	-	-
Recuperada	637	-	2	3	-	100.00	637	-	2	3	-
Antapite	80	43	-	-	-	100.00	80	43	-	-	-
Ishihuinca	-	8	-	-	-	100.00	-	8	-	-	-
Shila-Paula	101	39	-	-	-	100.00	101	39	-	-	-
Colquijirca and Marcapunta	4,642	4	28	90	8	35.78	1,661	1	10	32	3
Yanacocha	3,539	1,810	-	-	-	43.65	1,545	790	-	-	-
Cerro Verde	1,717			<u> </u>	347	19.05	327	<u>-</u>		<u>-</u>	66
TOTAL	23,862	2,236	44	106	356		17,497	1,213	27	48	69

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. Our registered office is located at Carlos Villarán 790, Santa Catalina, Lima 13, Perú, telephone no. 5-11-419-2538. Our Internet Website address is http://www.buenaventura.com. The information on our website is not a part of, and is not incorporated into, this document.

## History

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

Because of political uncertainties in Peru in the mid-1970s, we explored mining possibilities in other countries in South America, including Colombia, Ecuador, Venezuela, Bolivia and Argentina. Exploration 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, we also decided to discontinue our exploration outside Peru and to intensify efforts in Peru.

Following a sharp increase in silver prices, which peaked in 1980, we initiated a program to explore for gold and, to a lesser extent, other metals in Peru to reduce our dependence on silver, since we believed the high price of silver could not be sustained. Faced with declining silver prices throughout the 1980s, we expanded silver output to reduce cash flow while at the same time continuing our exploration efforts for other metals. Exploration of gold anomalies in the Yanacocha district began in 1983 and an expansion of the Orcopampa mine, which had operated since 1967 as a silver-producing mine, to enable us to explore newly-discovered gold veins began in 1984 and was concluded in 1999. In 2002, after an intense exploration program of the Orcopampa mine, gold production was commenced in the Chipmo area. New gold mining operations commenced at the Ishihuinca mine in the early 1980s and at the Antapite mine in 2001.

Since the late 1980s, we have continued our efforts to decrease our exposure to silver price fluctuations and have pursued a plan to increase overall precious metals production and production efficiency. We have continued to expand our mineral reserves through the implementation of property acquisition and intensive exploration programs designed to increase reserves and production of gold. As part of this strategy, we acquired an equity interest in Yanacocha and conducted exploration leading to the discovery of gold mineralization and subsequent production of gold at the Orcopampa, Shila, Ishihuinca and Antapite mines. In addition, we acquired an equity interest in Cerro Verde, which operates an open-pit copper mine in Peru. These initiatives have transformed us from primarily a silver producer into primarily a gold producer, based on allocated revenue. In 2008, gold, copper, silver and other metals accounted for 57 percent, 19 percent, 13 percent and 11 percent, respectively, of our equity share of production value in our consolidated subsidiaries, Yanacocha and Cerro Verde.

On January 14, 1992, we, through our wholly-owned subsidiary, Compañía Minera Condesa S.A., or Condesa, together with Newmont Second Capital Corporation, or Newmont Second, a wholly-owned subsidiary of Newmont Mining, and Société d'Etudes, de Recherches et d'Exploitations Minières, or Serem, a wholly-owned subsidiary of the Bureau de Recherches Geologiques et Minières, or BRGM, the geological and mining bureau of the French government, formed Yanacocha to continue exploration 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 and 5 percent owned by The International Finance Corporation, or IFC, the branch of the World Bank that promotes private investments. As of May 31, 2009, our participation in Yanacocha was 43.65 percent, and Newmont Second's was 51.35 percent, with IFC continuing to own 5 percent.

In October 2000, we and Newmont Mining agreed to consolidate our properties in Cajamarca, northern Peru, in Yanacocha. Under the consolidation plan and according to agreements signed in December 2000, we sold several assets to Yanacocha, including the Minas Conga project, the China Linda lime plant, mining rights, aerial land and other machinery and equipment and inventories. See "—Property, Plants and Equipment—Yanacocha's Properties—Operating Properties." We received approximately US\$9 million in connection with this sale. We also entered into an administration agreement with Yanacocha, setting forth that we 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 we ceased to manage the China Linda plant. As a result of the termination, we received a payment of US\$1.8 million from Yanacocha.

On June 1, 2005, Cerro Verde conducted a capital increase whereby we subscribed 42,925,975 shares for US\$154.9 million, increasing our interest in Cerro Verde from 9.17 percent to 18.21 percent. Freeport-McMoran Copper & Gold Inc. maintains a majority interest in Cerro Verde. See "—Intermediate Holding Companies, Subsidiaries and Equity Participations—Sociedad Minera Cerro Verde S.A.A." As of March 31, 2009, Cerro Verde was 53.56 percent owned by Cyprus Climax Metals Company, a subsidiary of Freeport-McMoran Copper & Gold Inc., 21.00 percent owned by SMM Cerro Verde Netherlands B.V. and 19.21 percent owned by us.

Redesignation of our Shares and ADSs; Share Split

At our shareholder meeting held on April 30, 2002, following special meetings of our Series A shareholders and Series B shareholders on the same date, or the Special Meetings, amendments to our *estatutos*, or 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, or the Redesignation. The Redesignation was effective May 3, 2002. At that date, we had 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 our outstanding share capital. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital.

Our ADSs have traded on the New York Stock Exchange Inc., or the New York Stock Exchange, since May 15, 1996. Prior to the Redesignation, each of our ADSs represented two Series B Shares. In connection with the Redesignation, we submitted a technical original listing application to the New York Stock Exchange dated April 25, 2002, or the Application, for the redesignation of our 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 on May 3, 2002, each of our ADSs represented two Common Shares. Since that date, we have had Common Shares with a nominal par value of S/4.00 per share. On November 3, 2003, we submitted a supplemental listing application to the New York Stock Exchange to modify the ratio of our ADSs, and on November 12, 2003, our ratio of Common Shares per ADSs was modified from two Common Shares per ADS to one Common Share per ADS.

In March 2008, our shareholders approved an increase in the nominal par value of our Common Shares and Investment Shares from S/.4.00 per Common Share or Investment Share, as well as a subsequent two-for-one stock split of our Common Shares and Investment Shares. In July 2008, we conducted a two-for-one stock split of our outstanding Common Shares, Investment Shares and ADSs. As a result, we had 274,889,924 outstanding Common Shares, including 21,130,260 treasury shares, and 744,640 outstanding Investment Shares, including 61,976 treasury shares, as of December 31, 2008. In connection with the stock split, our bylaws were amended to decrease the nominal par value of our Common Shares and Investment Shares from S.20.00 to S/.10.00 per Common Share or Investment Share.

#### Business Strategy

Our strategy is to strengthen our position as one of Peru's leading gold and silver mining companies by expanding our reserves and production. We are currently engaged in an active exploration and mine development program and participate in several mining exploration projects with Newmont Mining, Sumitomo Metal Mining Peru S.A., or Sumitomo, Gold Fields Peru S.A., or Gold Fields, Southern Copper Corporation, or SCC, Freeport and Teck Cominco Perú S.A., or Teck Cominco. Further, we seek to increase the efficiency and capacity of our mining operations. We are aware of our social and environmental responsibilities and aim to excel in the prevention, mitigation and rehabilitation of mining-related disturbances.

# Maintaining an Active Exploration Program

We view an active exploration program as our primary means to obtain new reserves. As of March 31, 2009, we held, either directly or in conjunction with exploration partners, 495,067 hectares of mining rights, excluding an additional 234,939 hectares in mining properties which are consolidated in our production units, making us a major holder of mining rights in Peru.

During 2008 we spent approximately US\$27.12 million on "greenfield" and US\$18.69 million in "brownfield" exploration-related investments in Peru. Our "greenfield" investments focused on the following exploration projects: El Faique, La Zanja, Tantahuatay, Hualgayoc, Ccalla Arma, El Milagro, Titiminas, Huañacancha, Luishaja, Breapampa, Trapiche, Chucapaca and Argentina. The 2008 exploration program was financed by internal funds as well as a US\$6.7 million contribution by Newmont Peru S.R.L., Southern Copper Corporation, Gold Fields La Cima S.A., Minera Gold Fields Peru S.A. and Sumitomo Metal Mining Peru S.A. Our "brownfield" investments focused on the following exploration projects in 2008: Mallay, Anamaray, Huamani Huayta Oeste, Orcopampa, Estela-Pampa Castilla, Ayamarca and Shila-Paula. In 2009, we intend to invest US\$16.88 million in the Mallay, Anamaray, Huamani Huayta Oeste, Estela-Pampa Castilla, Ayamarca, Orcopampa and Shila-Paula brownfield exploration projects. We expect to invest between US\$20.0 and US\$25.0 million in the following greenfield exploration projects during 2009: Trapiche, Chucapaca, Breapampa, Hualgayoc, Ccalla Arma and El Faique.

# Participation in Mining Exploration Agreements

In addition to managing and operating precious metals mines, we participate in mining exploration agreements with mining partners to reduce risks, gain exposure to new technologies and diversify revenues to include other metals. See "—Business Overview—Exploration." We believe that maintaining our focus on mining operations complements our partnership strategy because the engineering and geological expertise gained from such operations enhances our ability to participate in and contribute to those projects.

# Capital Expenditures

Our capital expenditures in the past three years have related principally to the acquisition of new mining properties, construction of new facilities and renewal of plant and equipment. Capital expenditures relating to exploration are not included herein and are discussed separately in "—Business Overview—Exploration." Set forth below is information concerning capital expenditures incurred by us in respect of each of our principal operating mines (not including capital expenditures for administrative purposes or other non-mining subsidiaries) and by category of expenditure:

	Year Ended December 31,							
	2006 2007			2008				
			(in thousands)					
Julcani	US\$	802	US\$ 1,089	US\$	1,150			
Uchucchacua <sup>(a)</sup>		13,560	5,458		15,187			
Orcopampa <sup>(b)</sup>		13,649	12,977		14,744			
Recuperada		939	1,563		2,525			
Ishihuinca		154	142		97			
Shila-Paula		1,385	442		1,661			
Colquijirca and Marcapunta		15,362	6,346		8,391			
Antapite		5,440	7,527		652			
Conenhua		537	3,846		1,776			
Total	US\$	51,828	US\$ 39,390	US\$	46,183			

	Year Ended December 31,							
	20	006	2007		2008			
	(ir							
Machinery and equipment	US\$	2,634	US\$ 5,768	US\$	3,639			
Infrastructure		20,998	23,362		23,981			
Mining		5,856	6,153		3,777			
Milling		17,594	1,316		9,594			
Transportation		999	938		397			
Communications		205	65		133			
Environmental		20	174		36			
Other		3,522	1,614		4,626			
Total	US\$	51,828	US\$ 39,390	US\$	46,183			

<sup>(</sup>a) For 2008, includes US\$7.5 million for the construction of the Orcopampa old tailings treatment plant.

We financed our capital expenditures in 2006, 2007 and 2008 with internally-generated funds.

We have budgeted approximately US\$110.0 million for capital expenditures in each of 2009 and 2010. Exploration expenses in non-operating units are expected to be US\$30.0 million in 2009 and 2010. To fund our planned capital expenditures program, we plan to use internally-generated funds. See "Item 5. Operating and Financial Review and Prospects—The Company—Liquidity and Capital Resources."

In Uchucchacua, our ongoing projects for this year include (i) the deepening of the master shaft in the Carmen mine from level 3,990 to level 3,990 and (ii) the construction of ramp 626 and the deepening of the Luz Shaft in the Socorro mine to reach level 3,990 from level 4,060. In Orcopampa, our ongoing projects include (i) the deepening of the Nazareno shaft from level 3,290 to level 3,170 and (ii) the deepening of the Prometida Shaft to reach level 3,290. In Colquijirca, 2009 and 2010 projects include the expansion of the concentrator plant to 18,000 metric tons, or MT, per day.

We continuously evaluate opportunities to expand our business within Peru, as well as in other countries as opportunities arise, and expect to continue to do so in the future. We may in the future decide to acquire part or all of the equity of, or undertake other transactions with, other companies involved in the same business as us or in related other businesses. However, there can be no assurance that we will decide to pursue any such new activity or transaction.

For 2008, includes US\$4.7 million for the plant expansion project in order to increase its capacity to 3,000 MT per day.

#### Business Overview

#### Production

We principally produce refined gold and silver, either as dore bars or concentrates, and other metals such as lead, zinc and copper as concentrates that we distribute and sell locally and internationally. The following table sets forth the production of the Antapite, Julcani, Uchucchacua, Orcopampa, Poracota, Recuperada, Ishihuinca, Colquijirca, Marcapunta and Shila-Paula 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. Production from Cerro Verde and Yanacocha are not included in these production figures.

	Year	Year Ended December 31, (1)				
	2006	2007	2008			
Gold (oz.) <sup>(2)</sup>	405,383	403,955	425,257			
Silver (oz.)	22,179,552	19,403,507	18,606,478			
$Zinc (ST)^{(3)}$	80,686	108,110	105,755			
Lead (ST)	44,436	48,521	44,299			
Copper (ST)	141	1.578	8,453			

- The amounts in this table reflect the total production of all of our consolidated subsidiaries, including El Brocal, in which we owned a 35.78% controlling equity interest as of December 31, 2008. The production data in this table reflects 100% of El Brocal's production. For the years ended December 31, 2004 to 2008, El Brocal produced 3.4, 4.4, 10.3, 7.1 and 4.6 million ounces of silver, respectively, of which our equity share was 1.1, 1.5, 3.5, 2.4 and 1.7 million ounces of silver.
- Throughout this Annual Report, "oz" refers to troy ounces of a fineness of 999.9 parts per 1,000, equal to 31.0135 grams. Throughout this Annual Report, "ST" refers to short tons, each weighing 2,000 *avoirdupois* pounds.

## Exploration

We view exploration as our primary means of generating growth value for shareholders and typically maintain a portfolio of active exploration projects at various stages of exploration for mineral resources in Peru. We currently hold, either directly or in conjunction with exploration partners, 495,067 hectares of mining rights as part of our exploration program. We hold an additional 234,930 hectares in mining properties which are consolidated in our production units. We invested approximately US\$27.12 million in exploration for Mineralized Material not in Reserve, or NRM, during 2008, including 28,653 meters of exploratory diamond drilling and 193 meters of exploratory underground workings in the El Faique, Hualgayoc, Mallay, Ccalla Arma, El Milagro, Titiminas, Huañacancha, Luishaja, Breapampa, Trapiche, Layo, Shila-Paula, Chucapaca and Argentina projects. In addition, our exploration partners invested US\$6.72 million in the Tantahuatay, La Zanja, Hualgayoc and Ccalla Arma projects.

In 2009, we expect to invest a minimum of approximately US\$44.00 million in greenfield exploration and brownfield exploration activities. Exploration programs at our principal operating mines are not included in our exploration budget and are accounted for as part of the operating costs for each mine. Exploration expenditures in greenfield and brownfield projects include all of the costs associated with manpower and activities such as geologists, contractors, engineering, drilling equipment, metallurgical testing and environmental, social, engineering and economic feasibility studies. Management of the exploration team prepares programs and budgets for individual projects each year and we allocate, subject to board approval, the proper amount to finance each particular exploration activity considered worthwhile. In light of the nature of mining exploration and in order to maintain flexibility to take advantage of opportunities, we allocate budgeted amounts by property or project only in the case of high geological expectation as decided by management. We also allocate non-budgeted amounts over the course of the year to new projects based on factual results, our needs and our geologists' periodic evaluations and opinions regarding the progress of each opportunity and its potential for further exploration of minerals.

An integral part of our exploration program is the participation in mining exploration agreements with affiliates of experienced mining companies, including Newmont Peru S.R.L., SCC, Gold Fields La Cima, Minera Gold Fields Peru S.A. and Sumitomo Metal Mining Peru S.A. The benefits of these joint exploration projects include greater investment in the exploration of our 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 management, geologists and engineers. In these mining exploration agreements, we may be the designated operator, an equity participant, the manager or a combination of these and other functions.

We do not generally conduct significant research and development activities other than investments in geological research and exploration as described herein.

The following table lists our current greenfield exploration projects, our effective participation in each project, our partners with respect to each project, the total hectares as of April 30, 2009, observed mineralization of each project and the total exploration expenditures during 2006, 2007 and 2008.

(1)(2) Effective		Property Hectares		Total Exploration Expenditures During 2006		Total Exploration Expenditures During 2007		Total Exploration Expenditures During 2008	
	at April 30, 2009			Total	BVN'S	Total	BVN'S	Total	BVN'S
		(US\$ in mill		ions)	(US\$ in milli	ons)	(US\$ in millions)		
Joint Venture Projects:									
Breapampa	0.00% Newmont		Gold & silver	0.00	0.00	5.01	5.01	3.25	3.25
Ccalla Arma	60.00% Sumitomo		Gold & copper	0.00	0.00	0.00	0.00	0.34	0.20
Chucapaca	100.00% Gold Fields	12,400		0.00	0.00	0.00	0.00	1.86	1.86
Hualgayoc	50.00% Gold Fields		Silver, zinc & lead	0.88	0.17	1.41	0.70	1.15	0.57
La Zanja	53.06% Newmont	32,070	Gold & copper	3.65	1.94	1.90	1.01	8.45	4.48
Minasnioc <sup>(3)</sup>	0.00% ABX	0	Gold & silver	0.43	0.43	0.06	0.06	0.00	0.00
Hueso Sur <sup>(3)</sup>	0.00%ABX	0	Gold & silver	0.36	0.36	0.36	0.36	0.00	0.00
Puquio	0.00% Gold Fields	0	Gold & silver	0.11	0.11	0.00	0.00	0.00	0.00
Santa Marina	0.00% Rio Narcea	0	Gold & copper	0.10	0.10	0.30	0.30	0.00	0.00
Tantahuatay	40.00% SCC, Espro	17,722	Gold & copper	3.96	2.21	5.99	3.34	4.62	2.57
Company's Projects:									
Argentina	100.00% None	68.000	Gold & silver	0.00	0.00	1.23	1.23	2.24	2.24
Altiplano Peru	0.00% None		Gold & silver	0.00	0.00	0.08	0.08	0.07	0.07
Cordillera Oriental	100.00% None			0.07	0.07	0.08	0.08	0.07	0.07
El Faigue	100.00%None	51.541		0.75	0.75	0.75	0.75	0.42	0.42
El Milagro	100.00% None	11,900		2.06	2.06	6.75	6.75	3.04	3.04
Huancavelica	100.00%None		Lead. silver & zinc	0.64	0.64	0.11	0.11	0.00	0.00
Huañacancha	0.00% None		,	0.00	0.00	0.14	0.14	0.86	0.86
Llillinta	0.00% None		Gold & silver	0.00	0.00	0.83	0.83	0.03	0.03
Los Pircos <sup>(4)</sup>			Gold & silver	3.48	3.48	1.05	1.05	0.30	
Luishaja	100.00% Troy 0.00% None		Silver, lead, zinc	0.00	0.00	0.00	0.00	0.30	0.30 0.31
,	0.00% None	3,900	Sliver, lead, zinc	0.00	0.00	0.00	0.00	0.31	0.31
Pampa Andino <sup>(4)</sup>	0.00% Troy	0	Gold & silver	0.99	0.99	0.48	0.48	0.27	0.27
Tinyaclla <sup>(5)</sup>	0.00%Milpo	0	Copper, zinc, gold	4.47	4.47	0.11	0.11	0.01	0.01
Titiminas	0.00% None	0	Zinc, silver, lead	0.00	0.00	0.28	0.28	0.47	0.47
Trapiche	100.00%None	26.414	Copper & molybdenum	1.92	1.92	3.00	3.00	2.87	2.87
тарієне	100.0070110110	20,414	Zinc, copper &	1.72	1.72	5.00	5.00	2.07	2.07
Oyotun	0.00% None	0	silver	0.03	0.03	0.00	0.00	0.00	0.00
Others <sup>(6)</sup>	100.00% None	145,013	Gold and polymetallic	0.65	0.65	1.46	1.46	3.34	3.34
	100.00/0110110	495,067	porymetanic	24.73	20.56	31.31	27.06	33.86	27.12
		495,067		24./3	20.56	31.31	27.06	33.86	27.12

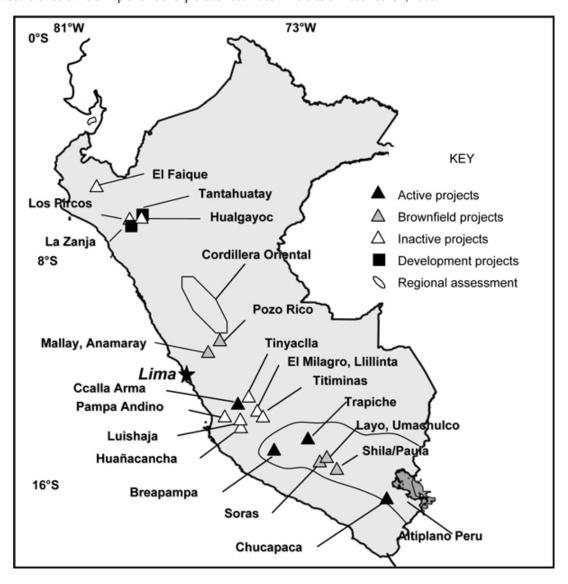
This table does not include projects abandoned by us, consolidated mining units or those placed on hold prior to 2006. In addition to these projects, we continue to conduct exploration at all of our operating mines and our subsidiaries. These properties have been returned to ABX. In January 2008, these properties were transferred to Inversiones Troy S.A. In February 2008, this property was sold to Compañía Minera Milpo S.A.A. Includes generative exploration in new areas.

The following table lists our current brownfield exploration projects, our effective participation in each project, the total hectares as of April 30, 2009, observed mineralization of each project and the total exploration expenditures during 2006, 2007 and 2008.

Exploration Projects			Property Observed Hectares Mineralization	Total Exploration Expenditures During 2006		Total Exploration Expenditures During 2007		Total Exploration Expenditures During 2008	
110,000	at April 30,		· · · · · · · · · · · · · · · · · · ·	Total	BVN'S	Total	BVN'S	Total	BVN'S
				(US\$ in m	illions)	(US\$ in millions)		(US\$ in millions)	
Brownfield Projects:									
Pozo Rico	100.00% None	3,377	Silver, lead & zinc	2.86	2.86	0.89	0.89	-	
Anamaray	100.00% None	6,952	Zinc, lead & silver	0.34	0.34	0.96	0.96	1.01	1.01
Mallay	100.00% None	2,250	Silver, lead & zinc	1.92	1.92	4.69	4.69	8.52	8.52
Julcani <sup>(4)</sup>	100.00% None	1,800	Silver	0.20	0.20	0.40	0.40	2.01	2.01
Antapite <sup>(2)</sup>	100.00% None	22,075	Gold & silver	2.40	2.40	1.27	1.27	2.75	2.75
Poracota <sup>(1)</sup>	100.00% None	6,674		7.87	7.87	11.60	11.60	1.10	1.10
Soras	100.00% None	22,523	Gold, silver & copper	0.77	0.77	0.86	0.86	0.24	0.24
Layo	100.00% None	737	Gold, silver & copper	5.17	5.17	1.62	1.62	0.33	0.33
Orcopampa <sup>(3)</sup>	100.00% None	12,000	Gold & silver	0.23	0.23	0.34	0.34	0.96	0.96
Shila-Paula	100.00% None	41,152	Gold & silver	1.72	1.72	0.86	0.86	1.77	1.77
		119,540		23.48	23.48	23.49	23.49	18.69	18.69

Includes 2008 Poracota Oeste (Huamani Huayta Oeste) operation costs.
 Includes 2008 Hatun Orco and Ayamarca exploration costs.
 Includes 2008 Manto N, Quello-Quello (Sausa), Mulañan, Pariguanas and Chipmo Superficie exploration costs.
 Incluyes 2008 Pampa Castilla & Estela Area (Julcani) and Prospecto Hallazgo (Recuperada) exploration costs.

The following is a brief summary of current greenfield and brownfield exploration activities conducted by us directly and through joint exploration agreements that are believed to represent the best prospects for the discovery of new reserves. There can be no assurance, however, that any of our current exploration projects will result in viable mineral production or that any of the mineralization identified to date will ultimately result in an increase in our ore reserves. Non-reserve mineralization has been included in our 2008 Annual Report from the La Zanja, Tantahuatay, Mallay and Trapiche exploration and mine development projects. Set forth below is a map of all our exploration activities in Peru as of December 31, 2008:



#### **Greenfield Exploration Projects**

La Zanja. Minera La Zanja S.R.L., or La Zanja, controls 32,070 hectares of mineralized ground in the La Zanja project, which is located 35 kilometers north-west of Cajamarca city. Originally, the La Zanja project was part of the Northern Peru joint mining exploration project, which was 35 percent owned by us and 65 percent owned by Newmont Peru. We currently own 53 percent of La Zanja, with the remainder owned by Newmont Peru. In 2006, we invested US\$3.6 million on a 2,942 meter drilling campaign at the deep copper-gold sulfide deposit at the Cerro La Zanja prospect, a 2,064 meter drilling campaign at the gold oxide deposit at the Cerro La Zanja prospect and a 7,679 meter drilling campaign at the superficial oxide gold Turmalina prospect, an extension of San Pedro Sur. We have increased the geological resources in oxides at the Turmalina prospect, where 11.8 million metric tons with an average grade of 0.72 grams per ton of gold have been indicated by systematic diamond drilling. In 2007, we invested US\$1.9 million to maintain the property and conduct an environmental impact study, or EIA (Estudio de Impacto Ambiental). In 2008, we invested US\$8.5 million to present the EIA and obtain the necessary permits to start construction of the project. In July 2008, a public hearing was held in order to provide stakeholders an opportunity to voice their opinions about the development of the project. In April 2009, we obtained the EIA approval. We expect to commence construction of the mine infrastructure during 2009 in order to start production during the third quarter of 2010.

Tantahuatay. The Tantahuatay project, a gold-copper project, is wholly-owned by Compañía Minera Coimolache S.A., or Coimolache, an entity that is 40.1 percent owned by us, 44.2 percent owned by SCC, and 15.7 percent owned by ESPRO S.A.C., a Peruvian-based holding company. Two of the five outcropping gold anomalies have NRM. Tantahuatay 2 and Ciénaga Norte were infill-drilled in 2002 and 2006, respectively; together they contain NRM of 826,000 ounces of gold and 7.9 million ounces of silver. The studies have been focused in the oxide zone only. Cyanidation column tests have been completed with encouraging results, which indicate rapid extractions in the order of 80 to 90 percent, by low-concentration cyanide leaching. The Tantahuatay 2 prospect was the subject of Feasibility and Environmental Impact Studies conducted during 2007 and 2008. Infill-drilling has been completed in the Ciénaga deposit, and after the metallurgical studies are completed a feasibility study will be finalized to address viability of a 15,000-ton per day open-pit/heap leach operation. We are focusing our efforts on resolving community issues and obtaining permits to continue our exploration and enhance support of our infill drilling and feasibility studies for both oxide and sulfide targets. During 2005, Coimolache invested US\$1.55 million in the Tantahuatay project. In 2006 we obtained permits for a diamond drilling campaign in the Ciénaga Norte area, 3 km southwest from the Tantahuatay 2 area. Beginning in the third quarter of 2006, we drilled 3,179 meters in 27 holes, which required an investment of US\$2.2 million. Best hole C-57 intercepted 120 meters with 2.06 grams per ton of gold. In 2007, Coimolache invested US\$6.0 million in 5,665 meters of diamond drilling and 1,684 meters of reverse circulation drilling for exploration, sterilization and engineering in Tantahuatay 2, Mirador Norte and Cienaga Norte. Total reserves for Tantahuatay 2 and Cienaga Norte have been calculated to be 25 million metric tons of oxides with an average grade of 0.81 grams per ton of gold and 9.66 grams per ton of silver, and an additional NRM on Mirador Norte of oxides of 10.7 million metric tons with an average grade of 0.47 grams per ton of gold. In 2008, Coimolache invested US\$4.6 million to conduct a feasibility study, which included analysis of basic engineering on the processing plant, detailed engineering on operating facilities (e.g., leach pad, waste dump and main roads) and definitive studies on a haul road and a mining plan. We presented an EIS of Tantahuatay – Tantahuatay 2. We expect to obtain approval of the EIS in May 2009, at which point we can start construction of the future mine. In 2009, we plan to invest a minimum of US\$4.5 million to complete basic engineering and commence construction of mine infrastructure and to complete an EIS of Cienaga Norte. We expect to start mining operations at the Tantahuatay site by 2011.

Breapampa. The Breapampa project is a joint venture with Newmont Peru S.R.L. and is operated by us. The Breapampa project was leased to us by Newmont Peru S.R.L. and encompasses 90,000 hectares located in the southern portion of Ayacucho region. It consists of gold and silver mineralization emplaced in epithermal high-sulfidation breccias in Tertiary volcanic rocks over the Parcaorcco hill and the Senccata area. During 2007, we invested US\$5.01 million in this project to conduct a 10,268-meter diamond drilling campaign, which included infill drilling sterilization, geomechanic and hydrogeologic drilling. We estimated NRM of 5,128,000 metric tons with an average grade of 1.5 grams per ton of gold and 25.6 grams per ton of silver. During 2008, we invested US\$3.25 million to conduct 5,452 meters of diamond drilling. After analyzing new field data, we reduced our estimate of NRM to 3,886,000 metric tons with an average grade of 1.48 grams per ton of gold and 23.35 grams per ton of silver. During 2008, we also acquired 300 hectares of land for future exploration. In 2009, we plan to invest US\$2.0 million to test gold mineralization in other prospects inside the claim boundary and to further develop the corresponding Environmental Impact Study, or EIS.

Chucapaca. The Chucapaca project is a gold-copper project wholly-owned by Canteras del Hallazgo S.A.C., our wholly-owned subsidiary. We entered into a lease and option agreement with Gold Fields for the Chucapaca project in March 2008. The project encompasses a total of 13,200 hectares of mining properties that define the area of interest and is located in the Moquegua region in southern Peru. As of April 30 2009, we had completed 8,000 meters of diamond drilling for a total investment of US\$2.67 million. Under the terms and conditions of the joint venture, Gold Fields can claw back a 51% equity interest in Canteras del Hallazgo S.A.C. after investing approximately US\$8.0 million, which represents three times the exploration expenditure invested by us in this project. Gold Fields completed a total of 2,509 meters of reverse circulation drilling in 2004 over the Chucapaca prospect associated with potential epithermal high sulfidation mineralization within Tacaza Group volcanic rock formations. Our preliminary exploration identified base metal targets on the Chucapaca project referred to as the Canahuire and Katrina prospects. Our exploration program in 2008 resulted in the discovery of the Canahuire mineralization with encouraging results returned from the diamond drilling program. The program included the completion of 94 kilometers of geophysical magnetic and induced polarization surveys and 6,300 meters of diamond drilling on the Katrina and Canahuire prospects. We have completed drilling approximately 7,800 meters on the Canahuire prospect and have defined continuity of a gold dominated breccia hosted mineralization over 800 meters strike. Mineralization remains open to the west, north and at depth. Future exploration will focus on completing 100m x 100m grid drilling of the Canahuire prospect along strike with drill testing a number of other targets within the Chucapaca project.

Trapiche. The Trapiche project is wholly-owned by us and encompasses 26,414 hectares of porphyry and skarn mineralization in the Apurimac region. The Apurimac region is part of a mineralized belt known as the Abancay Batholith where several iron, copper and gold deposits have been identified. In 2006, we invested US\$1.9 million to conduct 4,338 meters of diamond drilling in both Millucucho and Cerro Trapiche porphyry to contour and expand previously identified disseminated copper and molybdenum mineralization. In 2007, we invested US\$3.0 million in 9,998 meters of diamond drilling and 21 kilometers of geophysical IP/mag lines on Cerro Trapiche. Based on 46 holes drilled with 100 meter spacing, AMEC estimates inferred resources of 315 million tons with an average grade of 0.49 percent of copper and 0.02 percent of molybdenum with a cutoff of 0.20 percent of copper using the geostatistical block model method completed in December 2007. Metallurgical tests show recoveries of 91 percent of copper and 51 percent of moly by flotation methods on three composite samples for enriched, mixed and primary ores and recovery of 72.8 percent of copper in enriched mineral over 143 days by acid column leach method. We had planned to invest US\$12.0 million in 2008 to conduct an additional 36,000 meters of diamond drilling, metallurgical tests and an engineering/economic scoping study, but community permits delayed the beginning of our drilling campaign. We stopped field work from August 2007 to September 2008 to negotiate a long-term agreement with the Mollebamba community relating to the possible future operation of the mine. We eventually invested US\$2.9 million in 2008 and conducted 5,484 meters of diamond drilling on the Trapiche Este, Millucucho and Cerro Colorado prospects. We also conducted an additional 18.2 kilometers of magnetic and induced polarization surveys over Trapiche Este. The best intercepts in the Trapiche Este porphyry include hole TR-57, with 298 meters thickness and an average grade of 0.56 percent of copper and 0.01 percent of moly, and hole TR-81, with 283 meters thickness and an average grade of 0.4 percent of copper and 0.004 percent of moly. The best intercepts in the Breccia Pipe prospect include hole TR-74 with 342 meters thickness and an average grade of 0.53 percent of copper and 0.01 percent of moly, including 72 meters with 0.97 percent of copper. The adjusted calculation of NRM is 492 million tons with an average grade of 0.48 percent copper and 0.016 percent moly with a cutoff of 0.20 percent copper. In 2009, we plan to invest a minimum of US\$2.0 million to obtain definitive community permits and to conduct additional diamond drilling, metallurgical tests, geomechanical tests and quality assurance controls.

Hualgayoc is a silver, zinc and lead exploration project, with copper (moly-gold) potential, owned by Consolidada de Hualgayoc S.A., or Consolidada, which is owned 50 percent by Compañía Minera Colquirrumi S.A., our 99.99%-owned subsidiary, or Colquirrumi, and 50 percent by Goldfields La Cima S.A. operator of the project and a wholly-owned subsidiary of Gold Fields. Consisting of 11,728 hectares, the project is located in the Hualgayoc district, Cajamarca region, and commenced operations in March 2005 with exploration for copper, gold, zinc and lead ore. On February 24, 2005, Colquirrumi signed an agreement with Gold Fields to explore the Hualgayoc district, including certain areas within the Colquirrumi project. During 2005, Gold Fields invested US\$0.65 million to drill 2,474 meters in eight holes. Low grade copper-gold mineralization of porphyry style was found in the Cerro Jesús, Lola and Quijote areas. In 2006, Gold Fields invested US\$0.71 million to drill 1,941 meters in the San José and Lola areas. In 2007, Consolidada invested US\$1.4 million in 2,754 meters of diamond drilling from underground workings to generate silver, lead and zinc reserves and resources. Colquirrumi was focused on underground workings in the Cerro Jesus area, and Gold Fields was focused on surface exploration efforts centered on porphyry copper-gold targets in the Cuadratura and Titán Arabe areas. During 2008, Consolidada invested US\$1.1 million in 2,122 meters of diamond drilling in the Quijote prospect identified by Minera ABX Exploraciones S.A in 1996 for a potential of polymetallic mineralization surrounding the intrusive porphyry with potassic alteration. The drilling campaign failed to define extension of the mineralization. Hole 08CHQD-13 intercepts Manto I with 1.7 meter thickness and an average grade of 1.02 grams per ton of gold, 35.3 grams per ton of silver and 1.0 percent of lead. Consolidada also focused on efforts to negotiate access to the Titan-Arabe target. In 2009, Consolidada plans to invest US\$1.2 million in 4,20

Ccalla Arma. The Ccalla Arma project is a joint mining exploration project with Sumitomo, a subsidiary of Sumitomo Corporation of Japan. We signed a consortium agreement with Sumitomo Metal Mining Peru S.A. in December 2008, pursuant to which we have a 60 percent interest in the consortium and are responsible for its operation. The project encompasses 19,200 hectares of claims located in the Huancavelica region. During 2008, we conducted detailed mapping, sampling and geophysics. We and Sumitomo invested a total of US\$0.34 million. In 2009, we and Sumitomo plan to invest US\$0.79 million to conduct a 2,000-meter drilling campaign on the Yanaorcco prospect located in the northern portion of the project. The Yanaorcco prospect is a target for a concealed porphyry copper-gold type deposit.

El Faique. The El Faique project, previously known as El Papayo, is wholly-owned and operated by us. The project encompasses 51,541 hectares and is located in the Sechura desert of northern Peru in the Piura region. This project includes 3,200 hectares sold to us by Cedimin on April 4, 2006. During 2005, we invested US\$1.6 million to consolidate this project by acquiring property from third parties and by claiming new areas. The El Faique project consists of a deep massive sulfide deposit evidenced by diamond drilling 400 to 700 meters below the surface in the B5 gravimetric anomaly. This deposit contains a higher-grade mineralization of 7.91 million tons with 2.3 percent copper and significant traces of zinc and gold. In 2006, we invested US\$747,790 in gravimetric reinterpretation and hydrogeologic studies to determine ground water resources and in a community public relations campaign to address social and environmental issues related to the project. We obtained permits to conduct a drilling program in 2007 over geophysical anomaly A22, 52 km southeast of the B5, anomaly which was detected after gravimetric reinterpretation. In 2007, we drilled 753 meters in two holes in the A22 anomaly with disappointing results. We invested US\$0.8 million in 2007, mainly to obtain surface permits. In 2008, we invested US\$0.4 million to get access to the surface above the B5, A7 and A9 anomalies. We also abandoned 35,800 hectares of claims during 2008. In 2009, we plan to invest an additional \$0.4 million to continue our efforts to obtain surface permits and properties.

El Milagro. The El Milagro project is wholly-owned and operated by us. Consisting of 11,900 hectares located in the Ayacucho and Huancavelica regions, the project includes four prospective areas named El Milagro, Yuraccasa, Vizcachayoc and Titiminas. The project consists of polymetallic zinc, lead and silver-rich breccias and replacement bodies in the Jurassic limestones of the Pucara Formation. We have mining lease & option agreements with Complejo Minero Industrial S.R.L. and Sociedad Minera de Responsabilidad Limitada Tambo del Condor, owners of certain critical properties. We initiated negotiations with third parties in October 2008 to sell them our mining properties in the El Milagro project. All exploratory surface workings have been remediated. We returned the 900 hectares of claims leased for Consorcio Minero Industrial SRL and the 600 hectares of claims leased for Sociedad Minera de Responsabilidad Limitada Tambo del Condor at the end of 2008. We do not have plans to conduct any further work at this site in 2009 and plan to sell the property to third parties.

Llillinta. The Llillinta project was wholly-owned and operated by us. Consisting of 4,400 hectares, the project is located in the Huancavelica region northeast of El Milagro property. It consists of gold-enriched breccia bodies along the contact between Jurassic limestone of the Pucara Formation and Tertiary subvolcanic intrusive rocks. During 2007, we invested US\$0.8 million in the Titiccasa and Yaurillas areas, including 2,580 meters of diamond drilling. After disappointing first-pass drilling results, we do not plan to conduct further exploration efforts in this project.

Titiminas. The Titiminas project is the southern extension of El Milagro property and was wholly-owned and operated by us. Consisting of 600 hectares leased by SMRL Tambo del Condor, a local mining company, the project was located in the Ayacucho region and was previously exploited by informal miners. The project covers several narrow polymetallic veins, including Juanita and Zoila located within the red beds of the Casapalca Formation. We initiated first pass exploration in 2006. In 2007, we invested US\$0.3 million in trenching and mapping with the purpose of defining vein continuity. In 2008, we invested US\$0.5 million in 1,352 meters of diamond drilling in 10 holes to delineate the outcropping Juanita ore shoot, which measures 230 meters long by 1.6 meters wide and contains an average of 7.6 percent zinc, 3.0 percent lead and 1.5 ounces per ton of silver. We tested the lack of mineralization continuity at depth and decided to withdraw from this project. The claims were returned to the original owners in 2008. We do not plant to conduct further work on this project.

Huañacancha. The Huañacancha project is wholly-owned and operated by us. It consisted of 1,000 hectares in the southern portion of the Huancavelica region. The Antapite 59 claim (located 100 kilometers northwest of the Antapite gold mine) was occupied by informal local miners who dug several small adits over copper-enriched tourmaline breccia bodies and over a skarn layer along the contact between intrusive rocks of the Cretaceous Coastal Batholith and sedimentary rocks of the Yura Formation. We initiated exploration efforts at the end of 2007, spending US\$0.14 million to stop informal mining. In 2008, we invested US\$0.86 million in 3,320 meters of diamond drilling. We decided to transfer this mining property to the local mining company of Santo Domingo de Capillas that occupied and mined the claim prior to our exploration effort. The property was transferred in March 2009 and we do not plan to conduct any further field work in this project.

Luishaja. The Luishaja project is located in the Huancavelica region and was wholly-owned and operated by us. Consisting of 3,900 hectares, the project encompasses several polymetallic veins emplaced in a Tertiary volcanic terrain of Sacsaquero Formation. Trenches and channel sampling at surface over the veins show values up to 76 ounces per ton of silver, 7.0 percent of zinc, 10.2 percent of lead and also 5.3 grams per ton of gold. We conducted a preliminary geophysical survey with 12.8 kilometers across the vein system. During 2008 we invested a total of US\$0.3 million on exploration. We decided not conduct any further field work in this project in 2009.

Los Pircos. The Los Pircos project was originally a joint mining exploration project with Meridian Gold Company, or MDG. It consisted of 36,776 hectares, the project is located east of Chiclayo in the Western Cordillera of Cajamarca, approximately 690 kilometers northwest of the city of Lima. We discontinued exploration activities at this project during 2006. In May 2008, the property was transferred to Inversiones Troy S.A., a small mining and exploration company, which was the high bidder for this asset. We are conducting the remediation of the site, including waste dumps and other surface and underground workings created during exploration, in accordance with environmental permits granted by the Peruvian government. We plan to finish remediation works in mid 2009.

Huancavelica. The Huancavelica project was wholly-owned and operated by us. Consisting originally of 42,223 hectares, the project covered several prospects of the Huancavelica region. During 2003, the Pampa Andino prospect was separated from the Huancavelica project. In 2004, we invested US\$473,000 to evaluate several prospective areas, including the Cofradía, Yuracjasa, Dorita Sur and Llipina prospects. At the end of 2004, the Cofradía prospect was separated from the Huancavelica project, and at the end of 2005 and the beginning of 2006, the El Milagro and Tinyaclla projects were separated from the Huancavelica project. During 2007, we discontinued the Huancavelica project as a budgeted exploration project but evaluated several prospective areas in the region including Ccalla Arma, Llillinta and Titiminas projects. In 2008, we continued to evaluate new areas in the Huancavelica region, such as Luishaja and Huañacancha, to identify potentially economic polymetallic mineralization. Each of the Luishaja and Huañacancha projects will be described in this section. We abandoned several positions in this claim block and consolidated the remainder of this project into our generative exploration budget in 2008. The Terciopelo and Arcopunco prospects were included in the Huancavelica project until 2007, and since then, have been part of the generative exploration budget.

Tinyaclla. The Tinyaclla project was wholly-owned and operated by us and consisted of 2,576 hectares located northwest of Huancavelica city. We acquired the property from Inca Pacific S.A., or Inca Pacific, for US\$3.6 million in late 2005. The property was previously explored intensively for skarn mineralization by Inca Pacific and Rio Tinto Minera Peru Limitada S.A.C., or RTZ, which conducted a 6,341-meter diamond drilling campaign. We initiated exploration efforts in 1998 around the Rumimaqui area in the northern portion of the property to identify base-metal skarns. During 2006 we conducted a geophysical survey with 218 km of magnetic lines and 38 km of induced polarization electrical lines pursuant to which we conducted a 2,705-meter diamond drilling program over the Lucía and Talia breccia bodies. Exploration results were negative. We invested US\$4.47 million for this project in 2006, including the acquisition price for the property and 2,705 meters of diamond drilling. In 2007, we completed remediation work according to environmental permits granted by the government. In February 2008, the property was sold to Compañía Minera Milpo S.A.A., a mid-sized Peruvian metal base producer, for US\$1.8 million and the project is now known as Pucajaja. We do not maintain any interest in this property.

Pampa Andino. In May 2005, we acquired mining rights for the Pampa Andino project for US\$1.9 million. The Pampa Andino project consists of 9,000 consolidated hectares located 175 kilometers southeast of Lima, located on the border between the Ica and Huancavelica regions. The Pampa Andino project is a low-sulfidation epithermal vein system and is the outcome of a regional exploration program designed to focus on gold exploration in Huancavelica. During 2006, we invested US\$1.0 million and continued diamond drilling and extended underground workings by approximately 500 meters, with disappointing results. In 2007, we finished underground drilling to test continuity of Rosita vein at depth, with poor results. In January 2008, the property was leased to Inversiones Troy S.A., a small Peruvian mining and exploration company, which took control of the property in March 2008. During 2008, in accordance with environmental permits given by the Peruvian government we conducted environmental remediation of the site, including waste dumps generated during previous underground workings. We completed this work in December 2008 after investing US\$0.3 million.

Altiplano Peru. The Franja Sur project, renamed the Altiplano Peru project in 2004, is wholly-owned and operated by us. This generative project is located in the Apurimac, Arequipa, Cusco and Puno regions of volcanic rocks and carbonate terrains of south-eastern Peru. From 2006 to 2008, we continued our exploration activities in the periphery of the Trapiche project in the Apurimac region as well as in the Cusco, Puno and Arequipa regions, with a renewed effort to evaluate third-party properties that are structurally and geochemically anomalous. During 2009, conducted minor exploration activities in the Apurimac region.

Hueso Sur Project. The Hueso Sur project was a joint venture with ABX and was operated by us. The Hueso Sur project is located in the Huancavelica region, adjacent to the Minasnioc project and 25 km east of the Antapite mine. It consists of epithermal high sulfidation breccias and structures in volcaniclastic rocks of the Castrovirreyna formation. During 2006, we invested US\$0.36 million in this project to conduct a diamond drilling campaign, which returned negative results. We did not conduct additional exploration activities in this project in 2007 or 2008. In June 2008, we returned this property to ABX free of encumbrances and devoid of environmental liabilities.

Puquio. The Puquio generative project was a joint exploration project with Gold Fields that originally encompassed 18,073 hectares of hydrothermally altered and mineralized volcanic terrain in the Ayacucho region, 500 kilometers southeast of Lima. The project was operated by Gold Fields, which had a 60 percent effective participation. The joint exploration agreement was terminated in February 2006 and no further work has been completed on this project since then. Most of the land claimed has been abandoned.

Oyotún. The Oyotún project was wholly-owned and was operated by us until 2005. Consisting of 7,200 hectares, the project is located on a prospective area for exploration of massive sulfide and iron oxide deposits in the coastal zone of Piura, Lambayeque and La Libertad regions in northern Peru. In 2005, we invested US\$236,237 in geophysical surveys at the Sicán prospect, where we conducted a drilling campaign of 270 meters. Due to the lack of mineralization at this prospect, we do not intend to conduct additional field work. All claims elapsed in 2007 after two consecutive years without payment of tenure.

Cordillera Oriental. The Cordillera Oriental project was wholly-owned and operated by us. Consisting of 4,200 hectares, the project was located on three prospective areas in the eastern cordillera of Central Peru in the Pasco and Junín regions. These areas were identified after a regional stream sediment campaign was conducted by Instituto Geológico, Minero y Metalúrgico, or INGEMMET, in early 2004. In 2005, we invested US\$121,555 in the Cordillera Oriental project and identified and claimed mining properties over three mineralized areas. In 2006, we continued field work over the claimed prospects to define mineralization, however our explorations indicated uneconomic polymetallic deposits in all three areas. We have not conducted additional field work since 2006. We are evaluating properties owned by third parties for exploration in this region and will divest our properties. We do not have plans to conduct any further work at this site in 2009.

#### **Brownfield Exploration Projects**

Uchucchacua. The Uchucchacua brownfield exploration project is located in 12,579 hectares of our mining and exploration properties and was established in late 2004 and began operations in 2005. We are currently focusing our exploration on two prospects, Pozo Rico and Mallay. The Pozo Rico prospect is a silver-rich breccia pipe deposit with manganese, lead and zinc skarn. Ore reserves as of December 31, 2008 were 103,240 dry short tons, or DST, with an average grade of 16.4 ounces per ton of silver, 0.7 percent lead and 1.0 percent zinc. In 2006, we invested US\$2.86 million in 2,652 meters of underground development workings and 4,998 meters of diamond drilling. In 2007, we invested US\$0.89 million in additional underground development workings and diamond drilling on the Mercedes breccia pipe. In early 2008, the Pozo Rico mine advanced from the brownfields exploration stage to the production stage and commenced production in June 2008. From June to December 2008, Pozo Rico produced 48,767 DST of ore, with 14.1 ounces per ton of silver, 1.15 percent lead and 0.93 percent zinc, which was included in the production data for Uchucchacua for the year ended December 31, 2008.

The Anamaray-Jancapata prospect is another silver, lead and zinc-bearing set of breccias and veins in limestone. During 2006, we invested US\$0.34 million in 2,073 meters of diamond drilling and intercepted several ore-grade structures. In 2007, we invested US\$0.96 million in underground works and diamond drilling and recognized NRM of 185,823 DST at 2.54 ounces per ton of silver, 5.64 percent lead and 8.95 percent zinc. During 2008, we invested US\$1.01 million in 1,282 meters of underground exploration works and 616.0 meters of diamond drilling. In 2009, exploration efforts will be focused in areas near Pozo Rico. Estimated investment for 2009 in the Anamaray-Jancapata prospect is US\$0.21 million.

The Mallay prospect consists of 2,250 hectares leased for 20 years and optioned for four years. On August 8, 2007, we exercised this option and on September 20, 2007 Minera Los Rios S.R.L. transferred all of the mining rights for the Mallay prospect to us by public deed. We have paid US\$1.05 million of the US\$1.25 million total transaction price and will pay the remaining US\$0.2 million in January 2010. Exploration activities during 2006 included about 36,000 meters of geophysical surveys, 1,863 meters of diamond drilling and 1,839 meters of underground workings for an aggregate investment of US\$1.92 million. We estimate NRM of 317,090 DST at an average grade of 7.6 percent zinc, 4.9 percent lead and 5.6 ounces per ton silver in massive sulfide and skarn deposits. In 2007, underground exploration works were primarily focused in Manto Isguiz and Jumasha limestone. We have estimated NRM of 475,755 DST with 6.2 ounces per ton silver, 4.3 percent lead, 7.2 percent zinc and invested US\$4.7 million. During 2008, we invested US\$8.18 million in 4,339 meters of underground exploration workings, 9,220 meters of diamond drilling and environmental permits. We have estimated NRM of 540,000 DST, with 6.13 ounces per ton of silver, 0.022 ounces per ton of gold, 4.22 percent lead and 6.74 percent zinc. Gold was discovered in the Pierina vein inside the Jumasha limestone. In 2009, we are planning to increase underground exploration in the Jumasha limestone veins, which we intend to complement with diamond drilling. In 2009, we are planning to increase underground exploration in the Jumasha limestone veins, which we are going to complement with diamond drilling. Estimated investment for 2009 in the Mallay prospect is US\$6.43 million.

Orcopampa. Brownfield exploration at the Layo deposit was encouraging during 2005. Diamond drill tests carried out in the northern sector intercepted three mineralized structures: the first with a 0.8 meter thickness and 12.5 ounces per DST of gold, 0.7 ounces per DST of silver and traces of copper; the second with a 0.5 meter thickness with 0.03 ounces per DST of gold, 18.3 ounces per DST of silver and 4.5 percent copper; and the third with a 0.8 meter thickness with 0.6 ounces per DST of gold, 21.7 ounces per DST of silver and 3.4 percent copper. New reserves found during initial workings in 2005 were 20,875 DST with 0.3 ounces per DST of gold, 2.5 ounces per DST of silver and 0.3 percent copper. Metallurgical tests of diamond drill cores suggest that the Layo mineralization is apt for gravity and flotation treatment. Bulk samples were sent for metallurgical assaying obtaining concentrates with a high grade of silver, gold and copper with recoveries ranging between 80 percent and 90 percent. Metallurgical research will continue to establish optimum operational parameters for the flotation circuit at Orcopampa's concentration plant which is currently available for use and rated to treat up to 1,200 DST per day, although the crushing and the milling processes require adaptation. In 2005, we invested US\$2.2 million in the Layo prospect. During 2006 we invested an additional US\$1.6 million in underground exploration workings and 1,545 meters of diamond drilling. In 2007, we invested an additional US\$1.6 million in underground exploration workings and diamond drilling in the Layo Norte prospect, but decided to stop exploration activities because of poor results. Our expenditures in 2007 included costs associated with closing the Layo Norte prospect.

In addition, during 2007 we invested US\$0.34 million in surface geological exploration of the Manto Norte, Chipmo Sureste and Umachulco prospects. During 2008, we invested US\$1.54 million in the Orcopampa brownfields area to conduct geophysical surveys, geological mapping, trenching and geochemical sampling in Mulañan-Calera NE, Pucay, Jechalle, Pucaylla, Pariguanas and Mamahuasi. In 2009, we will conduct a diamond drilling program in areas based on geological surveys carried out during 2008. Estimated investment for 2009 is US\$3.57 million.

Julcani–Recuperada. In view of the encouraging results obtained at Julcani from the exploration work conducted on the Acchilla dome veins, we plan to explore other structures in the Condoray and Taype domes, as well as in the area between these two domes and Acchilla. For most of 2007, we concentrated our exploration efforts on the Tablapampa prospect area, drilling diamond holes and searching for zinc-lead-silver ore bodies in Pucará limestone, with poor results. In December 2007, we began exploring an area between Acchilla and the old Mimosa mine. We had positive results, with indications that silver mineralized veins extend across Acchilla to the Mimosa mine. During 2007, we invested US\$0.40 million on exploration of the Estela mine area in veins related to the Magdalena and Maria Jesús veins and located some vein lengths with high grade silver-gold mineralization. During 2008, we invested US\$1.73 million in the Estela area, mainly in underground workings and diamond drilling. We have estimated ore reserves of 49,030 DST, with 20.9 ounces per ton of silver, 0.118 ounces per ton of gold, 0.8 percent lead, 0.20 percent zinc and 1.21 percent copper. In addition, we have continued to conduct geological mapping in Pampa Castilla. In 2009, we will continue exploration through underground works in the Estela mine area and diamond drilling at depth in both Pampa Catilla and the Estela area. Estimated investment for 2009 in the Julcani-Recuperada area is US\$2.02 million.

Exploration activities in the Recuperada region focused on the Esperanza area to search for new reserves to justify resuming mining operations. As of December 31, 2005, we calculated 143,190 DST of mineralization out of reserves with 10.4 ounces per DST of silver, 2.8 percent lead and 5.0 percent zinc. Additionally, we estimated 94,905 DST with 6.2 ounces per DST of silver, 6.8 percent lead and 4.9 percent zinc in other areas, totaling 238,095 DST with 8.7 ounces per DST silver, 4.4 percent lead and 4.9 percent zinc. Mineralization located in areas currently inaccessible in the lower sections of the Teresita mine was estimated in the order of 605,185 DST, with 2.8 ounces per DST of silver, 5.9 percent lead and 8.2 percent zinc. From these, 190,835 DST is proven and probable ore reserves and 414,350 DST is NRM indicated by drill holes. In the Hallazgo area, we are exploring a group of veins with silver, lead and zinc mineralization. Remnants of old mine workings in the areas of Carhuancho, together with information on the mining activity of this particular area in colonial times, appear to make Recuperada's brownfield exploration a target worth studying and exploring. During 2006, we invested US\$0.20 million in 523 meters of diamond drilling in the Hallazgo area and other exploration activities. In 2007, we invested US\$0.19 million on underground explorations and diamond drilling with poor results. Hallazgo exploration activities were stopped until we received environmental permits in August 2008. We invested US\$0.28 million in 278 meters of underground workings, 85 meters of diamond drilling and environmental studies in 2008. In 2009, we will continue exploration works at the 620 level to intercept the Gianina vein.

Shila-Paula. The Shila-Paula brownfield exploration is focused on several areas surrounding actual operating units such as Ampato, Paula Brownfield, Puncuhuayco-Ticlla, Tocracancha and other projects. In 2005, we invested US\$0.77 million to conduct trenching and diamond drilling in the Ampato and Tocracancha prospects. The Ampato prospect is located northwest of the Shila-Paula mine. The Angela vein in the Ampato prospect shows gold and silver values up to 130 grams per ton and 128 grams per ton respectively. In the Puncuhuayco-Ticlla prospect, the Teresa vein shows gold and silver values up to 18.8 grams per ton and 706 grams per ton, respectively, as well as base metal contents. In Paula Brownfield, we are conducting a 1,050 meter diamond drilling campaign. In Tocracancha, we conducted 1,607 meters of diamond drilling with poor results, and accordingly, this prospect was discarded because of irregular continuity of metal content in the veins. In 2006, we invested US\$1.72 million in complementary surface workings in the Ampato prospect and diamond drilling near the Paula mine. In 2007, we invested US\$0.86 million, mainly in surface geological mapping on 41,185 hectares of the Escribano, Tocracancha, Desamparados—Ampato, Paque, Llavenayoc, Sihuincha, Rio Colca, Choco and Tuyumina prospects. During 2008, we invested US\$1.77 million on 1,369 meters of underground workings and 1,508 meters of diamond drilling in the Ampato prospect. We have also completed geological surveys and diamond drilling in the Escribano prospect, which has yet to provide any promising leads on potential ore deposits. Estimated investment for 2009 is US\$0.80 million in the Paula-Madrigal, Tuyumina and Escribano prospects.

Poracota. The Poracota mining exploration project, in which we acquired a 100 percent interest, is currently operated by the Orcopampa team. The Poracota project encompasses 6,674 hectares owned by Minas Poracota S.A., our wholly-owned subsidiary, and is located 20 kilometers west of the Orcopampa mine in southern Peru. The epithermal high sulfidation system is comprised of two main areas, Huamanihuayta and Perseverancia. During 2003 and 2004, the drilling campaign in the Huamanihuayta area confirmed vertical ore shoots in two sub-horizontal structures, Manto Dorado and Manto Aguila, with an average thickness of 5 to 6 meters each. The Manto Dorado structures included NRM of 693,785 metric tons at 10.6 grams per ton of gold with an average thickness of 6.0 meters and the Manto Aguila structure included NRM of 801,687 metric tons at 10.0 grams per ton of gold with an average thickness of 5.2 meters. In 2004, we invested US\$2.45 million in 967 meters of underground workings and a 5,250-meter diamond drilling campaign. In addition, we invested US\$2.95 million for the construction of a 30.5-kilometer gravel road to connect the Poracota project to the Orcopampa mine. In 2005, we advanced our exploration efforts with 1,688 meters of underground workings and 6,369 meters of diamond drilling, in addition to conducting metallurgical tests. We are preparing scoping studies based on an updated ore reserve calculation. Currently, the Poracota project is centered on mine development at depth, bulk flotation tests at the Orcopampa mine and permitting to begin mine production. In 2007, we invested US\$11.6 million to conduct underground exploration and geological surveys. We have estimated ore reserves of 542,806 DST at 11.2 grams per ton of gold and mineral out of reserves of 333,104 DST at 6.9 grams per ton of gold. During 2008, we invested US\$1.10 million in brownfield exploration, mainly in diamond drilling at Poracota Oeste (West Huamanihuayta and Perseverancia projects). The drill cores show some lengths with strong silicification of rocks and crossed veinlets filled of pyrite and vuggy silica with low grades of gold and silver, which suggests probable mineralization activity at depth. In 2009, we will continue the diamond drilling exploration program at depth in the Huamanihuayta Oeste and Perseverancia area with an estimated investment of US\$1.2 million.

Soras. The Soras project is wholly-owned by us and located adjacent to the Poracota project. The Soras project encompasses 22,323 hectares of hydrothermally altered and mineralized volcanic terrain in the Arequipa region. In 2004 and 2005, we identified two main mineralized structures, the Soraya and Soraya 1 veins, with surface ore grades of up to 26 grams per ton of gold. First-pass drilling identified two narrow veins with grades of 16 and 36 grams per ton of gold with an average of 5.9 ounces of silver and 3.8 percent copper. In 2006, we initiated underground workings and additional drilling to contour mineralization and generate new ore reserves. The Soraya vein system has been intercepted in the 4,720 crosscut with narrow, high grade, northeast-trending pyritic enargite veins. Both the Soras and Poracota mining exploration projects have been transferred to the Orcopampa operation, which will manage future mine development and exploration.

Hatun Orcco. Prior to 2005, the Hatun Orcco project was wholly-owned and operated by us. Consisting of 20,700 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 gold exploration in Huancavelica. Epithermal veins, located in the Hatun Orcco Norte, Hatun Orcco Sur and Karla prospects, have sporadic high-grade gold and silver geochemical anomalies. During 2003, our exploration efforts included a US\$1.1 million investment in an underground exploration program of 1,276 meters to test for grade continuity along the Mercedes and Capicúa veins in the Hatun Orcco Sur prospect. The results confirmed NRM of 16,330 metric tons at 16.9 grams per ton of gold and 6.6 ounces per ton of silver with an average width of 1.1 meters. In 2004, we continued our exploration efforts, investing US\$1.2 million in 1,703 meters of tunneling and 1,710 meters of diamond drilling in the Hatun Orcco Sur prospect. In March 2005, we decided to lease the land and mineral rights of the Hatun Orcco project to Inminsur, which will operate this as a brownfield project going forward due to the proximity to the Antapite mine and mill area. We do not intend to continue any exploration work on this project.

Ayamarca. The Ayamarca project is wholly owned and operated by us, consisting of 1,600 hectares on the Antapite 11 and Antapite 12 claims. Located between 2 to 5 kilometers southwest from the Zorro Rojo gold vein, the main mineralized structure of the Antapite mine. Exploration works discovered several interesting outcrops of mineralized structures in eocene-oligocene volcanoclastic rocks. During 2008, we conducted surface explorations, geological mapping, sampling and diamond drilling for an investment of US\$0.65 million. In 2009, we will conduct underground works on the Rebeca, Rocio, Consuelo and other veins, as well as continue an intense diamond drilling plan. Estimated investment for 2009 is US\$2.65 million.

### Competition

We believe that competition in the metals market is based primarily upon cost. We compete 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

All of our metal production is sold to smelters, traders and banks, either in concentrate or metal form, such as gold-silver concentrate, silver-lead concentrate, zinc concentrate, lead-gold-copper concentrate and gold and silver bullion. Our concentrates sales are made under one to 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 agreed contractual 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 our average annual gold and silver prices per ounce for each of the last five years are set forth below:

	Gold		Silver	
	Average Annual Our Average Market Price Annual Price <sup>(1)</sup>		Average Annual Market Price	Our Average Annual Price <sup>(1)</sup>
	US\$/oz. (2)	US\$/oz.	US\$/oz. <sup>(3)</sup>	US\$/oz.
2004	409.21	373.78	6.65	6.51
2005	444.88	359.75	7.31	7.38
2006	604.34	354.98	11.57	11.92
2007	696.66	684.59	13.39	13.37
2008	871.71	872.21	15.02	14.26
2009 (through March 31, 2009)	908.71	916.57	12.61	12.64

- (1) Our average annual price includes only the consolidated average annual price from the Julcani, Uchucchacua, Orcopampa, Antapite, Recuperada, Colquijirca, Marcapunta, Ishihuinca and Shila 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.

Most of the sales contracts we enter into with our customers state a specific amount of metal or concentrate the customer will purchase. We have sales commitments from various parties for virtually all of our estimated 2009 production; however, concentrates not sold under any of our contracts may be sold on a spot sale basis to merchants and consumers.

Sales and Markets

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

	Year er	Year ended December 31 <sup>(1)</sup>		
Product	2006	2007	2008	
	(In the	(In thousands of US\$)		
Gold	147,420	286,841	361,689	
Silver	228,987	223,760	235,554	
Lead	48,268	114,650	70,353	
Zinc	202,735	242,896	148,353	
Copper	692	4,431	44,801	

(1) Does not include refinery charges and penalties incurred in 2008, 2007 and 2006 of US\$133,502, US\$136,820 and US\$105,549, respectively.

We sold our concentrates to 22 customers in 2008. Approximately 46 percent, 53 percent and 53 percent of our concentrate sales in 2006, 2007 and 2008, respectively, were sold outside Peru. Set forth below is a table that shows the percentage of sales of concentrate from our mines and gold bullion that were sold to our various customers from 2006 to 2008.

Percentage	of $C$	oncentrates an	d Gold	Bullion	Sales
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	2006	2007	2008
Export Sales:			
Johnson Matthey Limited	1.99%	21.52%	11.68%
Glencore International AG	11.58	4.78	0.91
Trafigura Beheer BV	_	3.65	0.95
N.V. Umicore SA	3.09	2.84	0.04
Transamine Trading SA	2.33	0.91	0.94
J.P. Morgan Chase Bank	3.97	5.12	15.15
Macquarie Bank Limited	4.47	_	_
Mitsui & Co. Precious Metals Inc.	11.38	5.08	2.48
J Aron & Company	5.23	3.41	8.83
BHL Resources Limited INC	1.82	_	_
Lois Dreyfus Commodities Metal Suisse SA	_	0.92	2.09
Nyrstar Belgium SA/NV	-	0.64	_
Euromin SA	_	0.87	0.52
Met-Mex Peñoles SA de CV	_	1.42	0.74
Barclays Bank PLC	_	1.39	5.86
Traxxys North America LLC	-	_	1.27
Korea Zinc Company Ltd.	_	-	1.02
Mintrade Ltd.	<del>_</del>	<u> </u>	0.29
Total Export Sales	45.86%	52.55%	52.77%
Domestic Sales:			
Doe Run Perú SRL	14.15	13.44	15.00
Consorcio Minero SA	17.13	10.11	12.37
BHL Peru SAC	14.29	6.89	0.26
Votorantim Metais – Cajamarquilla SA	5.10	4.79	3.24
Sudamericana Trading SRL	0.98	1.95	2.54
Ays SA	2.49	9.06	10.00
MK Metal Trading Perú SAC	_	1.21	3.82
Total Domestic Sales	54.14%	47.45%	47.23%
Total Sales	100%	100%	100%

The following table sets forth the key terms of our sales contracts for the delivery of silver-lead, gold-silver and zinc concentrates from 2008 to 2011:

			Wet metric	Delivery period	
Buyer	Concentrate	Dated	Tons	From	To
AYS S.A.	Recuperada's Silver-Lead	February 2008	4,000	February 2008	December 2008
AYS S.A.	Recuperada's Silver-Lead	April 2009	1,350	April 2009	December 2009
AYS S.A.	Recuperada's Zinc	February 2008	6,000	February 2008	December 2008
AYS S.A.	Recuperada's Zinc	March 2009	3,000	March 2009	December 2009
AYS S.A.	Uchucchacua's Silver-Lead	January 2007	42,000	January 2007	December 2009
AYS S.A.	Uchucchacua's Zinc	February 2008	15,000	February 2008	December 2010
AYS S.A.	Uchucchacua's Zinc	February 2009	10,000	February 2009	December 2010
Brocal	Poracota's Gold-Silver	March 2009	10,000	March 2009	December 2009
Consorcio Minero S.A.	Caraveli's Copper-Gold	January 2008	800	January 2008	December 2008
Consorcio Minero S.A.	Julcani's Silver-Lead	February 2008	3,000	February 2008	December 2009
Consorcio Minero S.A.	Poracota's Gold-Silver	March 2009	7,000	March 2009	December 2009
Consorcio Minero S.A.	Uchucchacua's Lead-M	August 2008	1,600	August 2008	November 2008
Consorcio Minero S.A.	Uchucchacua's Silver-Lead	February 2008	10,000	February 2008	December 2009
Consorcio Minero S.A.	Uchucchacua's Zinc	January 2008	30,000	January 2008	December 2009
Consorcio Minero S.A.	Uchucchacua's Zinc	April 2008	15,000	April 2008	December 2009
Consorcio Minero S.A.	Uchucchacua's Zinc	November 2008	13,000	November 2008	December 2009
Doe Run S.R.L	Julcani's Silver-Lead	February 2008	5,000	February 2008	December 2009
Doe Run S.R.L	Uchucchacua's Silver-Lead	January 2008	36,000	January 2008	December 2009
MK Metal Trading AG	Poracota's Gold-Silver	January 2008	15,500	January 2008	December 2008
MK Metal Trading AG	Poracota's Gold-Silver	April 2009	12,000	April 2009	December 2009
MRI Trading AG	Poracota's Gold-Silver	April 2009	2,900	April 2009	December 2009
Transamine Trading S.A.	Poracota's Gold-Silver	May 2008	6,000	May 2008	April 2009
N.V. UMICORE SA	Uchucchacua's Silver-Lead	April 2009	3,000	April 2009	May 2009

Note: The price of the concentrate supplied under the contract is based on specified market quotations minus deductions.

We also sell refined gold, which is derived from our operations at Orcopampa, Shila-Paula, Antapite and Ishihuinca and processed at a local smelter in Lima, to Johnson Matthey Public Limited Company, or Johnson Matthey, which further refines the gold. Under the terms of the Johnson Matthey sales contract, we supplied Johnson Matthey, at our option, with gold assaying in excess of 75 percent gold and approximately 20 percent silver, monthly from January 1, 2008 to December 31, 2008. 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 we may elect to have our material toll refined at Johnson Matthey's Brampton, Canada works and returned to our account for sale to third parties. Under the terms of the contract, we are responsible for delivering the gold to Johnson Matthey's designated flight at the Lima airport.

In February 2008, BHL Peru S.A., or BHL, an international trader that had been our client for more than 10 years, entered into default due to the imbalance produced between BHL's buying and selling contracts due to increases in lead and zinc treatment charges, and the cancellation of deliveries from their counterparties in China. In order to settle this difference, we had to assume a loss of US\$5.4 million.

#### Hedging/Normal Sales Contracts

In October 2004, our Board of Directors issued a mandate not to enter into new hedging transactions. At December 31, 2005, we were engaged in gold price hedging activities, such as forward sales and put/call options, from derivative contracts executed prior to 1999. Since 2003, we modified the terms of certain derivative instruments in order to qualify them as normal sales contracts. In March 2006, we closed out all our outstanding gold derivative contracts as of December 31, 2005 and replaced them with normal sales contracts. On January 15, 2007, we modified the schedule of commitments for gold with two of our clients. As a consequence of this modification, we transferred 208,000 and 108,000 gold ounces that had been committed for sale in 2007 and 2008, respectively, and committed them for sale in 2012 instead, without any cash disbursement. In March and May 2007, we negotiated with several counterparties to eliminate the fixed or maximum price component on determined commitments for a total of 971,000 gold ounces scheduled for delivery from 2008 to 2012, which required us to make aggregate payments of US\$315.69 million. Additionally, in January and February 2008, we negotiated with several counterparties to eliminate the fixed or maximum price component on all of our outstanding gold commitments, representing a total of 922,000 gold ounces, which required us to make aggregate payments of US\$517.15 million. As a result, we are completely unhedged and we are fully exposed to the effects of changes in prevailing market prices of gold, silver and copper. See "Item 3. Key Information—Risk Factors—Factors Relating to the Company—Prices of Gold, Silver and Copper."

Yanacocha and Cerro Verde have not engaged in, and are currently not engaged in, gold or copper price hedging activities, such as forward sales or option contracts, to minimize their respective exposures to fluctuations in the price of gold and copper.

### 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 individual landowners. Our right to explore, 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 approved by Supreme Decree 014-92-EM), which is administered by the MEM.

Prior to 1991, in order to obtain a mining concession, a prospective claimant filed a mining claim with the MEM and obtained from it a provisional permit to explore 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*, or 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 the areas claimed. The application filed is known as *petitorio*. 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 the area claimed. Effective December 21, 2007, applications for mining concessions must be filed with INGEMMET.

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, the Mining Properties Mapping Law was enacted in May 1996. 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*, 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, INGEMMET publishes such provisional UTM Coordinates in *El Peruano*, requesting that any objections to such provisional permit be made to the INGEMMET 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 granted since October 11, 2008 have an indefinite term, subject to (a) payment of an annual concession fee of US\$3 per hectare claimed and (b) since 2009, as provided in Legislative Decrees Nos. 1010 and 1054, achieving a minimum annual production of one Tax Unit (*Unidad Impositiva Tributaria*), or approximately US\$1,140, per hectare with respect to metallic resources, and ten percent of one Tax Unit, or approximately US\$114 with respect to non-metallic resources. In case such minimum annual production is not achieved before the expiration of the tenth year counted from the year following the year in which the title of the concession was granted, holders of mining concessions shall pay an annual fine amounting to 10% of the minimum annual production per hectare, payable starting in the eleventh year counted from the year following the year in which the title of the concession was granted until the year in which such minimum annual production is achieved.

If failure to achieve minimum production continues until the end of the fifteenth year since the title of the concession was granted, the concession will be cancelled. The penalty shall be paid in addition to the annual concession fee and is payable when such annual concession fee is due. However, such fifteen-year term can be extended for up to five additional years if the failure is due to force majeure, acts of God events or any reason not imputable to the concessionaire, duly demonstrated and approved by the relevant authority. The cancellation may also be avoided by paying the penalty and demonstrating investments in the mining rights during the previous year of amounts more than ten times greater than the fine to be paid. Such investments can be made in mining activities, infrastructure for the public use or in any of the matters listed in Article 4 of Supreme Decree No. 054-2008-EM. If the failure to achieve minimum production remains after the twentieth year counted from the year following the year in which the title of the concession was granted, the concession will be cancelled.

In order to calculate the production of and investment in each mining right, the titleholder may create an operating unit, or *Unidad Económica Administrativa*, provided the mining rights are all within a radius of five kilometers. If, in any year, the concession fee is not paid, payment may be made the following year within the term provided for making such payment. Any payment made will be applied to the prior year if such prior year was not paid. Failure to pay such concession fees or fines for two years, whether consecutive or not, could result in the loss of one or more of the mining rights. However, mining and processing concessions will not lapse if the administrative authority failed to issue a resolution declaring the termination of the concession within the first five years following the date on which such payment failure occurred. 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 us 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 the General Mining Law and of Supreme Decree No. 010-2002-EM, effective since March 10, 2002. Provisions related to the procedure for cancelling a mining concession due to failure to pay concession fees or fines have been amended by Supreme Decree No. 045-2007-EM and No. 046-2008-EM. We paid approximately US\$3.2 million, US\$3.5 million and US\$3.2 million in fees for mining rights and approximately US\$7,190, US\$8,550 and US\$7,832 in fees for processing concessions for the years ended December 31, 2006, 2007 and 2008, respectively, and are current in the payment of all amounts due in respect of our mining rights and processing concessions.

However, pursuant to the provisions of Supreme Decree No. 054-2008-EM, in the case of mining concessions that had already been granted on October 10, 2008, when the Supreme Decree was published, the terms to achieve the minimum annual production above mentioned shall be counted since the first business day of 2009. Until such terms counted since the first business day of 2009 do not expire, the provisions in force prior to the date where Legislative Decrees Nos. 1010 and 1054 became effective, that is, the provisions applicable on December 31, 2008, related to terms and conditions to start production, determination of the amount to be paid as penalty, when the holder of a concession has incurred in an event in which a concession can be cancelled, and any related matter, will continue being applied. That is, the annual fine if a minimum annual production of US\$100 per hectare, with respect to metallic resources, is not achieved before the expiration of the sixth year of tenure, counted from the year in which the title of the concession was granted, amounting to US\$6 per hectare, will be payable starting in the seventh year following the year in which the title of the concession was granted until the year in which the title of the concession was granted, would result in a US\$20 per hectare penalty starting in the twelfth year counted since the year in which the title of the concession was granted until fifteenth year since the title of the concession was granted. Likewise, until the terms contemplated in Legislative Decrees Nos. 1010 and 1054, counted since the first business day of 2009, do not expire, the minimum annual production will continue being US\$100 per hectare, with respect to metallic resources.

As of May 31, 2009, we owned and administered, directly and indirectly, through subsidiaries or in conjunction with joint venture partners, approximately 892,678 hectares devoted to mineral exploration and mining operations. Mining rights and processing concessions are in full force and effect under applicable Peruvian laws. We believe that we are in compliance with all material terms and requirements applicable to the mining rights and processing concessions and that we are not subject to any condition, occurrence or event that would cause the revocation, cancellation, lapse, expiration or termination thereof, except that we 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 our business. The principal mining rights and processing concessions are (i) with respect to our mines, new applications (*petitorios*) filed for mining concessions at Julcani, Uchucchacua, Orcopampa, Colquijirca, Ishihuinca, Antapite, Recuperada and Shila-Paula; and (ii) with respect to our current exploration projects, new applications filed for mining concessions, the provisional pre-1991 permits and the mining concessions for the Tantahuatay, El Milagro, Trapiche, Breapampa and El Faique projects. The principal processing concessions are the processing concessions of the concentrators at Julcani, Uchucchacua, Orcopampa, Colquijirca, Ishihuinca, Antapite, Recuperada and Shila-Paula.

Both mining concessions and provisional permits claimed before 1991 conferred on their holders the right to mine underground ore reserves, 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 to establish an easement upon such surface for mining purposes pursuant to General Mining Law. However, Law No. 26505 has been abrogated by Legislative Decree No. 1064, and therefore, Law No. 26570 and the regulations to Article 7 of Law No. 26505, contained in Supreme Decree 017-96-AG, as amended by Supreme Decree No. 015-2003-AG, have also been abrogated. Legislative Decree No. 1064 complicates negotiations between mining operators deal and owners of the surface land, because any agreement between the parties shall be negotiated under general contracting rules and not under the special rules that were abrogated by Legislative Decree No. 1064. We have been actively seeking to acquire land surface or obtain easements to land containing prospective geological exploration target sites, deposits that can be exploited in the future or areas that would be considered for plant or facility sites.

On December 19, 1998, Special 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, effective as of November 25, 2001 (Law No. 27015 as amended by Law No. 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 abrogated and replaced by Supreme Decree No. 008-2002-EM, effective since February 22, 2002, or the Regulations, which in turn was amended by Supreme Decree No. 041-2007-EM, effective as of July 26, 2007. Under the Urban Mining Concessions Law, metallic or non-metallic mining concessions will be granted in areas that have been or are designated as urban areas by municipal ordinances issued by the provincial municipality 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. This Supreme Decree was abrogated by Article 2 of Supreme Decree No. 027-2003-Vivienda, published on October 6, 2003. Article 1 of the same Supreme Decree approved the new Regulations for the Territorial Conditioning, Urban Development and Environment currently in effect.

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 of the Ministry of Energy and Mines. The issuance of a Ministerial Resolution requires the receipt of a resolution of the Council of 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 for like terms 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.

Law No. 28964, which became effective on January 25, 2007, abrogated Law No. 27474, the purpose of which was to ensure that mining, power and hydrocarbon obligations are audited by auditing companies duly registered with the MEM. Law No. 28964 created the *Organismo Supervisor de la Inversión en Energía y Mineria (OSINERGMIN)* as the government agency in charge of regulating and auditing the electricity, hydrocarbon and mining activities of companies. Law No. 28964 provides that overview and audit of activities related to the environment, mining safety and health regulations may be performed by companies duly certified and approved by OSINERGMIN.

#### **Environmental Matters**

On September 8, 1990, Peru enacted the nation's first environmental regulation, codified in Legislative Decree 613. 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 discharges into bodies of water and the atmosphere, explorations activities and tailings management, among other requirements. As of 1998, environmental quality standards enforceable for all economic activities have to be in line with the provisions set forth by Supreme Decree No. 044-98-PCM, which was abrogated and replaced by Supreme Decree No. 033-2007-PCM, effective as of March 6, 2007. In 2005, the General Environmental Law (Law No. 28611) was passed, revoking Legislative Decree 613 and incorporating a number of environmental management guidelines relating mainly to emissions standards. Pursuant to Law No. 28817, the National Environmental Authority has until July 22, 2008 to approve the environmental emission standards and the maximum permissible levels of emission following the procedure contemplated in Supreme Decree No. 033-2007-PCM.

Under the legal framework of Legislative Decree 613, the Peruvian government issued Supreme Decree No. 016-93-EM approving the Regulations of Title Fifteenth of the General Mining Law, Regulations for Environmental Protection of the Mining and Metallurgical Activities, as amended and supplemented by Supreme Decrees Nos. 059-93-EM, 029-99-EM and 022-2002-EM, and Supreme Decree No. 046-2001-EM containing the Safety and Hygienic Regulations for Mining Activities, as amended by Supreme Decree No. 018-2003-EM and Supreme Decree No. 046-2005-EM. On April 2, 2008 Supreme Decree No. 020-2008-EM, approving new Environmental Regulations for Mining Exploration Activities, became effective, abrogating Supreme Decree No. 038-98-EM and Supreme Decree No. 014-2007-EM. Holders of mining concessions, whether or not in urban areas or urban expansion areas, that want to develop mining exploration activities must comply with the provisions of such new regulations as well as those applicable provisions set forth in Supreme Decree No. 016-93-EM, as amended and supplemented by Supreme Decrees Nos. 059-93-EM, 029-99-EM and 022-2002-EM, as well as 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, as amended by Supreme Decree No. 018-2003-EM effective May 31, 2003 and Supreme Decree No. 046-2005-EM, effective as of October 30, 2005. Supreme Decree No. 016-93-EM and the Safety and Hygienic Regulations for Mining Activities set forth in Supreme Decree No. 046-2001-EM as amended are also applicable to exploitation activities. Failure to comply with the provisions of the aforementioned regulations may be punished with a fine or by the temporary suspension of mining activities. In the event of continuing non-compliance, the mining concession may be revoked.

The MEM approves environmental studies and sets specific environmental standards. In particular, the MEM has established standards for emissions or discharges of liquid and gas effluents. Supervision of environmental commitments compliance is performed by OSINERGMIN, the body in charge of overseeing investment in the mining and hydrocarbon sectors. OSINERGMIN has the authority to carry out unexpected audits and fine companies if they fail to comply with prescribed environmental standards.

The MEM has issued regulations that establish maximum permissible levels of (i) emissions of liquid effluents and (ii) elements and compounds present in gaseous emissions resulting from the mining activities approved by Ministerial Resolution No. 011/96-EM/VMM and Ministerial Resolution No. 315-96-EM-VMM, respectively.

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 Programs, or PAMAs) to comply with more stringent maximum permissible levels. Under Peruvian environmental regulations passed in 1993, a company that initiated operations prior to May 2, 1993, as is the case for us and most of our affiliated companies, was required to file with the Peruvian government an *Evaluación Ambiental Preliminar* (Preliminary Environmental Evaluation, or EVAP) for each of its mining units to disclose any pollution problems in its operations and, thereafter, to submit a follow-up PAMA aimed at implementing measures in order to solve problems identified in the EVAP. Companies must correct the pollution problems relating to their mining activities within five years, while smelters must comply within ten years. 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 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 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 liquid effluents from the initiation of their operations.

Many of our mining rights and processing plants were in operation prior to May 2, 1993, and we are in substantial compliance with the maximum permissible levels. EVAPs for Julcani, Uchucchacua, Orcopampa, Recuperada, Ishihuinca and Shila were all accepted between August and September 1995. Between November 2002 and April 2003, the MEM approved and verified the PAMAs for all these entities, issuing and approving resolution for each respective mining unit. The EISs for Paula, Antapite, Esperanza, Poracota and Pozo Rico were approved in 2001, 2001, 2006, 2007 and 2008, respectively.

EISs for capacity expansion at the Orcopampa, Uchucchacua and Antapite mines were approved in 2004, 2006 and 2008, respectively.

The MEM approved the EISs for the Huancarama-Chipmo-Poracota and La Zanja transmission lines and their substations in 2006 and 2008, respectively. This connection to the national grid should result in lower energy costs.

In 2008, the Company presented the EISs for the La Zanga, Mallay, Tantahuatay and Angélica Rublo projects and the EIS of Esperanza to the MEM for its approval. To date, these studies are still being evaluated by the MEM.

Before 1998, there were no regulations for mining explorations before 1998. DS No 038-98-EM-VMM, Reglamento de Exploración Minera (Law that regulates the Mining Explorations) was published in 1998, establishing the obligation to have an exploration permit. This law classified explorations into 3 categories: A, B and C. Only categories B (Sworn Declaration or SD) and C (Environmental Assessment or EA) required approval by the MEM. In 2008, DS No 038-98-EM-VMM was modified by the DS 020-2008-EM. Since then, the SD became the Environmental Impact Declaration (EID) and the EA became the Semi-detailed Environmental Impact Study (EISsd), which incorporates technical, environmental and social matters. The commitments assumed by mining companies in their EID, EISsd and EIS are mandatory; if there are not fulfilled, OSINERGMIN has the authority to fine these companies.

In May 2008, MEM enacted DS 028-2008, which establishes the right of every person to participate in the process of making decisions related to the sustainable development of mining activities on government territory. The EID, EIS and EISsd require local communities to have an opportunity to actively participate in this process.

The EA for Mallay was approved in August 2005. In 2006, the EAs for Hallazgo and Breapampa were approved and the ones for Angelica Rublo, El Milagro, Trapiche, Anamaray and Ampato were approved in 2007. The EID for Chucapaca was approved in 2008, and the ones for Mulanan and Pariguanas were approved in 2009.

In May 2008, the Environmental Ministry of Peru was established by legislative decree. The principal functions of the Ministry include formulating and implementing policies and regulations relating to environmental matters and controlling pollution through supervision and education. Also, the Ministry has to be in continuous communication with several institutions (INRENA, DIGESA, IMARPE, DGAA, among others) and develop a decentralized system to manage natural resources and protect the environment.

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

Law No. 28090, *Ley que Regula el Cierre de Minas* (Law that Regulates the Closing of Mines), was published on October 14, 2003, establishing the obligations and procedures that mining companies must follow to prepare, submit and execute plans for the closing of mines, or Closure Plans, and the granting of environmental guarantees to secure compliance with Closure Plans. Pursuant to Law No. 28090, as amended by Law No. 28507, published on May 8, 2005 and the Mine Closure Regulations approved by Supreme Decree 033-2005-EM, published on August 15, 2005, as amended by Supreme Decrees No. 035-2006-EM, No. 045-2006-EM and No. 054-2008-EM, we are required to (i) submit a Closure Plan for "New Projects" to the MEM within one year following approval of the EIS or PAMA, or in the case of "Existing Projects", one year after August 15, 2005; (ii) submit a modification to the Closure Plan to the MEM within nine months after August 15, 2005; (iii) inform the MEM semi-annually of any progress on the conditions established in the Closure Plan; (iv) perform the Closure Plan consistent with the schedule approved by the MEM during the life of the concession; and (v) grant an environmental guarantee that covers the estimated amount of the Closure Plan. The guarantee may be in the form of cash, trusts, and any other guarantee contemplated in the Banking Law. Supreme Decree No. 045-2006-EM, dated August 14, 2006, amended Articles 8 and 51 of the Mine Closure Regulations relating to companies obliged to submit a duly approved Closure Plan. Article 51 refers to the method of calculating the guarantee. On November 24, 2003, Ministerial Resolution No. 627-2003-MEM/DM was published to create the *Registro de Entidades Autorizadas a Elaborar Planes de Cierre de Mina y de Plantas de Beneficio* (Registry for Authorized Entities to Elaborate the Closing of Mines and the Beneficial Plants). Only the entities recorded in such registry are allowed to prepare the Closure Plan. The Mine Closure Regulations, Supreme Decree No. 033-2005-EM, deals

We have presented Closure Plans to the MEM for all our mines and advanced explorations. To date, the MEM has approved our Closure Plans for Ishihuinca, Shilla and Mallay.

Law No. 28271, Ley que Regula los Pasivos Ambientales de la Actividad Minera (Law that Regulates the Mining Liabilities of the Mining Activities), became effective on July 7, 2004 to regulate the identification of liabilities in mining activity and financial responsibility for remediation, in each case to mitigate any negative impact mining may have with respect to the health of the population, environment and property. Pursuant to Law No. 28271, as amended by Law No. 28526, published on May 25, 2005, Legislative Decree No. 143, published on June 26, 2008, and the Mining Environmental Liabilities Regulations approved by Supreme Decree No. 059-2005-EM, published on December 8, 2005, as amended by Supreme Decree No. 003-2009-EM, the technical branch of the MEM will identify environmental liabilities, mining companies responsible for abandoned mining facilities, mining works and residue deposits that may be linked to such environmental liabilities and holders of inactive mining concessions with mining liabilities. Holders of inactive mining concessions with environmental mining liabilities will be required to submit a Closure Plan within one year of the date in which Supreme Decree No. 059-2005-EM became effective. The Peruvian government will only assume the environmental mining liabilities of unidentified holders. In addition, holders will enter into environmental remediation agreements with the MEM, acting through the General Directorate of Mining Environmental Affairs, to perform any studies and work necessary to control and mitigate the risk and effects of any contamination, which will be financed by the Fondo Nacional del Ambiente – FONAM. A Closure Plan must be submitted one year after the approval of the EIS by the General Directorate of Mining Environmental Affairs.

We have presented Closure Plans to the MEM for all our mining concessions with environmental mining liabilities. To date, the MEM has approved the mining liabilities for Hualchocopa, Lircay, Bella Unión-Pucaray and Chaquelle.

We anticipate 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 our operations, and we would be required to make significant additional capital expenditures in the future. Although we believe that we are substantially in compliance with all applicable environmental regulations of which we are now aware, there is no assurance that future legislation or regulatory developments will not have an adverse effect on our business or results of operations.

#### Parmite

We believe that our mines and facilities have all necessary material permits. All future exploration projects will require a variety of permits. Although we believe the permits for these projects can be obtained in a timely fashion, permitting procedures are complex, time-consuming and subject to potential regulatory delay. We cannot predict whether we will be able to renew our 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 our financial condition or results of operations.

## Insurance

We maintain a comprehensive insurance program designed to address specific risks associated with our operations, in addition to covering the insured risks common to major mining companies. Our 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.

### Mining Royalties

Article 20 of Law No. 26821, Ley Orgánica para el Aprovechamiento Sostenible de los Recursos Naturales, establishes that private companies must pay compensation to the Peruvian government for the economic use of natural resources. Law No. 28258, published on June 24, 2004 and amended by Law No. 29323, created a mining royalty (regalia minera) that holders of mining concessions must pay on a monthly basis to the Peruvian government for the exploitation of metallic and non-metallic resources. The royalty, which is the compensation referred to in Article 20 of Law No. 26821, Ley Orgánica para el Aprovechamiento Sostenible de los Recursos Naturales, is not considered a tax. However, it will be included in the scope of the Mining Law Stabilization Agreements and mining companies that are taxpayers and are party to such Stabilization Agreements will not have to pay this compensation or royalty during the life of their Stabilization Agreements. Although we are not party to a Stabilization Agreement, Yanacocha has entered into Mining Law Stabilization Agreements under the General Mining Law with the Peruvian government. See "Item 5. Operating and Financial Review and Prospects—Yanacocha—Operating Results." Law No. 28969, effective since January 26, 2007, provides that government tax agencies are responsible for the collection of mining royalties and establishes rules relating to the calculation of royalties, valuation methods and penalties.

The royalty is calculated on revenue from sales of product (based on the international market price) less certain refining and transportation expenses. The mining royalty to be paid for ore concentrates with a value (i) up to US\$60 million per year, is 1 percent of such value, (ii) between US\$60 million and US\$120 million per year, is 2 percent of such value and (ii) in excess of US\$120 million per year, is 3 percent of such value. The MEM will publish the international market price of minerals and in the event that a mineral does not have an international market price, the mining royalty will be 1 percent of the mining component.

# Negotiated Payment (voluntary contribution)

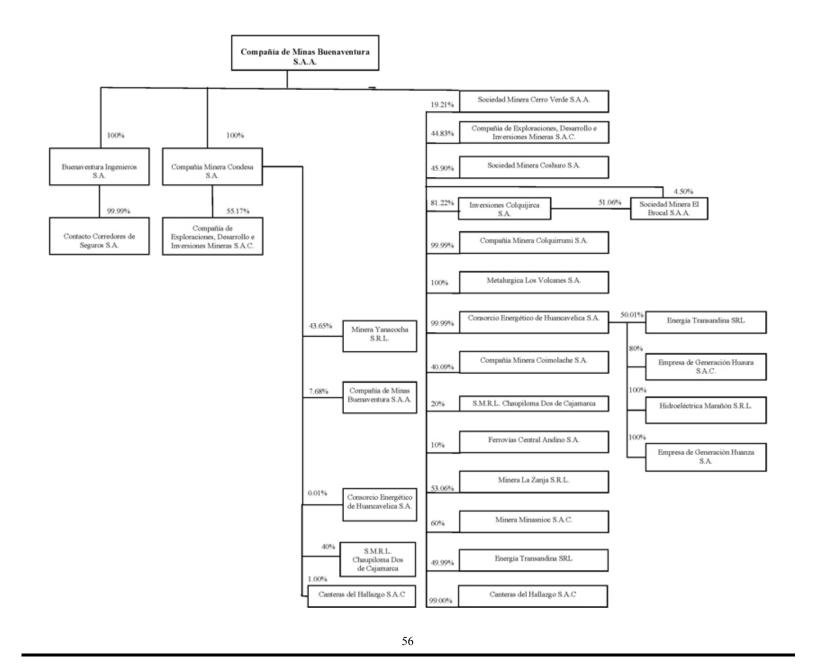
During 2006 Peruvian mining companies, represented by the Sociedad Nacional de Minería, Petróleo y Energía, agreed to a voluntary mining payment equivalent to 3.75 percent of net income after taxes. The payment was negotiated with the Peruvian government and is intended to support government efforts to alleviate poverty. On December 21, 2006, the Peruvian government issued Supreme Decree No. 071-2006-EM, which approved the form of agreement to be entered into by mining companies and the Peruvian government. The form of agreement contains the conditions under which the negotiated payment will be paid. The payment amounts to 3.75 percent of Peruvian net income after income tax, including 2.75 percent to be paid to a local mining fund and 1 percent to be paid to a regional mining fund. This payment is payable from 2006 through 2010, contingent on the price of gold. Payments shall be made on or before April 30<sup>th</sup> of each year, after the income tax sworn declaration is submitted to the Peruvian tax authority. Pursuant to Supreme Decree 033-2007-EM, mining companies can make payments to the local and to the regional funds after such deadline provided that the prior approval of the Ministry of Energy and Mines and the Ministry of Economy and Finance is obtained. Fulfillment of the payment obligations will be controlled by an audit entity recorded as such with CONASEV to be agreed between the mining company, the Ministry of Energy and Mines and the Ministry of Economy and Finance. We and Yanacocha paid a total of US\$1.7 million and US\$18.5 million, respectively, during the year ended December 31, 2008.

In February 2007, under the framework of this agreement executed with the Peruvian government (D.S. No. 071-2006-EM), we formed a trust in the Banco de Credito del Peru to serve two funds: the Buenaventura Local Mining Fund and the Buenaventura Regional Mining Fund. Proceeds from these funds were used to provide school furniture, teacher training and healthcare equipment.

On November 8, 2007, Cerro Verde executed an agreement with the Peruvian government in accordance with the terms outlined above, resulting in a contribution of US\$16.7 million and US\$32.0 million for the years ended December 31, 2006 and 2007, respectively, which was paid in the first half of 2008. An expense of US\$29.5 was recorded in 2008. These amounts are recorded as a negotiated payment (voluntary contribution) in the Cerro Verde Financial Statements.

# **Organizational Structure**

As of May 31, 2009, we conducted our mining operations directly and through various majority-owned subsidiaries, controlled companies and other affiliated companies as described in the following organizational chart.



### Intermediate Holding Companies, Subsidiaries and Equity Participations

Compañía Minera Condesa S.A.

Condesa, which is wholly-owned by us, 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 Conenhua. See "—Business Overview—Exploration." As a partner in Yanacocha, Condesa shares responsibility for the investments made in the Yanacocha mine. In addition, on August 15, 2007, Cedimin transferred its equity interest in Chaupiloma to Condesa, and, as a result, Condesa now receives a portion of the royalty revenues paid by Yanacocha to Chaupiloma equal to such ownership interest. See "—S.M.R.L. Chaupiloma Dos de Cajamarca" below. Condesa also holds a 7.70 percent interest in us.

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

Cedimin, wholly-owned by us, is a mining and facilities holding company. At December 31, 2005, Cedimin held a 40 percent participation in Minas Conga and a 40 percent interest in S.M.R.L. Chaupiloma Dos de Cajamarca. See "—The Company—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. On August 15, 2007, Cedimin transferred its equity interest in Chaupiloma to Condesa.

As of January 2, 2003, Minera Shila S.A.C. merged with and into Cedimin. As a result of the merger, our interest in Cedimin increased from 0.0009 percent before the merger to 44.83 percent after the merger, and Condesa's interest in Cedimin decreased from 99.9991 percent before the merger to 55.17 percent after the merger. In addition, on October 22, 2004, Cedimin acquired a 100 percent equity interest in Inversiones Minera Aureas S.A.C., or Mineras Aureas, which had a 49 percent interest in Minera Paula 49 S.A.C., or Minera Paula. As a result of this acquisition, Minera Paula became wholly-owned by us. As of December 31, 2004, Mineras Aureas and Minera Paula merged with and into Cedimin and are no longer separate legal entities.

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

S.M.R.L. Chaupiloma Dos de Cajamarca, or 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. We, Condesa and Newmont Peru own a 20 percent interest, a 40 percent interest and a 40 percent interest, respectively, in Chaupiloma. We own, directly and indirectly, through our interest in Condesa, a 60 percent interest in Chaupiloma.

Consorcio Energético Huancavelica S.A.

Conenhua is an electrical transmission company that provides a significant portion of our electrical needs through its transmission facilities. We own 100 percent of Conenhua and manage its operations. Conenhua obtained the concession for power transmission in the Huancavelica area in 1983, enabling us to buy energy from Electro Perú and to transmit electric power to our mining facilities through our 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 2008, Conenhua sold 45.37 million kilowatt hours, or kWh, in Huancavelica. Revenues generated by Conenhua benefit us 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-Uchucchacua, the power line which provides electricity to the Uchucchacua mine and two other mines and, in 2008, Conenhua provided 160.14 million kWh to those mines. Conenhua also operates the Callalli-Ares power line, which in 2008 provided 77.32 million kWh to the Orcopampa, Poracota and Shila-Paula mines. In addition, Conenhua provides the Antapite mine (which was operated by Inminsur until 2006) with electricity, including electrical power service and maintenance and, in 2008, Conenhua provided 14.77 million kWh to this mine. In 2008, Conenhua provided 576.44 million kWh to Yanacocha, a 49.84 percent increase compared to 2007. Conenhua's revenues in 2008 amounted to US\$17.93 million.

In order to ensure the availability of electricity for future mining projects, Conenhua purchased Hidroelectrica Marañon and Empresa Generacion Huanza, each of which owns a hydroelectric project to be developed in the short term by Energía Transandina SRL, a company created to be a holding company of both projects, and created Egehuaura to develop minor hydroelectric projects.

# Buenaventura Ingenieros S.A.

Buenaventura Ingenieros S.A., or BISA, one of our wholly-owned subsidiaries, has provided mining sector geological, engineering, design and construction consulting services for over 30 years. During this time, BISA has consulted in Peru, Chile, Argentina, Mexico and Ecuador on a range of projects, operations and expansions. In 1995, BISA created an environmental services group. In 2007, BISA inaugurated its Mineralogical Characterization Laboratory for the analysis of rocks and minerals. BISA owns a 99.95 percent interest in Contacto Corredores de Seguros S.A., an insurance brokerage company that provides insurance brokerage and related services to us and our affiliates. In 2006, 2007 and 2008, BISA participated in 183, 231 and 210 projects, respectively, for domestic and international mining industry customers in Latin America, including the preparation of Environmental Impact Studies and Environmental Adaptation and Management Programs. In 2008, BISA's revenues amounted to US\$19.0 million.

### Sociedad Minera Coshuro S.A.

Coshuro, which began operations in December 1995, was created jointly by us and Newmont Peru to conduct gold mining exploration in the Yanacocha volcanic belt. Coshuro was 35 percent owned by us until December 20, 2000, on which date Newmont Peru transferred 10.9 percent of its interest in the Coshuro to us. As a result, we currently hold a 45.9 percent interest in Coshuro. On August 13, 2002, Sociedad Minera Coshuro S.A. authorized the separation and transfer to us of all of the mining concessions granted to Coshuro pursuant to a Separation Agreement dated September 25, 2000. The mining concessions were transferred to Minera La Zanja S.R.L., in which we hold a 53.06 percent equity interest.

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

Sociedad Minera El Brocal S.A.A. owns the Colquijirca and Marcapunta Norte mines. 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. As of December 31, 2008, we held a 61.42 percent interest in Inversiones Colquijirca S.A., which in turn held a 51.06 percent interest in El Brocal, and a 4.41 percent direct interest in El Brocal's mining properties. Our total equity interest in El Brocal was 35.77 percent as of December 31, 2008. On March 11, 2009, we purchased Teck Cominco's equity stake in Inversiones Colquijirca S.A. for US\$35.0 million, increasing our equity interest in Inversiones Colquijirca S.A. to 81.22 percent and our overall equity interest in El Brocal to 45.97 percent.

# Minera La Zanja S.R.L.

Minera La Zanja S.R.L., or La Zanja, controls 32,070 hectares of mineralized ground in the La Zanja project, which is located 35 kilometers north-west of Cajamarca city. Originally, the La Zanja project was part of the Northern Peru joint mining exploration project, which was 35 percent owned by us and 65 percent owned by Newmont Peru. La Zanja, which is currently 53 percent owned by us and 47 percent owned by Newmont Peru, is expected to commence production in 2010 as an open-pit mine producing gold and silver.

### Canteras del Hallazgo S.A.C

Canteras del Hallazgo S.A.C., our wholly-owned subsidiary, holds mining rights to the Chucapaca project. Under the terms and conditions of this joint venture, Gold Fields can claw back a 51% equity interest in this company after investing approximately US\$8.0 million, which represents three times the exploration expenditure invested by us in this project.

#### Ferrovías Central Andino S.A.

We hold 10 percent of Ferrovías Central Andino S.A., or Ferrovías, 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.A.

We currently hold a 19.21 percent interest in Cerro Verde, 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 Climax Metals Company (now a subsidiary of Freeport-McMoran Copper & Gold Inc.) bought 91.65 percent and, pursuant to Peruvian privatization laws, the employees of Cerro Verde purchased approximately 8.35 percent of the shares of Cerro Verde. Cyprus Climax Metals Company paid US\$33.9 million for its equity interest in Cerro Verde and made a US\$485 million capital commitment to finance the construction of the facilities. Freeport-McMoran Copper & Gold Inc. is currently the operator and senior partner of Cerro Verde.

On June 1, 2005, Cerro Verde completed a capital increase. As a result of the capital increase, SMM Cerro Verde Netherlands B.V. acquired a 21 percent equity interest in Cerro Verde. In addition, we increased our equity interest in Cerro Verde from 9.17 percent to 18.21 percent. The remaining minority shareholders own 7.23 percent of Cerro Verde through shares publicly traded on the Lima Stock Exchange. As a result of the transaction, Cerro Verde received US\$441.7 million in cash, net of US\$1.0 million in expenses, and Phelps Dodge's interest in Cerro Verde was reduced to 53.56 percent from 82.48 percent. In March 2007, Freeport-McMoran Copper & Gold Inc. acquired Phelps Dodge. Freeport-McMoran Copper & Gold Inc. maintains a majority interest in Cerro Verde. Since June 1, 2005, we have purchased additional common shares in Cerro Verde on the Lima Stock Exchange, increasing our interest to 19.21 percent as of March 31, 2009.

Presented in the table below is certain financial and operating data regarding Cerro Verde for the years ended December 31, 2006, 2007 and 2008:

	As of and for t	As of and for the year ended December 31,		
	2006	2007	2008	
Income statement data <sup>(1)</sup>				
Total revenues (US\$ in thousands)	667,671	1,794,559	1,835,911	
Net income (US\$ in thousands)	444,621	804,685	718,433	
Proven and Probable Reserves <sup>(2)</sup>				
Leachable ore reserves (metric tons in thousands)	334,296	309,402	287,751	
Millable ore reserves (metric tons in thousands)	1,407,136	1,456,232	2,734,830	
Average copper grade of leachable ore reserves (%)	0.46	0.44	0.46	
Average copper grade of millable ore reserves (%)	0.47	0.44	0.37	
Production <sup>(3)</sup>				
Cathodes (in thousands of recoverable pounds)	212,781	203,595	194,531	
Concentrates (in thousands of recoverable pounds)	8,945	390,632	499,955	
Price (US\$ per metric ton)	6,731	7,126	6,952	

- (1) Derived from Cerro Verde's financial statements filed with CONASEV. See the Cerro Verde Financial Statements, including the notes thereto, appearing elsewhere in this Annual Report.
- (2) Reserve calculations are derived from the financial statements filed by Cerro Verde with CONASEV. See the Cerro Verde Financial Statements, including the notes thereto, appearing elsewhere in this Annual Report. The calculation or estimation of proven and probable ore reserves for Cerro Verde may differ in some respects to the calculations of proven and probable reserves for us and Yanacocha located elsewhere in this Annual Report. According to Cerro Verde, ore estimates for Cerro Verde are based upon engineering evaluations of assay values derived from samplings of drill holes and other openings. Cerro Verde's ore estimates includes assessments or the resource, mining and metallurgy, as well as consideration of economic, marketing, legal, environmental, social and governmental factors, including projected long-term prices for copper and molybdenum and Cerro Verde's estimate of future cost trends.
- (3) Derived from Cerro Verde's financial statements filed with CONASEV. See the Cerro Verde Financial Statements, including the notes thereto, appearing elsewhere in this Annual Report.

### YANACOCHA

#### Overview

Founded in Peru in 1992, Yanacocha is the largest gold producer in South America. Yanacocha produced 1,810,338 ounces of gold in 2008, its fifteenth full year of operations. Yanacocha's operations are located in the Andes Mountains in Northern Peru in the area of Cajamarca, located approximately 900 kilometers north of Lima and north of the City of Cajamarca at an altitude of 4,000 meters above sea level. The Yanacocha property consists of six openpit mines: Carachugo, Chaquicocha, Maqui Maqui, San José, Cerro Yanacocha and La Quinua. As of December 31, 2008, the Chaquicocha, Cerro Yanacocha and La Quinua mines were in operation. As of December 31, 2008, Yanacocha's proven and probable reserves (excluding Conga's proven and probable reserves) were estimated to be 13.0 million ounces of gold, representing a 17.4 percent decrease over Yanacocha's proven and probable reserves as of December 31, 2007, which were estimated to be 15.8 million ounces of gold. The decrease in reserves of gold was mainly due to a mining depletion of 2.6 million ounces, as well as a decrease of 0.1 million ounces of gold reserves due to unit cost increases, additional drilling, updated block models, revised pit designs, leach pad inventory adjustments, transfer of reserves to non-reserve mineralization due to social issues and leach pad capacity limitations, partially offset by metal price increases, an increase in the expected recoverable ounces in leach pads and the improvement of pit design. As of December 31, 2008, Conga's proven and probable reserves were estimated to be 11.8 million ounces of gold and 3.2 billion pounds of copper, representing no change from estimated 2007 gold and copper reserves. As of December 31, 2008, Yanacocha's total proven and probable reserves (including Conga) were estimated to be 24.9 million ounces of gold, representing a 9.9 percent decrease over Yanacocha's total proven and probable reserves as of December 31, 2007, which were estimated to be 27.6 million ounces of gold. Yanacocha's total proven and p

Proven and probable reserves are based on extensive drilling, sampling, mine modeling and metallurgical testing from which economic feasibility has been determined. Under the Management Contract (as defined below), Newmont Mining, in conjunction with Yanacocha, calculates Yanacocha's reserves by methods generally applied within the mining industry and in accordance with SEC Industry Guide 7. Reserves represent estimated quantities of proven and probable ore that, under present and anticipated conditions, may be economically mined and processed. Newmont Mining has not quoted silver reserves at Yanacocha for the last year due to recovery issues.

Yanacocha's exploration activities encompass 288,730 hectares covered by 421 mining concessions. Chaupiloma holds the mining rights with respect to these hectares and has assigned the mining rights related to 108,569 hectares to Yanacocha, which are covered by 163 mining concessions. Chaupiloma has assigned these mining concessions to Yanacocha pursuant to several assignments of mining rights.

In 1994, its first full year of production, Yanacocha produced 304,552 ounces of gold. Yanacocha produced 3,017,303 ounces of gold in 2004, 3,333,088 ounces in 2005, 2,612,199 ounces in 2006, 1,563,669 ounces in 2007 and 1,810,338 ounces in 2008. Yanacocha expects production to increase by approximately 6.7 percent from the 2008 production level to 1,931,064 ounces in 2009, mainly as a result of operations at its new gold mill facility. Yanacocha believes that it was one of the world's lowest cost gold producers in 2008, with a cost per ounce of gold sold of US\$358. Yanacocha's cost per ounce of gold sold was US\$324 in 2007, US\$201 in 2006, US\$153 in 2005 and US\$148 in 2004.

The increase in gold production in 2008 as compared to 2007 was mainly attributable to an increase in the volume of leach and mill tons placed, 92.6 million dry metric tons for the year ended December 31, 2008 as compared to 89.7 million dry metric tons for the year ended December 31, 2007, and a lower waste to ore ratio, which was 1.05 grams per ton for the year ended December 31, 2008 as compared to 1.11 grams per ton for the year ended December 31, 2007.

Yanacocha expects production of silver to increase by approximately 75 percent from the 2008 production level to 6,179,044 ounces in 2009, mainly as a result of higher ore grade recovery due to the operation of the new gold mill facility. Yanacocha reduces the cost of gold sold with sales of silver, which is considered a by-product. Silver production was 24,467 ounces in 1993, Yanacocha's first full year of production, 3,479,436 ounces in 2004, 4,342,292 ounces in 2005, 3,441,401 ounces in 2006, 2,318,696 ounces in 2007 and 3,539,008 ounces in 2008.

The increase in silver production in 2008 as compared to 2007 was mainly attributable to an increase in the volume of leach and mill tons placed, 92.6 million dry metric tons for the year ended December 31, 2008 as compared to 89.7 million dry metric tons for the year ended December 31, 2007, and a lower waste to ore ratio, which was 1.05 grams per ton for the year ended December 31, 2008 as compared to 1.11 grams per ton for the year ended December 31, 2007.

Yanacocha is owned 51.35 percent by Newmont Mining, through its wholly-owned subsidiary Newmont Second, 43.65 percent by us through our wholly-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 Condesa, Newmont Second and IFC to Yanacocha. Although Yanacocha did not pay dividends during its development years, 1992 through 1994, cash dividends were distributed from 1995 to 2000. In 2001, Yanacocha paid an aggregated 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. In 2002, Yanacocha paid an aggregated amount of US\$300 million in dividends in respect of 2001 earnings and elected to reinvest US\$80 million from 2002 profits. In 2003, Yanacocha paid an aggregated amount of US\$300 million in dividends in respect of 2002 earnings and elected to reinvest US\$29.6 million from 2003 profits. In 2004, Yanacocha paid an aggregated amount of US\$280 million in dividends in respect of 2003 earnings and completed all investments under its reinvestment program from 2004-2004. See the Statements of Changes in Partners Equity in the Yanacocha Financial Statements on page F-56 and "Item 5. Operating and Financial Review and Prospects—Yanacocha—Operating Results." In 2005, Yanacocha paid an aggregated amount of US\$180 million in dividends in respect of 2004 earnings. Although Yanacocha has no fixed dividend policy, there is an understanding among the partners that the net income not required for sustaining capital expenditures or future development projects should be distributed after agreement between the two major shareholders, Newmont Mining and us.

Undistributed earnings associated with the reinvestment program, amounting to US\$189.6 million, were presented as restricted earnings as of December 31, 2004, 2005 and 2006. On December 26, 2006, Yanacocha received the resolution from the MEM approving the reinvestment program for the periods 2001 to 2004. In compliance with Peruvian laws, Yanacocha capitalized this amount through public deed dated December 20, 2007 and shall not declare dividends from partners' contributions during the following four fiscal years.

On October 31, 1999, pursuant to a public deed, Yanacocha 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 16 to Yanacocha Financial Statements); and (iv) will not receive a different income tax treatment under Peruvian law than it did as a corporation.

### Capital Expenditures

Yanacocha's capital expenditures from its formation in 1992 through 2008 have related principally to the construction of the Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua mining operations, the construction of two plants at Carachugo and Yanacocha, each of which includes a leach solution processing facility and a smelter at each plant, the construction of four carbon column plants at Cerro Yanacocha and La Quinua, the acquisition of both new and used mining equipment, the construction of two dams, the construction of one agglomeration plant at La Quinua, the construction of a gold mill facility at Yanacocha and several expansions of the leach pads located at the Carachugo, Maqui Maqui, Cerro Yanacocha and La Quinua mining operations. Yanacocha's capital expenditures from its formation through December 31, 2008 totaled approximately US\$2,660.9 million, including capital expenditures of US\$269.4 million in 2006, US\$278.1 million in 2007 and US\$248.3 million in 2008. In 2008, Yanacocha's principal capital expenditures included US\$34.9 million for the Yanacocha gold mill facility, US\$29.3 million for the Conga project, US\$26.7 million for engineering at the east acid water treatment plant, US\$20.7 million for waterways and irrigation channels acquired from the Quishuar, Encajón-Collotán and La Shacsha communities, US\$14.1 million for the construction of an alternate road to the coast of Peru, US\$12.9 million for the purchase of high altitude mining trucks, US\$13.0 million for the foundation of the San Jose Reservoir trust, US\$6.5 million for the construction of a reverse osmosis plant for excess water treatment at Pampa Larga, and US\$27.2 million, US\$13.7 million and US\$6.7 million for the leach pad expansions at La Quinua (stage 7), Carachugo (stage 11) and Yanacocha (stage 6), respectively. In 2007, Yanacocha's principal capital expenditures included US\$138.9 million for a gold mill facility, US\$28.5 million for high altitude mining trucks, US\$18.5 million and US\$11.5 million for leach pad expansions of Carachugo (stages 10 and 11) and Yanacocha, respectively, US\$7.6 million for construction of an alternate road to the coast of Peru, US\$2.8 million for land acquisitions, US\$8.7 million for the Conga project, US\$5.2 million for waterways and irrigation channels acquired from the Quishuar and Encajón communities and US\$5.5 million for project development. Capital expenditures in 2006 included an investment of US\$157.8 million for mine and leach pad expansions of Carachugo (stage 10) and La Quinua (stage 6), US\$9.3 million for environmental site and regional water management projects, US\$11.9 million for mining equipment, US\$44.8 million for the Yanacocha gold mill facility, US\$11.1 million for the Conga project and US\$32.7 million for work related to other ongoing expansions. See "—The Company—History and Development.

Yanacocha anticipates that its capital expenditures for 2009 will be approximately US\$147.9 million, which it plans to use primarily in the completion of the leach pad expansions at Carachugo (stage 11) and La Quinua (stage 7), additional engineering at the east acid water treatment plant, the construction of a reverse osmosis plant for excess water treatment at Pampa Larga, continuation of the Minas Conga project, development of the Chaquicocha deposit, construction of an alternate road to the coast of Peru, and the acquisition of real property, heavy mining equipment and other miscellaneous mining equipment.

Yanacocha expects that it will meet its working capital, capital expenditure and exploration requirements for the next several years from internally-generated funds, cash on hand and financing from banks and financial institutions. 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 construction requirements, or that external funding will be available for such purposes 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. See "Item 5. Operating and Financial Review and Prospects—Yanacocha—Exploration Costs; Capital Expenditures."

# Description of Yanacocha's Operations

The Yanacocha property consists of the following open-pit mines: Carachugo, Chaquicocha, Maqui Maqui, San José, Cerro Yanacocha and La Quinua. As of December 31, 2008, the Chaquicocha, Cerro Yanacocha and La Quinua mines were in operation. The Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua mining areas began operations in August 1993, October 1994, January 1996, the last quarter of 1997 and October 2001, respectively. The Maqui Maqui open-pit mine temporarily ceased mining operations in 2000. The San José open-pit mine ceased operations in 2002, but temporarily reopened and closed again during 2006. San José has increased reserves as a result of an increase in the base price for proven and probable reserve estimates, from US\$575 in 2007 to US\$725 in 2008. The Carachugo open-pit mine has temporarily ceased mining operations, although one ore processing facility remains in operation.

Leach pads are located at Carachugo (410 million ton-capacity), Maqui Maqui (70 million ton-capacity), Cerro Yanacocha (470 million ton-capacity) and La Quinua (540 million ton-capacity). Each of these leach pads includes at least two leach solution storage ponds and storm water ponds located down gradient from each leach pad. The Cerro Yanacocha site has two additional solution ponds attached to Stages 6 and 7 for the segregation of solution generated from the treatment of transition ores. A raw water pond is used both for storm containment and to store excess solution during the wet season. La Quinua has an additional solution pond attached to stage 4.

Yanacocha has three processing facilities, which are located at Pampa Larga, Yanacocha Norte and La Quinua. The processing facilities can be used to process gold-bearing solutions from any of the leach pads through a network of solution pumping facilities located adjacent to the solution storage ponds. The Pampa Larga facility includes Merrill-Crowe and carbon column gold recovery plants, and two four-stage water plants to allow treatment of excess process solutions accumulated during the rainy season. The Pampa Larga facility also includes the original gold refinery installation, which is maintained for emergency standby purposes only. The Yanacocha Norte facility includes Merrill-Crowe and carbon column gold recovery plants, three four-stage water treatment plants, and a reverse osmosis water plant to allow treatment of excess process solutions accumulated during the rainy season. This facility also contains primary refining and mercury retorting operations and an acid water treatment plant to allow neutralization of acid waters emanating from its mining operation and waste dumps prior to release into the environment. In addition, a slaking plant to provide lime for ensuring an alkaline pH on the pads and for water treatment plant to allow neutralization of acid waters emanating from its mining operations and waste dumps prior to release into the environment, and a slaking plant to provide lime for ensuring an alkaline pH on the pads and for water treatment purposes.

Mining consists of a sequence of drilling, blasting, loading and hauling. Ore containing gold is transported from each mine to the nearest active leach pad while waste is taken to specially designed storage facilities. Unlike Yanacocha's other mines, the ore in the La Quinua mine contains clays and fine grain material which can inhibit the heap leaching process if not handled properly. Initially, the La Quinua mine utilized an ore crushing and agglomeration process to improve the permeability of the ore prior to stacking ore on the leach pad. In May 2004, this process was replaced with a more inexpensive method whereby the ore is re-excavated using hydraulic shovels to a depth of four meters to improve permeability. Improved ore control to ensure proper blending of fine and coarse grained ore is an integral part of this process.

Ore is leached by introducing diluted solutions of cyanide through an irrigation system placed on top of the ore. This solution percolates through the ore, dissolving gold and silver as AuCN and AgCN complexes respectively, and results in a "pregnant" solution which drains to solution storage ponds to be transferred to the nearest recovery facility. Carbon column gold recovery plants typically treat lower grade solutions to produce a highly upgraded metal-bearing solution which in turn is routed to the Merrill-Crowe plants. Solution from the carbon column gold recovery plants or high grade solutions from the leach pads are sent to the Merrill-Crowe plants for gold extraction by a zinc precipitation process. The resulting gold precipitate is distilled by retorts (700°C) to remove mercury, and then smelted, producing doré bars currently assaying approximately 52 percent gold and 45 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 solution from which the gold is removed (barren solution) is recycled to the leach pads for further heap-leaching after having been reconstituted with cyanide. The leaching process is generally a closed system. However, during periods of high rainfall, excess water must be treated at the facilities located at Yanacocha Norte and Pampa Larga, which have been designed to meet or exceed standards for drinking water and for agriculture and livestock as 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, Permit and Environmental Matters."

Electric power for Yanacocha's operations is currently provided by local power companies via two separate networks. Yanacocha also maintains diesel generation capacity for emergency requirements which have an aggregate power generation capacity of 16 megawatts, or MW. 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, or kV, power line originating in Trujillo, which is owned by Buenaventura and has the capacity to provide up to 150 MW to Yanacocha (although current contracted demand is limited to 42 MW). 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 is collected from rainfall and wells. All excess water used by Yanacocha undergoes treatment at the treatment facilities 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:

	2004	2005	2006	2007	2008
Mining Operations:					
Ore mined (DST):					
Cerro Yanacocha	73,551,712	64,582,674	59,944,475	56,696,685	62,079,577
Carachugo	_	_	950,355	7,563,243	6,037,340
Maqui Maqui	_	_	_	_	_
La Quinua	63,714,676	80,889,028	414,559	35,283,067	34,850,397
San José	_	_	54,485,222	_	_
Total ore mined (DST)	137,266,389	145,471,702	115,794,610	99,542,995	102,967,314
Average gold grade of ore mined (oz./DST):					
Cerro Yanacocha	0.022	0.034	0.030	0.012	0.023
Carachugo	_	_	0.039	0.047	0.031
Maqui Maqui	_	_	_	_	_
San José	_	_	0.028	_	_
La Quinua	0.029	0.023	0.021	0.022	0.016
Total average gold grade of ore					
mined (oz./DST)	0.025	0.028	0.026	0.019	0.021
Gold Production (oz.):					
Cerro Yanacocha	740,087	1,198,160	1,035,794	566,006	701,063
Carachugo	701,491	421,967	308,600	307,867	400,452
Maqui Maqui	45,612	38,631	21,747	21,460	32,550
San José	_	_	_	_	_
La Quinua	1,530,112	1,674,329	1,246,058	668,336	676,273
Total gold (oz.)	3,017,302	3,333,088	2,612,199	1,563,669	1,810,338

# Exploration

Yanacocha's exploration activities encompass 288,730 hectares covered by 421 mining concessions. Chaupiloma holds the mining rights with respect to these hectares and has assigned the mining rights related to 108,569 hectares to Yanacocha, which are covered by 163 mining concessions. Chaupiloma has assigned these mining concessions to Yanacocha pursuant to several assignments of mining rights.

Yanacocha has four processing concessions from the MEM for its processing plants: Cerro Yanacocha (Cerro Negro, La Quinua and Yanacocha), Yanacocha (Carachugo and Pampalarga), the Yanacocha gold mill and China Linda. The processing concessions have indefinite terms, subject to the payment of a fee based on nominal capacity for the processing plant.

Exploration expenditures amounted to approximately US\$32.3 million, US\$28.2 million and US\$28.2 million in 2006, 2007 and 2008, respectively. These expenditures have resulted in the identification of several deposits, which have been advanced to reserves, including Carachugo, Maqui Maqui, San José, Cerro Yanacocha, La Quinua (which includes Cerro Negro), Chaquicocha, El Tapado, El Tapado Oeste (Corimayo), Antonio, Quecher and Minas Conga (Perol, Chailhuagón and Amaro). Exploration expenditures have also been used to identify deep sulfide mineralization beneath the oxide deposits at El Tapado, El Tapado Oeste (Corimayo), Antonio, Maqui Maqui, Yanacocha and Chaquicocha. In 2009, exploration efforts will focus on the development of the Yanacocha Verde project, which relates to the sulfide mineralized portion beneath the Yanacocha oxide deposit, as well as early stage exploration in the Yanacocha district.

Yanacocha's exploration expenditures include all of the costs associated with exploration activities such as drilling, geological and metallurgical testing. In addition, exploration costs cover engineering and project development costs on advanced stage projects. Yanacocha prepares a budget for each year and allocates an amount for exploration activities based on specific projects or regions.

Yanacocha intends to continue to develop the Cerro Yanacocha, La Quinua and Chaquicocha gold deposit projects and the Minas Conga gold-copper deposit project over the next several years, while continuing to explore the remainder of the Yanacocha district along with the adjacent Minas Conga and Solitario mineral holdings. Minas Conga currently consists of two gold-copper porphyry deposits located northeast of Yanacocha's operating area in the provinces of Celendin, Cajamarca and Hualgayoc. This project, incorporated to reserves in 2004, reported 11.8 million ounces of gold reserves and 3.2 billion pounds of copper reserves in 2008 and 2007.

For 2009, Yanacocha's estimated expenditures will be US\$18.0 million for exploration, which will be expensed, and an additional US\$2.5 million for delineation activities for ore bodies that are currently classified as reserves, which will be capitalized. This budgeted amount will be expended mainly on the Cerro Yanacocha, La Quinua and Minas Conga deposits along with an extensive exploration program in Yanacocha's properties.

In 2001 and 2002, activities 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. At the end of 2003, Corimayo, Antonio and Quecher contained 3.00 million, 0.11 million and 0.04 million ounces of reserves, respectively. In 2004, exploration efforts focused on the exploration of near-surface oxide deposits at Cerro Quilish, including Cerro Negro, and Chaquicocha, and the expansion of the Antonio deposit and the Giuliana prospect, located north of the Yanacocha Norte pit. Exploration of gold-dominant sulfide mineralization continues beneath known oxide deposits at Yanacocha Sur, Chaquicocha, El Tapado, El Tapado Oeste (Corimayo), Antonio and Maqui Maqui. In 2004, infill drilling at Minas Conga added 8.7 million ounces of gold and 2.23 billion pounds of copper from the Perol and Chailhuagón deposits. In 2005, additional infill drilling, including Gentiles at the Minas Conga deposit and San Cirilo at the Solitario Regional Sector. In 2006, 400,000 ounces of gold were added to reserves from Chaquicocha. In addition, early stage drilling continues at San Cirilo, Deborah corridor, Minas Conga and Yanacocha. In 2007, Yanacocha added 1.27 million ounces of gold to its reserves; however, this was offset by losses of 0.84 million ounces of gold due mainly to cost increases in some marginal pits. The net gain to reserves was 0.44 million ounces derived mainly from development work at Maqui Maqui, La Quinua and Cerro Yanacocha deposits. In 2008, Yanacocha's gold reserves decreased mainly due to a mining depletion of 2.6 million ounces, as well as a decrease of 0.1 million ounces due to unit cost increases, additional drilling, updated block models, revised pit designs, leach pad inventory adjustments, transfer of reserves to non-reserve mineralization due to social issues and leach pad capacity limitations, par

## Transportation and Refining

The doré bars produced by Yanacocha are transported to refineries outside of Peru and, accordingly, Yanacocha has entered into pre-established transportation contracts. Yanacocha has engaged Hermes Transportes Blindados S.A., or Hermes, to service its local transportation requirements. Under the terms of Yanacocha's agreement with Hermes, the risk of loss with respect to the doré bars is assumed in its entirety by Hermes during the transportation of the doré bars from the mines to Jorge Chávez Airport in Lima. Thereafter, the responsibility for the doré bars shifts to the refiner, which has entered into a contract with an outside security firm to provide offshore transportation. The doré bars are melted, weighed and sampled in refineries abroad, which store the doré bars in strong-room vaults and assume responsibility there for the doré bars. Yanacocha pays a predetermined fee for the refining service. The final output from refineries, known as London Good Delivery gold and silver, is credited to Yanacocha's London bullion accounts until transferred to purchasers.

### 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 five weeks. This bidding process is set up by Yanacocha with approximately 10 financial institutions and trading firms prior to each month. Yanacocha collects bids and confirms sales. The gold is typically sold on the date of departure from Jorge Chávez Airport in Lima. If a portion of gold remains unsold, it is sold on the spot market within a few days. Silver is sold on the spot market approximately once a month to financial institutions or trading firms. The cash from such sales is received into a collection account in London against orders to the London bullion bank for deliveries of the gold and silver to the purchasers.

Delivery is made once a week and payments are collected the day of confirmation. The payment price for the gold consists of either (i) the market price at the confirmation of the sale, or (ii) the average London PM Fixing price over the tendered period plus 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**

As of December 31, 2008, Yanacocha had 3,134 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 Yanacocha's annual pre-tax profits, or the Employee Profit Sharing Amount, with fifty percent of such profits to be distributed based on the number of days each employee worked during the preceding year and the remaining fifty percent of such profits to be distributed among the employees based on the aggregate annual salary of each employee. 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 y Promoción del Empleo*, or FONDO-EMPLEO, a public fund established to promote employment and employee training. Since 2005, if the amount contributed by Yanacocha exceeds 2,200 *Unidades Impositivas Tributarias*, or Tax Units, the excess should be dedicated exclusively to the financing of road infrastructure works and managed by the regional government.

In 1998, the Peruvian government issued additional regulations regarding the calculation of the workers' participation, which limited to 18 monthly salaries the total amount to which each employee is entitled. However, there is a difference in the criteria for the calculation between the law and its regulations. Yanacocha followed the criteria established by the law in determining the amount to be paid to its employees since 1998. In December 2006, Yanacocha accrued US\$14.9 million as a liability for the possible workers' profit participation contingency. In addition, Yanacocha booked and wrote off a receivable amounting to US\$11.6 million. In September 2007, Yanacocha paid the balance of US\$21.8 million (including interest) owed to employees, which exceeded the original amount accrued of US\$6.9 million. The additional amount mostly relates to interest paid by Yanacocha to employees. As of December 31, 2008, Yanacocha had recovered US\$2.3 million from FONDO-EMPLEO.

Pursuant to the Peruvian labor laws enacted in 1991, Yanacocha deposits funds for severance payments in a bank account selected by each employee and for the benefit of such employee, in both May and November of each year.

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 managed by the *Administradoras de Fondos de Pensiones*, or AFPs. Yanacocha is required to withhold 13 percent from the salary of each employee enrolled in the ONP system and pay such amount to the ONP system, and withhold between 12.37 percent and 12.96 percent from the salary of each employee enrolled in the AFP system and pay such amount to the respective AFP. Yanacocha has no liability for the performance of these pension plans.

In addition, Yanacocha pays approximately 9 percent of its total payroll to ES-SALUD, the Peruvian social security agency, for general health services for all employees. Law No. 26790 also requires Yanacocha to provide private insurance representing an average payment equal to 1.48 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.

Yanacocha has entered into arrangements with independent contractors that are responsible for the security services and staffing for several operational and administrative areas. As of December 31, 2008, independent contractors employed 5,765 persons who worked at Yanacocha's operations. In 2004, Yanacocha entered into its first collective bargaining agreement with Workers' Union of Minera Yanacocha S.R.L., or the Union, which was created on December 9, 2003. Because the Union's 605 members as of December 31, 2006 represented a minority of Yanacocha's employees, the collective bargaining agreement applied only to the Union's members and expired on February 28, 2007. In May 2007, Yanacocha completed negotiations with the Union's members and entered into a new collective bargaining agreement, which is applicable only to the Union's members and effective from March 2007 to February 2010.

In November 2007, a small percentage of Union members engaged in a two-day strike notwithstanding the recent collective bargaining agreement reached between Yanacocha and the Union. The strike did not have any material impact on Yanacocha's operations; nevertheless there can be no assurance that Yanacocha will not experience other strikes or labor-related work stoppages that could have a material adverse effect on its operations or its operations or its operations.

Since commencement of operations, Yanacocha's rate of turnover has been less than ten percent per year. Yanacocha has informed us that it considers its relations with its employees to be good. Yanacocha annually evaluates employee relations using an anonymous employee opinion survey to measure employee opinions of its benefits and policies. Approximately 80 percent of payroll employees participate in this survey each year.

# Social Development

Since its formation, Yanacocha has been attentive to its relationship with the community in the fields of social relations and development.

During 2006, the External Affairs Management, an internal department within Yanacocha, through its Community Relations and Rural Development Departments, established social development programs that address 122 rural communities and the city of Cajamarca. To implement these programs, Yanacocha developed active relationships with domestic and foreign institutions and organizations, including the Ministry of Health, the Ministry of Education, the Ministry of Agriculture, the Ministry of Foreign Trade and Tourism, Cajamarca local governments, International Finance Corporation, CITE Koriwasi, Cooperative Housing Foundation or CHF, Asociacion para el Desarrollo Rural de Cajamarca or ASPADERUC, Asociacion para el Desarrollo Forestal or ADEFOR, Camara Regional de Turismo or CARETUR, FONDO-EMPLEO, Antares, Asociacion para el Desarrollo Local or ASODEL, Foncreagro, Cenfotur and Aprec, among others. In 2006, Yanacocha invested up to US\$24 million in its social development programs, including the Conga project. In 2007, Yanacocha invested US\$4.9 million in educational infrastructure at the Davey school and US\$7.6 million for road improvements. Yanacocha also invested US\$6.9 million in development projects for rural areas, including community capacity building, agriculture, health, education and other projects. In addition, Yanacocha invested US\$5.2 million in mitigation programs in areas such as Tual, La Quinua, La Shacsha, La Ramada, Lagamarca and Granja Porcón.

During 2008, Yanacocha invested a total of US\$55.5 million in social issues, including US\$4.3 million for social development, US\$16.8 million related to completing pending commitments and US\$34.4 million for social impact mitigation related to the La Quinua Central project, including the costs of the San José Reservoir operation system. The social investment projects are focused on water management, local economic development, education, health and institutional strengthening.

In addition, Yanacocha made US\$1.5 million in contributions for social investment through the Asociación Los Andes de Cajamarca, US\$2.1 million through the FONCREAGO and US\$16.4 million through the Fondo de Solidaridad.

Since 1993, Yanacocha has invested nearly US\$172 million in social development programs including education, health, social infrastructure (schools and medical posts), productive infrastructure projects, rural electrification, roads, transformation plants, business promotion programs, local tourist programs, livestock and agricultural assistance programs.

# Security

Yanacocha has 54 security employees on its payroll. In addition, there is a contracted security force of over 267 persons assigned to rotating shifts at its mines, its Lima offices, Cajamarca city and checkpoints along the road to the coast of Peru. Distribution of payroll security personnel includes five persons with respect to the processing plants, one person with respect to its headquarters in Lima and one person with respect to the road to the coast and Cajamarca city, which currently are covered in a rotational manner among four people from regional security. The distribution of the contracted security force is throughout the site, at access points, offices and residential areas in Cajamarca and at check points Zero and Guitarrero on the road to the coast. In addition to the standing posts, there is a rapid response force of 22 persons per shift. There are four shifts, three at the mine sites and one at the other locations. 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

Yanacocha's exploration activities encompass 288,730 hectares covered by 421 mining concessions. Chaupiloma holds the mining rights with respect to these hectares and has assigned the mining rights related to 108,569 hectares to Yanacocha, which are covered by 163 mining concessions. Chaupiloma has assigned these mining concessions to Yanacocha pursuant to several assignments of mining rights, each with an initial term of 20 years (with the exception of one contract that has an initial term of 30 years) and expiring in 2012, 2014, 2015, 2018, 2021, 2024, 2025, 2026 and 2035, that are renewable at Yanacocha's request for an additional 20-year term. Chaupiloma has not yet assigned 100 hectares covered by one mining concession to Yanacocha. Approximately 22 percent of the mining concessions 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 Minera Condesa and Cedimin.

Currently, 17 of the mining concessions assigned to Yanacocha are being utilized for mining operations. They are Chaupiloma Uno, Chaupiloma Dos, Chaupiloma Tres, Chaupiloma Cuatro, Chaupiloma Cinco, Chaupiloma Once, Chaupiloma Doce, Chaupiloma Trece, Chaupiloma Veintiuno, Chaupiloma Veintiuno A2, Chaupiloma Cuarentaidos, Chaupiloma Cincuentaicuatro, El Sol No. 4, La Providencia, Mirtha III and Claudina Ocho.

The Carachugo and San José mining facilities are located on the mining concessions of Chaupiloma Tres, Chaupiloma Cuatro and Chaupiloma Cinco; the Maqui Maqui mining facility is located on the mining concessions of Chaupiloma Seis and Chaupiloma Doce; the Cerro Yanacocha mining operation is located on the Chaupiloma Uno, Chaupiloma Dos and Chaupiloma Tres mining concessions; the La Quinua mining facility is located on the Chaupiloma Dos, Chaupiloma Once, Chaupiloma Veintiuno, Chaupiloma Cuarentidos, Chaupiloma Cincuenticuatro, Mirtha III, La Providencia, Chaupiloma Trece, Chaupiloma Veintiuno A2 and El Sol No. 4 mining concessions; and the Calera China Linda mining operation is located on the Claudina Ocho mining concession. Yanacocha currently conducts mining activities at Cerro Yanacocha, La Quinua, Chaquicocha and Calera China Linda.

Yanacocha pays a royalty fee to Chaupiloma of 3 percent of the net sale value of all ore extracted from these mining concessions after deducting refinery and transport costs for the right to mine five of the mining concessions. For 2008, Yanacocha paid royalties of US\$48.6 million to Chaupiloma. The mining concession not yet assigned to Yanacocha will be 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, lapse, 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 rights or obtaining easements relating to land positions containing prospective geological exploration target sites, 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 13,927 hectares of the surface land covering its Carachugo, Chaquicocha, Maqui Maqui, Haussing, Laboratorio, Línea de Alta Tensión, Presas, Museo, Sorpresa Mishacocha, San José, Cerro Yanacocha and La Quinua (which includes the Cerro Negro deposit) mining operations, and a majority of the Cerro Quilish deposit and Calera China Linda.

In addition, as of December 31, 2008, Yanacocha had acquired 27,195 hectares, including 8,476 hectares of surface rights with respect to the Minas Conga deposit, 3,625 hectares for the San Cirilo and Las Lagunas prospects at Solitario, and 421 hectares for future land swaps. See "—The Company—History and Development."

	Hectares as of December		Hectares acquired in	Hectares as of December 31,
PROJECT	31, 2007	Exchanges	2008	2008
Carachugo - San José - Chaquicocha	3,497.00			3,497
Cerro Quilish - Cerro Negro	2,834.10	_	95.67	2,929.77
Calera China Linda	408.21	_	65.08	473.29
Haussing	10.89	_	_	10.89
La Quinua	2,817.58	_	45.83	2,863.41
Laboratorio	0.10	_	_	0.10
Las Lagunas	1,674.78	_	_	1,674.78
Línea de Alta Tensión	0.01	_	_	0.01
Maqui Maqui	1,957.23	_	_	1,957.23
Minas Conga	7,847.41	_	628.52	8,475.93
Presas	196.72	_	_	196.72
San Cirilo	1,906.31	_	44.11	1,950.42
Terrenos para canjes	421.09	_	_	421.09
Cerro Yanacocha	2,138.16	_	_	2,138.16
Museo	8.56	_	_	8.56
Sorpresa Mishacocha	597.83			597.83
TOTAL	26,315.98		879.21	27,195.19

#### Regulation, Permit and Environmental Matters

Yanacocha is subject to a 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" and "—The Company—Regulatory Framework—Environmental Matters" for a general description of Peruvian regulations of mining companies and environmental obligations. 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 its 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, La Quinua (including Cerro Negro) mining operations and China Linda lime plant have been approved. Pursuant to current Peruvian regulations, Yanacocha also submits supplemental EISs each time a project's production rate or disturbed area used is expanded by more than 50 percent. In 2006, Yanacocha filed an EIS to expand its operations at the Yanacocha and La Quinua areas. After an EIS is approved and construction activities are initiated, a governmental-accredited environmental auditing firm is required to audit the operation three times per year. Each of the Carachugo, Maqui Maqui, San José, Cerro Yanacocha, La Quinua (including Cerro Negro) mining operations and China Linda lime plant has been and continues to be audited as required with no significant pollution problems identified.

Yanacocha's corporate policy is to operate in compliance with all material applicable laws and regulations and adopt and adhere to standards that are protective of both human health and the environment at the facilities it builds and operates. 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." In addition, in 2005 Yanacocha became a signatory of the International Cyanide Code, which provides specific and strict standards on how to manage cyanide. Yanacocha completed the audit process in September 2007 and was certified under the International Cyanide Code during April 2008.

In August 2001, the Financial Accounting Standards Board, or FASB, issued SFAS No. 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. Accordingly, on January 1, 2003, Yanacocha recorded the estimated present value of reclamation liabilities, or asset retirement obligation or ARO, and increased the carrying amount of the related asset to be retired in the future. Yanacocha allocates the carrying amount of the related asset to expense over the life of the related assets, adjusting for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate. At January 1, 2003, Yanacocha recorded approximately US\$50 million for the carrying amount of the related asset, net, an increase of approximately US\$72.1 million to ARO, an increase of US\$7.9 million to deferred tax liabilities, and an increase of US\$2.3 million to deferred profit sharing liabilities.

Prior to the adoption of SFAS No. 143, estimated future reclamation costs were based principally on legal and regulatory requirements. Such costs for active mines were accrued and charged over the expected operating lives of the mines using the unit of production method based on proven and probable reserves. Future remediation costs for inactive mines were accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at a site. Such cost estimates included, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates were reflected in earnings in the period an estimate was revised.

Yanacocha has informed us that its management believes that its operations are conducted in accordance with all applicable laws and regulations. All future exploration and construction 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.

Yanacocha has informed us that as a result of the enactment of the new Water Resources Law and the new Rule for Exploration Activities, new environmental quality standards for water and air may require the adoption of new technologies and the purchase of new equipment.

Yanacocha has informed us that its management believes that it is in compliance with all applicable regulations and international standards concerning safety.

During 2008, Peruvian regulatory authorities approved the "Modification of the Western Expansion of Yanacocha" project, enabling Yanacocha to complete the mining activities in the western area of the La Quinua pit. In February 2008, the mine closure plan was approved. In 2008, Yanacocha obtained the ISO 14001 Certification. During 2009, Yanacocha expects to finish the social negotiations to start mining activities at the area of the 700 meters located at the Encajón and Quishuar water canals surrounding the La Quinua pit.

In 2009, Yanacocha will submit to the MEM (i) a modification of the exploration permit to perform drilling activities to confirm reserves for new projects, (ii) a modification to the Carachugo EIS in order to increase the mine production of the east zone by 38%, which shall be approved in July and will include the restoration of mining activities at Maqui Maqui Sur pit, the continuation of mining activities in Chaquicocha pit and the commencement of mining activities in two new pits in San Jose pit and two small pits in the zone of Carachugo mine, and (iii) an EIS for the Conga project, whose mining operations will last until 2029. In 2010, Yanacocha will submit the second "Modification of the Western Expansion of Yanacocha" project to permit mining activities at the La Quinua Sur Project, located to the south of the La Quinua pit.

#### 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 2005 and 2004, Yanacocha received US\$1.1 million and US\$1.0 million, respectively, from its insurance program in connection with a mercury spill and expects to receive further insurance payments to cover most of the remediation expenses it incurred as a result of the accident.

#### Financing Activities

On July 27, 2006, Yanacocha issued US\$100 million in bonds in the Peruvian capital markets under a US\$200 million bond program approved by the Peruvian securities regulatory authority. The bonds are held by various Peruvian entities, including pension funds, mutual funds, government funds and insurance companies. The issuance was comprised of US\$42 million in floating rate notes bearing interest at LIBOR plus 1.4375% and US\$58 million in fixed rate notes bearing interest at 7.0%. The bonds have a four-year grace period and amortize quarterly over six years. The bonds are unsecured and are non-recourse to both Newmont and us. Funds generated from the issuance will be used by Yanacocha primarily for capital expenditures.

On May 19, 2006, Yanacocha entered into a US\$100 million bank facility with a syndicate of Peruvian commercial banks, comprised of Banco de Crédito del Perú, BBVA Banco Continental and Banco Wiese Sudameris (now Scotiabank Perú). Quarterly repayments began in May 2007 with final maturity in May 2014. Borrowings under the facility bear interest at a rate of LIBOR plus 1.875%. The loan is non-recourse to both Newmont and us. During 2008, Yanacocha repaid an aggregate of US\$13.8 million outstanding under the credit facility in four quarterly installments. As of December 31, 2008, US\$75.9 remained outstanding under the credit facility.

In September 2007, Yanacocha entered into a leasing contract with Banco de Crédito del Perú related to the acquisition of nine high altitude mining trucks, which were delivered in 2007, for an aggregate of US\$24.5 million, with a purchase option. The lease is for three years and bears an annual interest rate of 6.10%. Monthly payments began in January 2008.

In December 2007, Yanacocha entered into a leasing contract with Scotiabank related to the acquisition of six high altitude mining trucks for an aggregate of US\$16.3 million, with a purchase option. The lease is for three years and bears interest at the rate of 6.00% per annum. One truck was delivered in 2007 and the remaining five trucks were delivered in 2008. Monthly payments began in May 2008.

# By-Laws of Yanacocha

Yanacocha is governed by the Peruvian Companies Law and the *estatutos* (the combined articles of incorporation and by-laws) of Yanacocha, or 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 construction 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 referred to as 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

Choropampa. In June 2000, a transport contractor of Yanacocha spilled approximately 151 kilograms of elemental mercury near the town of Choropampa, Peru, which is located 53 miles (85 kilometers) southwest of the Yanacocha mine. Elemental mercury is not used in Yanacocha's operations but is a by-product of gold mining and was sold to a Lima firm for use in medical instruments and industrial applications. A comprehensive health and environmental remediation program was undertaken by Yanacocha in response to the incident. In August 2000, Yanacocha paid under protest a fine of S/.1.7 million Nuevos Soles (approximately US\$0.5 million) to the Peruvian government. Yanacocha entered into settlement agreements with a number of individuals impacted by the incident. As compensation for the disruption and inconvenience caused by the incident, Yanacocha entered into agreements with and provided a variety of public works in the three communities impacted by this incident. Yanacocha cannot predict the likelihood of additional expenditures related to this matter. Yanacocha and other defendants have been named in lawsuits filed by approximately 1,100 Peruvian citizens in the Denver District Court. These actions seek compensatory damages based on claims associated with the elemental mercury spill incident. The parties in these cases agreed to submit these matters to binding arbitration. In October 2007, the parties to the arbitration entered a court-approved settlement agreement, resolving most of these lawsuits.

Additional lawsuits relating to the Choropampa incident were filed against Yanacocha in the local courts of Cajamarca, Peru in May 2002 by approximately 900 Peruvian citizens. A significant number of the plaintiffs in these lawsuits had previously entered into settlement agreements with Yanacocha. In April 2008, the Peruvian Supreme Court upheld the validity of these settlement agreements, which should result in the dismissal of all claims brought by plaintiffs that had settled prior to filing these lawsuits. Yanacocha also has entered into settlement agreements with approximately 350 additional plaintiffs. Claims asserted by approximately 200 plaintiffs remain unresolved. Yanacocha cannot reasonably predict the final outcome of any of the above-described lawsuits

Conga. Yanacocha is involved in a dispute with the Provincial Municipality of Celendín regarding the authority of that governmental body to regulate the development of the Conga project. In 2004, the Municipality of Celendín enacted an ordinance declaring the area around Conga to be a mining-free reserve and a protected nature area. Yanacocha has challenged this ordinance by means of two legal actions, one filed by Yanacocha (as the lease holder of the Conga mining concessions) and one filed by Minera Chaupiloma (as the titleholder of the Conga mining concessions). In August 2007, a Peruvian Court of First Instance upheld Chaupiloma's claim, stating that the Municipality of Celendín lacks the authority to create protected nature areas. The Municipality of Celendín has not appealed the ruling. Based on legal precedent established by Peru's Constitutional Court and the foregoing resolution of Chaupiloma's claim, it is reasonable to believe that Yanacocha's mining rights will be upheld.

Hacienda Los Negritos. On October 21, 2002, Yanacocha was sued by Grimaldina Malpica Rojas, seeking: (i) the repossession of the "Los Negritos" property, which is currently held and utilized by Yanacocha, and (ii) a payment for damages of up to US\$65 million. In July 2008, the court dismissed this claim and the ruling was not appealed by the plaintiff.

Baños del Inca. In September 2006, the Municipality of Baños del Inca issued a declaration designating an area that includes the Carachugo Expansion and San Jose Projects as reserved and protected areas. Based on previous experience and actions taken by the Peruvian Constitutional Court, which is Peru's highest court for constitutional issues, in respect of Cerro Quilish, in which it was ruled that such declaration did not affect Yanacocha's mining rights, Yanacocha believes that Baños del Inca's declaration should not impact Yanacocha's legal rights to exploit these concessions. In March 2008, Lima's Court of First Instance rejected Baños del Inca's challenge relating to the court's jurisdiction. The legal proceeding is currently pending resolution.

San Pablo. In February 2007, the Municipality of San Pablo issued an ordinance designating an area that includes Las Lagunas and Pozo Seco as reserved and protected areas, where Yanacocha has mining rights. Based on previous experience and actions taken by the Peruvian Constitutional Court in respect of Cerro Quilish, in which it was ruled that such declaration did not affect Yanacocha's mining rights, Yanacocha believes that San Pablo's declaration should not impact Yanacocha's legal rights to exploit these concessions. Yanacocha has challenged this ordinance on the grounds that, under Peruvian law, local governments lack the authority to create such areas, denying the rights granted by Yanacocha's mining concessions. Lima's Court of First Instance rejected the complaint based on formal grounds. The resolution of the court was appealed and in November 2008 Lima's Court of Second Instance confirmed this ruling. Yanacocha submitted a constitutional complaint to the Peruvian Constitutional Court, which is currently pending resolution.

Other than the legal proceedings 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. Richard T. O'Brien, President and Chief Executive Officer of Newmont Mining Corporation has been appointed Chairman of Yanacocha's Executive Committee and Alberto Benavides de la Quintana, our Chairman of the Board and Chief Executive Officer, 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 members with all of their authority when a 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 Partners' Meeting has the power to appoint and remove the Manager of Yanacocha; the Executive Committee has the power to appoint and remove 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 Manager are defined in 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 the 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 2008, Yanacocha accrued fees of US\$3.7 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**

# **Our Property**

# Introduction

We operate seven mines: Julcani, Recuperada, Uchucchacua, Orcopampa, Poracota, Antapite and Ishihuinca. We also have controlling interests in two mining companies which operate the Shila-Paula, Colquijirca and Marcapunta mines. We also own an electric power transmission company, an engineering services consulting company and have minority interests in several other mining companies, including a significant ownership interest in Yanacocha and Cerro Verde. See "—The Company—Organizational Structure" and "—Intermediate Holding Companies, Subsidiaries and Equity Participations." Set forth below is a map of our principal mining operations as of April 31, 2009.



## **Operating Properties**

# Orcopampa

The Orcopampa mine is wholly-owned and operated by us. We lease the rights to the mining concessions of Orcopampa from a group of private investors. This lease, which was renewed in September 2003 and expires in 2043, stipulates a payment from us equal to 10 percent of production value, subject to certain conditions. Operations started in the Orcopampa mine in 1965. In 2008, we made lease payments of US\$20.2 million. We operated Orcopampa as a silver mine until the late 1990s, when we also began to mine gold-bearing veins. In December 1996, Orcopampa S.A., then owner and operator of the Orcopampa mine, merged into us. As a result of the merger, Orcopampa S.A. assigned, and we assumed, the right to the mining concessions of Orcopampa. At December 31, 2008, the net total fixed assets of Orcopampa were approximately US\$48.9 million.

The Orcopampa mine is located in the province of Castilla in the department of Arequipa, approximately 1,350 kilometers southeast of the city of Lima at an altitude of between 3,800 and 4,500 meters above sea level. Access is by a 192-kilometer unpaved public road, which connects to the Pan American highway, and by airstrip.

The Orcopampa mining property consists of an epithermal gold telluride deposit hosted by early Miocene to Holocene calc-alkaline to high potassium calc-alkaline lava flows and domes of the Sarpane Complex, which forms part of the tertiary metallogenic (Au-Ag) belt of Southern Peru.

Mining at Orcopampa is conducted underground using the mechanized cut-and-fill method. Ore is processed at a mill located at Orcopampa. Until February 2004, the mill had a rated capacity of 1,200 DST per day and utilized both bulk flotation and gravity concentration processes.

Until February 2004, flotation concentrates were exported to different smelters around the world, while gravity concentrates continued to be treated at Los Volcanes, a small cyanidation plant located next to the Orcopampa mill which has been in operation since 1989. Until the end of 2001, Los Volcanes produced gold/silver electrolytic precipitates which were smelted and refined in Lima and then sold to Johnson Matthey. During the second half of 2001, we installed a Merrill-Crowe circuit and a smelter which began operations in December of that year, allowing us to produce doré bars from the gold and silver precipitate produced in the cyanidation plant of Los Volcanes.

Positive results of exploration conducted in the Nazareno and Prometida veins, changes in the characteristics of the ore and results from metallurgical tests performed in 2002 have suggested the replacement of the flotation process with direct cyanidation of the ore. In January 2003, we initiated construction of a cyanidation circuit which commenced operations on a continuous basis in March 2004 and therefore eliminated the production of flotation concentrates. The cyanidation circuit includes a 70 foot thickener from which a gold rich solution is obtained and sent to the Merrill-Crowe unit for gold precipitation, six agitator tanks to which cyanide and activated carbon are added (Carbon in Leach process), and a carbon desorption circuit which includes an electrolytic cell for the recovery of gold and silver as precipitate. The Electrolytic and Merrill-Crowe precipitates are smelted into doré bars prior to shipment.

In June 2006, we engaged a metallurgical consultant to evaluate the possibility of installing a pressure leach circuit for the pre-treatment of gold ore from Poracota prior to cyanidation next to the Orcopampa plant. After a careful evaluation and review of all of the data available, we decided to continue with the project and engaged Aker Kvaerner Metals, Inc., or Aker Kvaerner, an engineering firm, to perform an engineering study. In July 2007, Aker Kvaerner issued a preliminary report which showed that the installation of an autoclave was not feasible after taking into account current Poracota ore reserves and metal prices. As a result, the Poracota ore will continue to be treated by flotation.

Electric power is generated and supplied by a 3,900 kw hydroelectric plant and power line, connected to the Peruvian national electricity grid on September 12, 2002, owned by us and, when water is scarce, it can be provided by a 3,976 kw diesel generator. Water for operations at Orcopampa is obtained from a lake and three rivers.

In 2006 we continued exploration activities in the Nazareno vein, and 43 drill holes explored in the western and eastern section of the vein confirm that economically viable mineralization extends over that area. Another 13 drill holes explored in the eastern part of the Prometida vein indicate good ore shoots in both the Prometida and Nazareno veins. In addition, the exploration of the Prometida and Nazareno veins has led to the discovery of new mineral reserves and, in 2005, mineral reserves increased 16.6 percent in gold content reaching 1,137,215 DST of mineral with a minimum grade of 0.68 ounces of gold per short ton and 0.27 percent ounces of silver per short ton with a metallic content of 773,306 ounces of gold. To facilitate ventilation and access to the eastern region of Prometida, where ongoing reserve measurement and estimation efforts are being carried out, we finished construction of the "Mario" ramp. In addition, we have commenced construction of three additional ramps to facilitate access to ore reserves and resources at the 3,590 and 3,990 levels. During 2007, we continued underground exploration works on the Nazareno, Prometida and Esperanza veins, including diamond drilling at depth principally in the Nazareno vein, with positive results. During 2008, we completed 8,492 meters of underground exploration works and 21,636 meters of diamond drilling, focusing on the Esperanza, Fabiola, Raluca, Prometida Ramal and Nazareno veins. Ore reserves at December 31, 2008 were 1,391,600 DST at 0.608 ounces per ton of gold, 0.20 ounces per ton of silver and metallic content of 802,317 ounces of gold and 263,929 ounces of silver. Estimated NRM were 1,006,865 DST, at 0.213 ounces per ton of gold. In 2009, we will conduct exploration works at depth in the Chipmo mine and the Nazareno and Prometida veins.

In 2007, metallurgical tests indicated that most of the gold contained in the number 3 tailings dam, which is an old flotation tailings dam which assays over 2.0 grams per ton of gold, could be obtained through cyanidation. During 2008, a cyanidation circuit was installed as part of the main circuit to treat the flotation tails stored in the number 3 tailings dam. The tails are transported by truck to a storage bin and then fed through a rotating drum where the solids are diluted with barren solution. Leaching through cyanidation is performed in five agitator tanks containing activated carbon used to absorb the gold solution. The dissolved gold is absorbed by the carbon, which is later treated at Los Volcanes to recover the gold as dore bars. The cyanidation residue is pumped to the number 4 tailings dam. During 2008, a total of 11,448 ounces of gold and 4,255 ounces of silver were recovered from the number 3 tailings dam.

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, <sup>(1)</sup>							
	2004	2005	2006	2007	2008 <sup>(2)</sup>				
Mining Operations:									
Ore mined (ST)	431,241	461,091	467,953	478,669	483,376				
Average gold grade (oz./ST)	0.518	0.530	0.564	0.581	0.587				
Average silver grade (oz./ST)	0.34	0.30	0.24	0.26	0.320				
Production:									
Gold (oz.)	211,388	233,182	254,631	267,935	284,512				
Silver (oz.)	97,359	86,080	81,005	77,666	111,055				
Recovery rate (gold) (%) <sup>(3)</sup>	93.7	95.4	96.0	96.3	95.5				
Recovery rate (silver) (%)	64.9	63.1	64.1	62.4	64.6				
Costs:									
Cash cost (US\$ per oz. of gold)	128	135	145	164	244				
Employees <sup>(4)</sup> :									
Buenaventura employees	371	370	400	466	449				
Contractor employees	774	822	790	1,240	1,074				

- (1) Incorporates losses for mining dilution and recovery.
- (2) Incorporates gold and silver production from final tail treatment.
- (3) Only reflects recovery rate of gold and silver from Chipmo ore.
- (4) Data for 2007 also includes employees at Poracota.

The increase in 2003 gold production was mainly due to our exploration activities in the Nazareno vein and the exploration of the Prometida, Prosperidad and Lucy Piso veins. In 2004, the increase in gold production is primarily due to a considerable increase in the recovery of gold. The slight increase in gold production in 2006 compared to the previous year was due to an increase in total run of mine ore treated at the plant, a slightly higher grade of gold in the feed and an increase in the recovery of gold. In 2007, the increase of gold production was mainly due to an increase in the volume of ore treated and a slight increase in the average grade of gold in the ore. In 2008, the increase of gold production was due to an increase in the average gold grade and the volume of ore treated. In addition, Orcopampa's total production of gold and silver includes 1,246 ounces of gold and 3,085 ounces of silver in 2007 and 2,042 ounces of gold and 9,456 ounces of silver in 2008 that were obtained from activated carbon columns installed in the barren solution stream and treatment of slag material received from Procesadora Sudamericana S.A., a precious metals refinery located in Lima.

#### Poracota

Poracota is an underground mine, which is wholly-owned by us and currently operated by the Orcopampa team. Poracota encompasses 6,674 hectares, which are owned by us, located 20 kilometers west of the Orcopampa mine in southern Peru. As of December 31, 2008, we estimated ore reserves of 356,255 DST at 0.344 ounces per ton of gold and metallic content of 122,552 ounces of gold and 58,497 ounces of silver. Total NRM were 305,516 DST at 0.213 ounces per ton of gold. In 2009, we will concentrate our exploration efforts to develop the main levels 4600, 4660, 4720 and 4785. At December 31, 2008, the net total fixed assets of Poracota were approximately US\$2.7 million.

The Poracota mine is located in the province of Condesuyos in the department of Arequipa, at an altitude of between 4,500 and 5,000 meters above sea level. Access is by a 33-kilometer unpaved road which connects to the Orcopampa mine.

Gold mineralization at Poracota has been classified as an epithermal high sulfidation system, which is formed by two main areas, Huamanihuayta and Perseverancia. The more important veins are María Fé, Silvana and Rocio, which are hosted by the tertiary rocks of the Huamanihuayta volcano.

Operations started in February 2007. Ore from the Poracota mine is treated by flotation at the Orcopampa concentrator plant. The following table shows the production obtained for the years ended December 31, 2007 and 2008:

	Year Ending I	December 31,
	2007	2008
Mining Operations:		
Ore mined (ST)	61,867	184,188
Average gold grade (oz./ST)	0.318	0.300
Average silver grade (oz./ST)	0.11	0.16
Production:		
Gold (oz.)	16,679	46,126
Silver (oz.)	5,499	24,505
Recovery rate (gold) (%)	84.8	83.5
Recovery rate (silver) (%)	80.1	81.5
Costs:		
Cash cost (US\$ per oz. of gold)	277	623
Employees <sup>(1)</sup> :		
Buenaventura employees	-	54
Contractor employees	-	559

<sup>(1)</sup> For 2007, employees at Poracota are included in data for our Orcopampa mine.

During 2008 we achieved full operating capacity, resulting in a significant increase in silver and gold production compared to 2007.

## Uchucchacua

The Uchucchacua mine is wholly-owned and operated by us. Operations started in 1975, and Uchucchacua is currently our largest producer of silver. Uchucchacua encompasses 12,579 hectares, which are owned by us. At December 31, 2008, total estimated reserves were 3,065,275 DST at 17.3 ounces of silver, 1.6 percent lead and 2.14 percent zinc. Metallic content was 52,973,580 ounces of silver, 50,573 DST of lead and 65,481 DST of zinc. Total NRM were 1,914,480 DST, at 17.0 ounces per ton of silver, 1.7 percent lead and 2.35 percent zinc. In 2009, our target is to increase the silver ore reserves and we are focusing exploration works on high-grade silver mineralization areas. At December 31, 2008, the net total fixed assets of Uchucchacua were approximately US\$42.7 million.

Uchucchacua is located in the province of Oyón in the department of Lima, approximately 265 kilometers northeast of the city of Lima at an altitude of between 4,000 and 5,000 meters above sea level. Access is by an unpaved road, 145 kilometers in length, which connects to the Pan American highway.

Uchucchacua's mineralization is hosted by Mesozoic limestone of the Jumasha Formation and is classified as a mesothermal polymetallic of silver-lead-zinc with important contents of manganese. The main mineralized structures are veins and ore bodies with high silver mineralization.

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 2,500 DST per day since October 2006 and which had a 94.08 percent utilization rate in 2007, utilizes differential flotation to obtain a lead-silver concentrate and a zinc concentrate.

Electric power is generated by a 3,400 kw hydroelectric plant that we own and by a 3,025 kw diesel generator. We utilize a power line connecting Uchucchacua to the Peruvian national electricity grid and has electrical distribution facilities within the Uchucchacua mine. Water for operations at Uchucchacua is obtained from three lakes

In 2001, we started construction to deepen the Luz shaft for the purpose of improving the extraction and transportation infrastructure of the mine. Construction continued in 2002 and we commenced operation of the Luz shaft in July 2003. During 2003, we completed the construction of a new 1.7 kilometer drainage tunnel, the Patón tunnel, which measures 4.5 kilometers from a point close to Lake Patón up to the main shaft and serves to explore the veins of the Plomopampa and Casualidad zones. On December 6, 2003, the Patón tunnel was connected to the Carmen mine. In addition to facilitating drainage, the Patón tunnel also improves ventilation and the output of hydroelectric power, reducing electric energy purchased from the national grid for pumping and ventilation by 7.2 MWH, electric energy generation by 1.6 MWH and decreasing the use of fuel-driven generator sets at peak hours. The implementation of the tunnel results in an annual savings of US\$1 million.

At the end of 2003, we commenced evaluating the possibility of recovering the silver values still contained in the final tails produced in the concentrator plants. Metallurgical investigations indicated that an additional five to eight percent of the silver value could be recovered by a cyanide leach of a silver bearing pyrite concentrate previously obtained by flotation of the final tails. Further metallurgical evaluations performed during 2004 indicated that cyanide leaching is very effective when applied to a bulk zinc-silver concentrate obtained by flotation of the lead-silver final tails flotation circuit. After cyanidation, a zinc concentrate may still be produced from the cyanidation residue. Due to encouraging results in the last quarter of 2004, we commenced engineering studies and the construction of a 300 metric tons per day cyanidation circuit, which is designed to treat both pyrite and bulk zinc-silver concentrates.

The new cyanidation plant commenced operations on a trial basis in June 2006 and became fully operational by September 2006. From June to December 2006, the cyanidation plant produced 181,482 ounces of silver. Due to an increasing amount of ore coming from the Socorro mine, the feed to the cyanidation plant came from a silver bearing pyrite concentrate obtained by flotation of the final tails.

During the third quarter of 2005, samples of an oxide ore located in the upper levels of the mine were tested for cyanidation and indicated that the silver contained in this ore can be successfully leached by cyanidation. Based on these results, we have decided to install a crushing and grinding circuit for the comminution of the oxide ore and new leaching tanks and filters. The oxide circuit commenced operations in October 2006. Total silver production in the oxide circuit was 36,590 ounces for the year ended December 31, 2006. 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.

During 2007 and after performing some improvements in the cyanidation circuit, a total of 914,912 ounces of silver were produced as silver bars. Out of this total, 659,984 ounces were obtained from silver bearing pyrite concentrates and 254,928 ounces were produced from oxide ore. During 2008, a total of 914,943 ounces of silver were produced as silver bars. However, due to the fall in silver prices and the increase of mining and mill costs, the cyanidation circuit was shut down in November 2008. We partially resumed operations of this circuit during the first quarter of 2009 after the construction of a new cyanidation tailings dam that should allow us to reduce operating costs.

Due to a continuous increase in the reserves of high-grade lead-zinc ores and low-grade silver ores, we decided to install a 500 ST per day circuit. This lead-zinc sulphide circuit can also treat silver sulphide ores if necessary. With the addition of this new circuit in August 2008, the mill has a rated capacity of 3,000 DST per day.

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, <sup>(1)</sup>							
	2004	2005	2006	2007	$2008^{(2)}$				
Mining Operations:									
Ore mined (ST)	795,036	813,220	810,280	850,463	950,430				
Average silver grade (oz./ST)	16.79	16.93	16.04	16.02	16.00				
Average zinc grade (%)	1.48	1.39	1.24	1.90	2.03				
Average lead grade (%)	1.13	1.12	1.06	1.31	1.44				
Production:									
Silver (oz.)	9,832,393	10,213,794	9,692,300	9,873,772	11,417,199				
Zinc (ST)	7,477	6,553	5,225	8,657	12,456				
Lead (ST)	8,042	8,067	7,718	9,708	12,237				
Recovery rate (silver) (%)	73.67	74.20	74.50	72.50	75.7				
Costs:									
Cash cost (US\$ per oz. of gold)	2.93	3.23	4.50	4.60	6.54				
Employees:									
Buenaventura employees	421	420	462	528	566				
Contractor employees	593	72.7	931	1 036	1 381				

(1) Incorporates losses for mining dilution and recovery.

(2) Incorporates total Pozo Rico mine production. Ore mined, metal grades and metal production include Pb/Zn ore and oxide ore treated.

In 2007 a total of 31,053 ST of oxide ore was also mined and treated directly in the cyanidation plant, together with 18,057 ST of a silver bearing pyrite concentrate that was produced and stored since 2000. The increase in silver production was mainly due to the silver bars produced at the cyanidation circuit. During 2008, a total of 11,417,199 ounces of silver were produced, of which 10,500,548 ounces were produced by flotation and 916,651 ounces were produced as silver bars. The increase in silver produced was mainly due to an increase in the volume of ore treated during the year.

#### Julcani

Julcani is an underground mine that is wholly-owned and operated by us. We acquired Julcani in 1953 as our first operating mine. Julcani consists of 1,800 hectares, which are owned by us. In November 1999, due to the depletion of gold and silver reserves, we were forced to suspend production in Julcani and carry out exploration activities only. In 2000, we started to carry out the actions required by the Environmental Shutdown Plan, or *Plan de Cierre Ambiental*, and undertook only limited efforts primarily in the Herminia zone in 2001. As a result, ore mined in the Herminia zone was primarily milled to produce copper and lead concentrates until 2003. In 2003, we initiated an exploration program in the Acchilla area. In 2004, we continued the exploration and initiated exploitation of ore with positive results. At December 31, 2008, total estimated ore reserves were 288,090 DST at 21.6 ounces per ton of silver, 0.022 ounces per ton of gold, 1.7 percent of lead and 0.2 percent of zinc. The gold grades in total ore reserves of Julcani are derived from new ore reserves discovered in the Estela mine area. In 2009, we will conduct intense underground exploration works in the Acchilla mine and we will continue underground exploration works at the 490 and 420 levels of the Estela mine area. At December 31, 2008, the net total fixed assets of Julcani were approximately US\$2.5 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 195 kilometer unpaved public road, which connects to a paved public road and an airstrip.

Julcani is a large polymetallic deposit in Central Peru, which principally produces silver that occurs mainly as tetrahedrite in a multitude of mineralogically complex veins hosted by dacite domes, surge deposits and other tertiary volcanic rocks.

Run of mine ore is processed in a concentrator plant located 50 meters from the mine entrance. The ore is crushed and ground, and bulk flotation is used thereafter to obtain a silver-gold-lead concentrate. The plant has a rated capacity of 350 DST per day and had a 80.27 percent utilization rate in 2008.

Electric power is generated by three Conenhua hydroelectric plants. Power generation capacity from these plants is 800 kw (Huapa), 1,200 kw (Tucsipampa) and 760 kw (Ingenio), respectively. We also rely 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.

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, (1)						
	2004	2005	2006	2007	2008 <sup>(2)</sup>			
Mining Operations:								
Ore mined (ST)	58,900	73,700	80,450	89,100	95,700			
Average gold grade (oz./ST)	0.002	0.002	0.001	0.001	0.003			
Average silver grade (oz./ST)	18.50	18.80	18.80	17.6	17.88			
Average lead grade	1.68	2.02	2.10	2.11	2.49			
Average copper grade (%)	0.17	0.13	0.14	0.14	0.14			
Production:								
Gold (oz.)	59	40	26.14	26.88	187			
Silver (oz.)	1,019,743	1,302,596	1,417,666	1,483,428	1,593,606			
Lead (ST)	854	1,308	1,529	1,725	2,162			
Copper (ST)	83	82	100	98	120			
Recovery rate (gold) (%)	50.7	35.8	25.2	30.3	67.2			
Recovery rate (silver) (%)	93.7	94.0	93.8	94.6	93.1			
Costs:								
Cash cost (US\$ per oz. of gold)	6.12	5.18	6.55	7.00	8.22			
Employees:								
Buenaventura employees	93	92	102	122	158			
Contractor employees	323	386	549	413	548			

Incorporates losses for mining dilution and recovery.

The significant increase in silver production in 2008 was mainly due to a 7.41 percent increase in run of mine ore treated in the plant. The increase in gold production during 2008 was due to ore production in the Estela mine area.

<sup>(1)</sup> (2) Incorporates Estela area mine production.

## Recuperada

The Recuperada mine is wholly-owned and operated by us. Effective March 2001, we temporarily suspended operations and discontinued exploration efforts at the Recuperada mine. In April 2004, we elected to resume exploration efforts at the Esperanza vein of the Recuperada mine due to an increase in ore reserves as well as the rising price of metals. In February 2006 we initiated mining operations. At December 31, 2008, total estimated ore reserves were 127,390 DST, with 11.5 ounces per ton of silver, 5.6 percent lead and 4.7 percent zinc. Total estimated NRM were 683,690 DST, with 3.3 ounces per ton of silver, 5.4 percent lead and 7.9 percent zinc. In 2009, we will continue underground exploration works in the Esperanza, Camucha and Veta 2 deposits in search of ore reserves. At December 31, 2008, the net total fixed assets of Recuperada were approximately US\$4.4 million.

The Recuperada mining district principally contains polymetallic zinc and lead veins (including the Teresita, Esperanza and Angelica deposits), as well as some silver-rich veins (including the María Luz, Nancy Luz and Rico Antimonio deposits). The stratigraphic column shows a layer of Mesozoic rocks beneath Cenozoic volcanic rocks and late dacitic-rhyolitic intrusive rocks penetrating previous rocks.

Recuperada is located in the province of Huancavelica, in the department of Huancavelica, approximately 540 kilometers southeast 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, which connects to the Pan American highway. Electricity is supplied by access to the Peruvian national electricity grid via a 50-kilometer power line, which has a capacity of 22 kilovolts and 4,000 kilowatts.

Mining at Recuperada is conducted underground using the conventional cut and fill method. Mine ore is processed at a concentrator plant on site, the processing capacity of which was expanded from 400 metric tons per day to 600 metric tons per day in October 2008. Due to low zinc and lead prices, the concentrator plant is not currently operating at full capacity.

Mining operations at Recuperada are currently focused on the Teresita mine, an old lead-zinc mine that ceased operating between 2001 and 2006 due to low metal prices. Mineable resources are estimated to be located between levels 3850 and 4100. We are currently upgrading infrastructure at the Teresita mine, including extracting systems, drifting equipment, ventilation systems and water pumping equipment. In October 2007, we commenced construction of shaft number 3, which will be used to access levels 3850 through 4370. During 2008, we completed three bore holes, two of which will be used for ventilation and one of which will be used as a pilot for the construction of shaft number 3 between levels 4150 and 4370. We are also developing the main pumping station for shaft number 3 at level 4150.

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,						
	2004	2005	2006	2007	2008			
Mining Operations:								
Ore mined (ST)	-	-	72,200	98,970	103,000			
Average silver grade (oz./ST)	-	-	7.32	7.45	6.52			
Average lead grade (%)	-	-	2.72	2.38	2.49			
Average zinc grade (%)	-	-	4.75	3.78	3.72			
Production:								
Silver (oz.)	-	-	478,129	695,970	636,532			
Lead (ST)	-	-	1,781	2,164	2,383			
Zinc (ST)	-	-	3,039	3,313	3,317			
Costs:								
Cash cost (US\$ per MT of gold)	-	-	18,440	623	1,485			
Employees:								
Buenaventura employees	-	-	31	84	111			
Contractor employees	-	-	494	542	266			
	87							

The significant increase in the production of silver, lead and zinc during 2007 was mainly due to a 37.1 percent increase in the volume of ore mined compared to 2006. The decrease in silver production during 2008 was due to decreased silver grades in ore mined.

#### Ishihuinca

In 1985, we purchased 51.0 percent of Inminsur, the owner and operator of the Ishihuinca mine. As a result of subsequent purchases of shares of Inminsur, we currently own 100 percent of Inminsur. Inminsur has leased the rights to the mining concessions of Ishihuinca from a third party. The lease agreement, which expires in 2015, stipulates payment by Inminsur to the lessor of a royalty of 7 percent of the price of the concentrates sold. In 2008, Ishihuinca paid US\$0.6 million in royalties. At December 31, 2008, the net total fixed assets of Ishihuinca were approximately US\$0.7 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 220 DST per day and which had a 72.38 percent utilization rate in 2008, utilizes bulk flotation and gravity concentration processes. The bulk flotation process produces a copper/gold concentrate, which is sold to a local mineral broker, and a gold bearing pyrite concentrate which is leached with cyanide in agitator tanks. The gravity concentrates, from the gravity concentration processes, are treated by cyanidation in vats. The dissolved gold obtained from the cyanidation of the gold bearing pyrite concentrate and gravity concentrate is precipitated on zinc dust (Merrill-Crowe process) and the resulting precipitate is 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.

Electric power is generated by three electric generators, with a capacity of 709 kw, 804 kw and 800 kw, respectively. Water for operations at Ishihuinca is obtained from nearby wells.

In 2004, we identified the Prolongación Córdova vein in the Cordova area with underground workings of 2,110 meters and an estimated 5,765 metric tons at 14.56 grams per ton of gold with an average thickness of 0.85 meters. In 2005, we continued exploration of the Prolongación Córdova vein in the Cordova area with underground workings of 2,158 meters and an estimated 20,015 metric tons at 13.49 grams per ton of gold with an average thickness of 0.90 meters. During 2006, we continued exploration efforts in the Córdova area, primarily on the Prolongación Córdova vein and an estimated 16,465 metric tons at 17.60 grams per ton of gold. During 2007, we conducted 1,574 meters of diamond drilling, primarily in the Córdova area and other mineralized structures, with negative results. Ore reserves as of December 31, 2008 were 3,620 DST, at 0.412 ounces per ton of gold. In 2009, we will conduct underground exploration works in the Córdova and Prolongación Córdova veins under the 1890 level, to explore cut ore points with diamond drill holes in the Honda vein (holes number 153, 155 and 156), as well as a diamond drilling campaign in the Bella Union area.

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, "						
	2004	2005	2006	2007	2008		
Mining Operations:							
Ore mined (ST)	60,213	65,435	66,705	54,740	30,349		
Average gold grade (oz./ST)	0.474	0.436	0.377	0.322	0.318		
Average copper grade (%)	0.345	0.40	0.33	0.437	0.30		
Production:							
Gold (oz.)	24,505	23,911	21,020	14,814	8,141		
Copper (ST)	169	198	141	185	70		
Zinc (ST)	-	-	-	-	-		
Lead (ST)	-	-	-	-	-		
Recovery rate (gold)(%)	85.80	83.7	83.3	83.97	84.3		
Recovery rate (copper)(%)	-	-	-	76.90	76.50		
Costs:							
Cash cost (US\$ per oz. of gold)	335	338	430	541	817		
Employees:							
Buenaventura employees	89	82	87	85	75		
Contractor employees	400	326	338	346	80		

<sup>(1)</sup> Incorporates losses for mining dilution and recovery.

There was a 45.0 percent decrease in the production of gold in 2008 compared to the previous year, mainly due to a decrease in the volume of ore mined.

#### Antapite

Antapite is an underground mine that is wholly-owned and operated by us. At December 31, 2008, the net total fixed assets of Antapite were approximately US\$8.1 million.

Antapite is located in the province of Huaytará, 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. The mine is accessed primarily by the Pan American Highway and local roads. The Antapite mine consists of 20,800 hectares, which are owned by us. Inminsur 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 and Reyna veins are the main source of ore reserves and mining efforts are focused on these veins. Inminsur has initiated exploration of the Pampeñita and Antapite veins, which run 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.

Antapite is a gold mineralization deposit that has been classified as an epithermal low sulfidation in veins hosted by Eocene–Miocene calc-alkaline

In 2006, exploration efforts were centered on the Zorro Rojo and Reyna areas and consisted mainly of underground workings and diamond drill holes. Total calculated ore reserves as of December 31, 2006 were 466,135 DST with 0.343 ounces of gold. During 2007, we conducted 13,994 meters of underground exploration works and 18,517 meters of diamond drill holes in Zorro Rojo, Zorro Rojo's branch, Antapite, Reyna, Reyna's branch, Liliana and Emperatriz. Ore reserves as of December 31, 2007 were 261,122 DST at 0.285 ounces per ton of gold and 0.47 ounces per ton of silver. During 2008, we conducted intense exploration works primarily in the Juana Solitaria, Soledad Olvidad and Zorro Rojo veins. We completed 17,480 meters of underground exploration works and 31,212 meters of diamond drilling. Total ore reserves as of December 31, 2008 were 96,620 DST, with 0.244 ounces per ton of gold and 0.63 ounces per ton of silver. In 2009, we will continue exploration efforts on many levels of the Zorro Rojo mine area, mainly in the Soledad Olvidada, Juana Solitaria, Susan and Carolina veins to search for new ore reserves.

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 with capacity for 272 DST per day, has increased its capacity to 650 DST per day since May 2003. The plant had a 81.24 percent utilization rate in 2008.

The Antapite mine obtains approximately 98.5 percent of its electric power through the Peruvian national electricity grid and the remaining power through Electrical Supplier Machine Sultzer. Water for operations at Antapite is obtained from an underground drainage system.

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

		Year Ending December 31, (1)						
	2004	2005	2006	2007	2008			
Mining Operations:								
Ore mined (ST)	179,785	179,873	179,820	178,969	207,014			
Average gold grade (oz./ST)	0.57	0.60	0.60	0.420	0.220			
Average silver grade (oz./ST)	0.74	0.81	0.65	0.73	0.57			
Production:								
Gold (oz.)	97,137	103,931	103,370	72,171	43,320			
Silver (oz.)	86,162	102,222	83,258	90,368	80,363			
Recovery rate (gold) (%)	94.4	95.9	96.6	96.0	94.2			
Recovery rate (silver) (%)	64.5	70.4	71.2	69.2	66.6			
Costs:								
Cash cost (US\$ per oz. of gold)	174	209	246	383	637			
Employees:								
Buenaventura employees	188	155	195	335	318			
Contractor employees	862	1,087	1,241	733	745			

<sup>(1)</sup> Incorporates losses for mining dilution and recovery.

There was a 40.0 percent decrease in the production of gold in 2008 compared to the previous year, mainly due to a lower gold feed grade and lower gold recovery rate.

# Shila-Paula

Shila and Paula are underground mines that are wholly-owned and operated by Cedimin, our wholly-owned subsidiary. Shila and Paula encompass an aggregate of 41,152 hectares, which are owned by Cedimin. At December 31, 2008, the net total fixed assets of the Shila and Paula mining operations were approximately US\$7.4 million.

As of December 31, 2008, we have estimated ore reserves of 48,543 DST, with 0.616 ounces per ton of gold and 2.10 ounces per ton of silver. As of December 31, 2008, NRM were 16,899 DST, with 0.955 ounces per ton of gold and 1.40 ounces per ton of silver. All ore reserves and NRM are in the Paula mine. In 2009, we intend to continue exploration works on levels 4,930 and 4,880, as well as diamond drilling below the 4,880 level.

The Shila mine is located in the province of Castilla in the department of Arequipa, approximately 1,350 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. The Shila mine is currently not operating due to a lack of ore reserves.

The Paula mine is located in the province of Castilla in the department of Arequipa, approximately 1,400 kilometers southeast of the city of Lima and 140 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.

Gold mineralization deposits in the Shila and Paul mines have been classified as epithermal low sulfidation of the Quartz-Adularia-Sericite type. The veins are hosted by tertiary volcanic rocks associated with the Chinchón and Huayta calderas.

Due to the high cost of transportation and smelting of the concentrates, we installed a small cyanidation plant at the Shila mine, which entered into operation in August of 2001 with a net capacity of 3,200 metric tons per year.

Mining operations are currently conducted only in the Paula mine. Mining is conducted underground using the conventional cut-and-fill stopping method. Ore is processed at a mill located at the Shila mine with a rated capacity of 227 DST per day. The mill had a 96.6 percent utilization rate in 2008. The mill utilizes bulk flotation and gravity concentration processes. Gravity concentrates and flotation concentrates are later treated together by cyanidation leaching. The extracted gold and silver values are precipitated using the Merrill-Crowe process and the gold/silver precipitate produced is sent to the smelter located next to the mill. We send the dore silver/gold bars to a refinery in Lima and the refined products are later sold overseas.

Electric power for Shila is provided by four diesel generators, two with a capacity of 650 kw, one with a capacity of 1,135 kw and one with a capacity of 1,600 kw, and a power line, which was connected to the Peruvian national electricity grid in April 2003. In January 2005, Paula was connected to the Peruvian national electricity grid and ceased operations at its two diesel generators, each with a 65 kw installed capacity. The water for operations at Paula is obtained from runoff from a snowpeak.

Set forth below are certain unaudited operating data for Shila-Paula, calculated on the basis of 100 percent of both mines' combined production.

		Year Ending December 31, (1)(2)						
	2004	2005	2006	2007	2008			
Mining Operations:								
Ore mined (ST)	57,982	64,050	67,888	68,858	74,722			
Average gold grade (oz./ST)	0.46	0.45	0.418	0.491	0.549			
Average silver grade (oz./ST)	13.83	5.9	3.0	2.1	1.9			
Production:								
Gold (oz.)	24,473	26,978	26,336	32,261	39,162			
Silver (oz.)	660,775	330,184	157,683	104,711	101,327			
Recovery rate (gold) (%)	91.4	93	92.8	95.4	95.5			
Recovery rate (silver) (%)	83.5	83	78.6	72.4	72.0			
Costs:								
Cash cost (US\$ per oz. of gold)	229	283	325	322	415			
Employees:								
Buenaventura employees	154	148	153	205	249			
Contractor employees	434	522	537	571	685			

<sup>(1)</sup> Incorporates losses for mining dilution and recovery.

<sup>(2)</sup> For 2004 and 2005, reflects the consolidation of the operating data for the Paula and Shila mines. For 2006 to 2008, data reflects only mining operations at the Paula mine. The Shila mine is currently not operating due to a lack of reserves.

During 2008, there was a 21.4 percent increase in the production of gold ounces mainly due to increases in the volume of ore mined, an increase in the gold feed grade and, to a lesser extent, an increase in the recovery rate of gold. By contrast, silver production decreased slightly by 3.34 percent, principally due to a decrease of the silver grade in the feed.

# Colquijirca and Marcapunta Norte

The Colquijirca (also known as Tajo Norte) and Marcapunta Norte mines are wholly-owned by El Brocal. 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. As of December 31, 2008, we held a 61.42 percent interest in Inversiones Colquijirca, which in turn held a 51.06 percent interest in El Brocal, and a 4.41 percent direct interest in El Brocal's mining properties. Our total equity interest in El Brocal was 35.77 percent as of December 31, 2008. On March 11, 2009, we purchased Teck Cominco's equity stake in Inversiones Colquijirca, increasing our equity interest in Colquijirca to 81.22 percent and our overall equity interest in El Brocal to 45.97 percent.

Total reserves of Colquijirca, as of December 31, 2008, were 48.9 million DST with a silver content of 1.30 ounces per DST, 2.72 percent of zinc and 0.90 percent of lead. Total reserves of Marcapunta Norte, as of December 31, 2008 were 8.3 million DST at 0.48 ounces of silver per DST, 0.41 ounces of gold per DST, and 2.57 percent of copper. At December 31, 2008 the net total fixed assets of Colquijirca and Marcapunta Norte were approximately US\$35.6 million.

The Colquijirca and Marcapunta Norte mines are adjacent and are located 285 kilometers east of the city of Lima and 10 kilometers south of the city of Cerro de Pasco. El Brocal produces zinc and lead/silver concentrates from the Colquijirca mine and copper concentrates from the Marcapunta Norte mine. 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 an auriferous mineralization in breccia oxides, a non-arsenic copper chalcosite mineralization, and an arsenic copper enargite mineralization as a continuation of the mineralized mantles of the Marcapunta Norte Mine; and the San Gregorio deposit, which contains zinc.

Mining at Colquijirca is conducted through the open-pit method from which zinc and lead concentrates are produced. El Brocal's zinc concentrate typically contains 50 percent zinc, while its lead concentrate typically contains 55 percent lead. The concentrates are sold locally and also exported to Europe and Asia (primarily Korea and China) for refining. Mining at Marcapunta Norte is conducted through the room and pillars method from which copper concentrates are produced. El Brocal's copper concentrates typically contains 20 percent copper and 5 percent arsenic. The concentrates are sold locally or exported to Africa for refining. El Brocal's mineral production greatly increased from 2002 to 2008, achieving an ore throughput of 2,388,639 DST, representing a 12.4 percent increase from 2007.

The Huaraucaca concentrator plant processes ore from both mines. The capacity of the concentrator plant has been increased to 7,150 short tons per day and processed 2.4 million ST of ore during 2008. The mill had a 95 percent utilization rate in 2008. The Colquijirca mine primarily relies on a power line, connected to the Peruvian national electricity grid in November 2002, for its electrical power.

In 2001, El Brocal initiated an intensive exploration program, financed by a capital increase in 2002 at the Marcapunta deposit, to confirm mineralization and find possible extensions. In 2002, exploration revealed gold-bearing arsenic copper resources in the Marcapunta deposit. El Brocal's production greatly increased from 2002 to 2006. In 2008 El Brocal undertook an extensive exploration effort, drilling over 51,000 meters in an effort to increase and better delineate its reserves at the Colquijirca and Marcapunta Norte mines, as well as at the overall Marcapunta deposit.

In August 2008, we approved an expansion project requiring an estimated US\$160 million investment. The project contemplates: expanding the Tajo Norte open pit mine to 15,000 MT per day; expanding the Marcapunta Norte underground mine to 3,000 MT per day; expanding and modernizing the Huaraucaca concentration plant to increase the capacity of the lead-zinc-silver circuit from 5000 MT per day to 15,000 MT per day in order to treat ore from the Tajo Norte-La Llave mine, as well as to increase the capacity of the copper circuit for the treatment of ore from the Marcapunta mine from 1,000 MT per day to 3,000 MT per day; and building the Huachuacaja tailings facility and upgrading existing infrastructure to adjust to the new production capacity of 18,000 MT per day.

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

	Year Ending December 31, <sup>(1)</sup>						
	2004	2005	2006	2007	2008		
Mining Operations:							
Ore mined (ST)	1,492,569	1,513,964	1,631,668	2,055,485	2,028,588		
Average silver grade (oz./ST)	3.23	4.03	8.17	4.97	3.38		
Average zinc grade (%)	5.82	5.95	5.90	6.08	6.10		
Average lead grade (%)	2.89	2.92	3.31	2.66	2.38		
Production:							
Silver (oz.)	3,399,130	4,394,940	10,269,511	7,076,377	4,487,906		
Zinc (ST)	63,448	62,997	72,422	93,505	89,949		
Lead (ST)	27,069	26,244	33,408	34,867	27,525		
Recovery rate (silver) in zinc (%)	26.07	24.88	23.61	25.92	28.47		
Recovery rate (zinc) (%)	73.0	69.9	75.18	74.82	72.69		
Recovery rate (silver) in lead (%)	44.46	48.0	53.39	43.33	36.91		
Recovery rate (lead) (%)	62.82	60.0	61.88	63.77	57.01		
Costs:							
Cash cost (US\$ per MT of gold)	644	616	233	126	384		
Employees (2):							
Buenaventura employees	274	281	306	345	351		
Contractor employees	456	486	906	1,056	1,041		

<sup>(1)</sup> (2) Incorporates losses for mining dilution and recovery.

Includes employees from the Marcapunta Norte mine.

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

Year Ending December 31, <sup>(1)</sup>		
2007	2008	
69,845	354,993	
0.52	0.54	
0.016	0.018	
27,048	147,863	
617	3,810	
74.89	77.82	
54.12	60.82	
	2007 69,845 0.52 0.016 27,048 617 74.89	

(1) Incorporates losses for mining dilution and recovery.

#### Reserves

We calculate our ore reserves by methods generally applied within the mining industry and in accordance with Commission Industry Guide 7. All mineral reserves are estimated quantities of proven and probable ore that under present conditions may be economically mined and processed.

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

The term "reserves" refers to mineral deposits that could be economically and legally extracted or produced at the time of reserve determination. 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, 2008 for each mining operation in which we have 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 and US\$725 per ounce of gold and US\$13.00 per ounce of silver.

# Proven and Probable Ore Reserves at December 31, $2008^{(1)(2)(3)(4)}$

		Uchucchacua <sup>(6)</sup>			Colquijirca	Marcapunta			Shila-		
	Julcani <sup>(5)</sup>	(7)	Orcopampa <sup>(8)</sup>	Recuperada <sup>(9)</sup>	(10) (11)	(10) (12)	Ishihuinca	Antapite <sup>(13)</sup>	Paula(14)(15)	Poracota <sup>(16)</sup>	Total/Average
Ore Reserves (ST)	288,090	3,065,275	1,319,600	127,390	48,946,973	7,944,000	3,620	96,620	48,543	356,255	62,196,492
Grade:											
Gold (oz./ST)	0.022	-	0.608	-		0.012	0.412	0.244	0.616	0.344	0.108
Silver (oz./ST)	21.6	17.3	0.2	11.5	1.30	0.46	-	0.63	2.1	0.16	2.10
Copper (%)	-	-	-			2.46		-	-	-	2.46
Zinc (%)	0.20	2.24		4.7	2.72	2.34					2.26
Lead (%)	1.7	1.6	-	5.6	0.90	0.77		-		-	0.81
Content:											
Gold (oz.)	6,338		802,317			95,330	1,491	23,575	29,902	122,552	1,080,505
Silver (oz.)	6,222,744	52,973,580	263,920	1,464,985	63,631,064	3,654,240	-	60,871	101,940	58,497	128,431,841
Copper (ST)	-		-			195,426		-		-	195,426
Zinc (ST)	576	65,481	-	5,987	1,331,357	-	-	-		-	1,403,401
Lead (ST)	4,898	50,573	-	7,134	440,522	-	-	-	-	-	503,127

- (1) Proven and probable reserves for our wholly-owned mines as of December 31, 2004, 2005, 2006, 2007 and 2008 were audited by an independent consultant, Algon Investment S.R.L. Proven and probable reserves for El Brocal's mines as of December 31, 2004, 2005, 2006, 2007 and 2008 were audited by an independent consultant, AMEC plc. Reserves as stated are diluted and mineable. Incorporates losses for mining dilution and recovery.
- (2) The metallurgical recovery factors used to calculate the reserves for each of our mines include ore quality, gradation of ore (which impacts the effectiveness of reagents in releasing valuable particles), quality of water used to treat ore (recycled water contains impurities that can interfere with the chemical reaction of the reagents), quality of reagent used to treat ore, the condition and maintenance of equipment used to extract the ore and staff operational capabilities.
- (3) For the year ended December 31, 2008, reserves for our wholly-owned operated mines (which include all of the mines listed in the table above other than Colquijirca and Marcapunta) were calculated using the following prices: US\$725 per ounce of gold, US\$13 per ounce of silver, US\$1,543 per metric ton of zinc, US\$992 per metric ton of lead and US\$1.20 per pound of copper.
- (4) The metallurgical recovery factors that impacted proven and probable reserve estimates for Julcani as of December 31, 2008 were whether the silver grade was lower than 7.0 ounces per metric ton, whether the ore contained iron sulfide (Pirita) higher than 8% and the quality of the water.
- (5) The Pozo Rico mine advanced from the brownfield exploration stage to the production stage and commenced production in June 2008. Pozo Rico produced 48,767 DST of ore, with 14.1 ounces per ton of silver, 1.15 percent lead and 0.93 percent zinc, which was included in the production data for Uchucchacua for the year ended December 31, 2008.
- (6) The metallurgical recovery factors that impacted proven and probable reserve estimates for Uchucchacua as of December 31, 2008 were the complexity of the ore, the variation of ore grade and whether the ore contained oxide mineral.
- (7) The metallurgical recovery factors that impacted proven and probable reserve estimates for Orcopampa as of December 31, 2008 were water quality (recycled water contains impurities that can interfere with the chemical reaction of the reagents) and lower than estimated or expected ore grade.
- (8) The metallurgical recovery factors that impacted proven and probable reserve estimates for Recuperada as of December 31, 2008 were the high volatility in ore grade and the quality of water.
- (9) El Brocal, in which we owned a 35.78% controlling equity interest as of December 31, 2008, owns the Colquijirca and Marcapunta mines. The reserves shown for Colquijirca and Marcapunta are the total reserves of the Colquijirca and Marcapunta mines and do not indicate our equity share.
- (10) The metallurgical recovery factors that impacted proven and probable reserve estimates for Colquijirca as of December 31, 2008 were the high content of clay and soluble salts in the ore.
- (11) The metallurgical recovery factors that impacted proven and probable reserve estimates for Marcapunta as of December 31, 2008 were the high content of arsenic in the ore and the hardness of the host rocks.
- (12) The metallurgical recovery factors that impacted proven and probable reserve estimates for Antapite as of December 31, 2008 were the high volatility in ore grade and the quality of water.
- (13) Reflects the consolidation as of January 1, 2005 of the operating data of the Paula mine into Shila's operating data.

- (14) The metallurgical recovery factor that impacted proven and probable reserve estimates for Shila-Paula as of December 31, 2008 was the high volatility in ore grade.
- (15) The metallurgical recovery factors that impacted proven and probable reserve estimates for Poracota as of December 31, 2008 were the high volatility of the ore grade and the presence of coal content in the ore.

Nine underground mines and one open pit mine, Colquijirca, comprise our mining operations. Since establishing a significant amount of reserves in underground mines requires costly and extensive exploration programs, we have, in order to control costs, traditionally pursued an exploration and development program in our 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 our ten mines for the ten-year period ended December 31, 2008, calculated in each case on the basis of 100 percent of the relevant mine's production.

	Julcani	Uchucchacua	Orcopampa	Recuperada	Colquijirca <sup>(2)</sup>	Marcapunta <sup>(2)</sup>	Ishihuinca	Antapite	Shila-Paula <sup>(1)</sup>	Poracota	Total
Ore mined (ST)	95,700	950,430	483,376	103,000	2,028,588	354,993	30,349	207,014	74,772	184,188	4,512,410
Gold produced (oz.)	187	-	284,512	-	-	3,809	8,141	43,320	39,162	46,126	425,257
Average Gold Grade(oz./ST)	0.003	-	0.587	-	-	0.018	0.318	0.220	0.549	0.300	0.098
Silver produced (oz.)	1,593,606	11,417,199	111,055	636,532	4,493,191	148,700	-	80,363	101,327	24,505	18,606,478
Average silver Grade (oz./ST)	17.88	16.00	0.32	6.52	3.39	0.54	-	0.570	1.88	0.16	5.56

 $(1) \ \ Reflects the consolidation as of January 1, 2005 of the operating data of Paula into Shila's operating data.$ 

<sup>(2)</sup> El Brocal, in which we owned a 35.78% controlling equity interest as of December 31, 2008, owns the Colquijirca and Marcapunta mines. The reserves shown for Colquijirca and Marcapunta are the total reserves of the Colquijirca and Marcapunta mines and do not indicate our equity share.

## 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 "—Description of Yanacocha's Operations."

#### Carachugo

Carachugo is a 90-hectare gold deposit with a leach pad that covers approximately 306 hectares. Carachugo, Yanacocha's first mine, commenced operations in August 1993. Mining is conducted by the open-pit method. Carachugo has one Merril-Crowe-type ore processing facility.

#### Maqui Maqui

Maqui Maqui is a 75-hectare gold deposit with a leach pad covering 67 hectares, located five kilometers northeast of the Carachugo pit. Mining operations at Maqui Maqui began in October 1994 and used the open-pit mining method. Although mining operations at Maqui Maqui ceased in September 2000, gold recovery from the leach pad continues.

#### San José

San José is a 100-hectare gold deposit, located 1.5 kilometers southwest of the Carachugo pit, that shares the leach pad located at Carachugo. Mining operations at San José began in January 1996 using the open-pit mining method. Mining operations at San José temporarily ceased during the fourth quarter of 2002 and reopened in 2005 to complete San José East. San José West is scheduled to commence operations in 2010.

## Cerro Yanacocha

Cerro Yanacocha is a 247-hectare gold deposit (ultimate pit) with a leach pad covering approximately 284 hectares. The Cerro 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. Cerro Yanacocha includes a carbon column gold recovery plant and a Merrill-Crowe-type ore processing facility.

#### La Quinua

La Quinua is a 376-hectare gold deposit (ultimate pit) with a leach pad covering 381 hectares. The La Quinua pit is located three kilometers southwest of the Cerro Yanacocha pit. Operations began in the fourth quarter of 2001 using the open-pit mining method. All solution processing occurs at the Cerro Yanacocha plant following treatment at the La Quinua leach pad and carbon column facility.

The La Quinua mining operation included Cerro Negro, a 15-hectare gold deposit (ultimate pit) which is located six kilometers southwest of the La Quinua pit. Cerro Negro utilized the La Quinua leach pad. Operations began in April 2004 using the open-pit mining method and all solution processing occurred at the Cerro Yanacocha plant following treatment at the La Quinua leach pad and carbon column facility. Mining operations at Cerro Negro ceased in March 2005.

#### China Linda

In October 1999, we commenced lime 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. We had 100 percent ownership of China Linda until December 19, 2000, at which date the plant became Yanacocha's property pursuant to the unitization of our 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 83,000 tons of lime per year. Additionally, construction gravel is obtained as a sub-product.

#### Reserves

Proven and probable reserves are based on extensive drilling, sampling, mine modeling and metallurgical testing from which economic feasibility is determined. Under the Management Contract, Newmont Mining, in conjunction with Yanacocha, calculates Yanacocha's reserves by methods generally applied within the mining industry and in accordance with SEC Industry Guide 7. Reserves represent estimated quantities of proven and probable ore that under present and anticipated conditions may be economically mined and processed.

The following table lists Yanacocha's proven and probable reserves and the average grade of ore as of December 31, 2004 through December 31, 2008. The table also includes proven and probable reserves for the districts of Yanacocha and Conga, along with average grade of ore. Calculations with respect to the estimates of proven and probable reserves are based on a gold price of US\$725 per ounce as of December 31, 2008, US\$575 per ounce as of December 31, 2007, US\$500 per ounce as of December 31, 2006, US\$400 per ounce as of December 31, 2005 and US\$350 per ounce as of December 31, 2004. Calculations with respect to Conga's copper reserves were calculated at a price of US\$2.00 per pound as of December 31, 2008, US\$1.75 per pound as of December 31, 2007, US\$1.00 per pound as of December 31, 2006 and 2005 and US\$0.90 per pound as of December 31, 2004. The districts of Yanacocha's and Conga'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 and pounds of copper in the districts of Yanacocha's and Conga's proven and probable reserves are calculated prior to any losses during metallurgical treatment.

# Proven and Probable Reserves at December 31, 2008

# Proven and Probable Reserves at December 31, 2007

Proven and Probable Reserves at December 31, 2006

		December 31, 2000	3		December 31, 200	/	December 31, 2000			
	Tonnage	Average Gold Grade	Ounces Contained	Tonnage	Average Gold Grade	Ounces Contained	Tonnage	Average Gold Grade	Ounces Contained	
	(thousands of DST)	(oz./DST)	(thousands of ounces)	(thousands of DST)	(oz./DST)	(thousands of ounces)	(thousands of DST)	(oz./DST)	(thousands of ounces)	
Maqui Maqui	9,411	0.029	275	7,206	0.031	225	7,731	0.026	198	
Quecher	-	-	-	-	-	-	-	-	-	
Antonio	-	-	-	-	-	-	-	-	-	
Cerro Quilish	-	-	-	-	-	-	-	-	-	
Cerro Negro	-	-	-	-	-	-	-	-	-	
Carachugo	85,288	0.033	2,780	83,782	0.035	2,931	91,592	0.035	3,231	
San José	10,420	0.017	178	9,684	0.017	166	9,067	0.018	160	
Giuliana	-	-	-	256	0.024	6	1,560	0.023	36	
Cerro Yanacocha	110,123	0.027	3,007	165,376	0.029	4,781	198,275	0.026	5,103	
La Quinua	73,920	0.015	1,112	88,824	0.018	1,609	92,513	0.018	1,670	
Tapado	52,991	0.038	2,021	70,212	0.033	2,351	73,681	0.036	2,661	
Corimayo	58,867	0.041	2,405	69,970	0.035	2,470	63,053	0.048	3,019	
In process	43,671	0.028	1,236	42,908	0.028	1,219	50,181	0.028	1,413	
Subtotal										
Yanacocha/avg	444,691	0.029	13,014	538,218	0.029	15,758	587,652	0.030	17,491	
Subtotal Minas										
Conga/avg.*	617,786	0.019	11,836	617,786	0.019	11,836	617,786	0.019	11,836	
Total/average	1,062,477	0.023	24,850	1,156,004	0.024	27,594	1,205,438	0.024	29,327	

Proven and Probable Reserves at Proven and Probable Reserves at

		December 31, 2005		December 31, 2004				
	Tonnage	Average Gold Grade	Ounces Contained	Tonnage	Average Gold Grade	Ounces Contained		
	(thousands of	( /DCT)	(thousands of	(thousands of	( /DCT)	(thousands of		
Maqui Maqui	DST) 7,889	(oz./DST) 0.026	ounces)	DST) 5,694	(oz./DST) 0.025	ounces)		
Quecher	-	-	-	-	-	-		
Antonio	-	-	-	-	-	-		
Cerro Quilish	-	-	-	-	-	-		
Cerro Negro	7	-	-	253	0.031	8		
Carachugo	69,016	0.040	2,763	66,405	0.042	2,777		
San José	7,334	0.021	153	10,818	0.020	213		
Cerro Yanacocha	208,178	0.033	6,807	257,363	0.032	8,328		
La Quinua	214,643	0.027	5,812	275,157	0.027	7,388		
Corimayo	62,755	0.049	3,074	58,425	0.051	3,006		
In process	71,108	0.028	1,968	60,860	0.028	1,685		
Subtotal Yanacocha/avg	640,922	0.032	20,780	734,974	0.032	23,547		
Subtotal Minas Conga/avg*	617,786	0.019	11,836	371,110	0.023	8,711		
Total/average	1,258,708	0.026	32,615	1,106,084	0.029	32,257		

<sup>\*</sup> Minas Conga's proven and probable reserves as of December 31, 2008 include 3.2 billion pounds of 0.261 percent grade copper.

As of December 31, 2008, the Yanacocha District's proven and probable reserves (excluding Conga's proven and probable reserves) were estimated to be 13.0 million ounces of gold, a 17.4 percent decrease from the Yanacocha District's proven and probable reserves as of December 31, 2007, which were estimated to be 15.8 million ounces of gold. The decrease in reserves of gold was mainly due to the depletion of 2.6 million ounces, as well as a decrease of 0.1 ounces of gold reserves due to unit cost increases, additional drilling, updated block models, revised pit designs, leach pad inventory adjustments, transfer of reserves to non-reserve mineralization due to social issues and leach pad capacity limitations, partially offset by metal price increases, an increase in the expected recoverable ounces of leach pads and the improvement of pit design.

As of December 31, 2008, Conga's proven and probable reserves were estimated to be 11.8 million ounces of gold and 3.2 billion pounds of copper, representing no change from the 2007 gold reserves and 2007 copper reserves, respectively.

As of December 31, 2008, Yanacocha's total proven and probable reserves (including Conga) were estimated to be 24.9 million ounces of gold, representing a 9.9 percent decrease over Yanacocha's total proven and probable reserves as of December 31, 2007, which were estimated to be 27.6 million ounces of gold. Yanacocha's total proven and probable reserves of copper were 3.2 billion pounds as of December 31, 2008, representing no change from Yanacocha's total proven and probable reserves as of December 31, 2007. Newmont Mining did not quote silver reserves at Yanacocha for the year ended December 31, 2008.

Based on the current recovery rate and estimated gold production levels in 2008, Yanacocha's proven and probable reserves as of December 31, 2008 will be depleted by 2015 unless Yanacocha continues to add to its reserves. Yanacocha's management believes that its prospective land positions and mining concessions provide it with potential for future exploration and additions to its reserves.

## ITEM 4A. Unresolved Staff Comments

None.

# ITEM 5. Operating and Financial Review and Prospects

#### THE COMPANY

#### Introduction

The following discussion should be read in conjunction with the Financial Statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 and the related notes thereto included elsewhere in this Annual Report. The Financial Statements are prepared and presented in accordance with Peruvian GAAP, which differ in certain respects from U.S. GAAP. Note 33 to the Financial Statements provides a description of the principal differences between Peruvian GAAP and U.S. GAAP, as such differences relate to us, and Note 34 to the Financial Statements provides a reconciliation to U.S. GAAP of our net income for the years ended December 31, 2006, 2007 and 2008 and shareholders' equity as of December 31, 2006, 2007 and 2008. We present our financial statements in U.S. Dollars.

#### **Operating Results**

#### General

Overview. We were established in 1953 and are one of Peru's leading producers of gold, silver and other metals. Our consolidated financial statements comprise all of our accounts and those of our subsidiaries, which include: (i) the Julcani, Recuperada, Uchucchacua, Orcopampa, Poracota, Antapite and Ishihuinca mining units; (ii) the Colquijirca, Marcapunta and Shila-Paula mines, which are owned through consolidated subsidiaries; (iii) Chaupiloma, which receives a royalty payment from Yanacocha; (iv) Condesa, which is mainly a holding company for investments in us, Yanacocha and other affiliated mining companies; (v) Conenhua, which is mainly engaged in the transmission of electric power to Yanacocha and other mining companies; (vi) Cerro Verde, which is an equity investee engaged in the exploitation and commercialization of copper; and (vii) other minor subsidiaries.

Yanacocha. A substantial part of our net income before income tax was derived from our equity interest in Yanacocha. We have a 43.65 percent equity participation in Yanacocha, which is held through our wholly-owned subsidiary, Condesa. Our interest in Yanacocha's partnership's equity is accounted for under the equity method and is included under the caption "Investment in shares" on our consolidated balance sheets. Although Yanacocha has no fixed dividend policy, there is an understanding among the partners that the net income not required for sustaining capital expenditures or future development projects should be distributed after agreement between the two major shareholders, Newmont Mining and us.

Cerro Verde. As of December 31, 2008 we had a 19.05 percent equity participation in Cerro Verde, which allows us to exercise significant influence over this company. As a result, we account for our investment in Cerro Verde using the equity method. Although Cerro Verde has no fixed dividend policy, there is an understanding that earnings not required for capital expenditures or future development projects are expected to be distributed.

Results of operations. The primary factors affecting our results of operations are (i) the amount of gold, silver, zinc and copper produced and sold by us; (ii) prevailing world market prices for gold, silver, zinc and copper; (iii) commercial terms with respect to the sale of ore concentrates; and (iv) our operating expenses.

Gold and silver price hedging. Our revenues and earnings are strongly influenced by world market prices for gold, silver, zinc and copper that fluctuate widely and over which we have no control. Depending upon the metal markets and other conditions, we may from time to time hedge our gold and silver sales in order to decrease our exposure to fluctuations in the prices of these metals. Between 1998 and 2004, our hedging strategy was focused on long-term position-taking on the price of precious metals. In October 2004, our Board of Directors issued a mandate not to enter into new hedging transactions. Due to actions taken in 2007 and early 2008 to release our gold hedge book from specified fixed prices, we are now completely unhedged as to the price at which our gold and silver will be sold. As a result, we are fully exposed to the effects of changes in prevailing market prices of gold and silver.

At El Brocal, we implemented a base metal hedging policy for a maximum of 25 percent of El Brocal's total payable metal contained per year, for up to three years. As of March 31, 2009 all transactions entered have been forward pricing operations through non-delivery (Asian) swaps. Outstanding hedging commitments for 2009 to 2011 amount to 10 percent of payable metal and are as follows: (i) 5,200 metric tons of copper at an average price of US\$8,147 per metric ton, (ii) 14,300 metric tons of lead at an average price of US\$2,302 per metric ton and (iii) 12,000 metric tons of zinc at an average price of US\$2,637 per metric ton.

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 costs in operational mining sites; (iii) depreciation and amortization expenses; (iv) exploration costs in non-operational mining areas; (v) general and administrative expenses, which principally consist of personnel expenses; (vi) royalties, which consist of payments to third parties and the Peruvian government to operate leased mining rights; and (vii) selling expenses, which principally consist of freight expenses.

Reserves. We utilize geological mapping, projection of ore-bearing structures, diamond drilling, core logging and chemical assaying, in addition to drifting along previously indicated mineralization, to replace and grow reserves. In addition, we use metallurgical test-work of core and bulk samples as a follow-up activity to prove the amenability of any previously indicated mineralization to certain methods available on site. We continuously analyze this information with respect to tonnage, precious-metals average grades, metallurgical recoveries and economic value and allocate funds preferentially to those projects that have the best potential to sustain or enhance profitable mine production in the near-term. Our mining operations are primarily conducted underground and consist of deposits that are difficult to explore and measure in advance of mining and in which the value or prospects for ore based on geologic evidence exceeds the value based on proved reserves throughout most of the life of mines supported by them, or extramensurate deposits.

In addition, underground mine infrastructure, such as declines, shafts and/or dewatering/ore haulage crosscuts, that facilitate access to ore reserves are constructed and categorized as mine development. We consider such underground mine infrastructure vital to assure sustainable mine production and reserve production. The design, construction and implementation of our underground mine infrastructure are presented and supervised by our Operations Manager with the Board of Directors' approval. We capitalize mine development and mineral land costs incurred after we have identified proven and probable reserves. Upon commencement of production, we amortize these costs over the expected life of the mining area, based on proven and probable reserves and other factors.

We believe that our replacement measures have been effective to increase reserves. Reserves at our Orcopampa mine, our principal gold mining operation, have increased steadily over the past five years. Gold reserves at the Orcopampa and Poracota mines increased from 0.66 million ounces for the year ended December 31, 2004 to 0.92 million ounces for the year ended December 31, 2008. Silver reserves at the Uchucchacua mine, our principal silver mining operation, have decreased over the past five years, from 67.4 million ounces for the year ended December 31, 2004 to 51.3 million ounces for the year ended December 31, 2008.

Our other mining operations are smaller and have variable fluctuations in production and reserves due to complexities of the ore located in certain mining operations (such as the Colquijirca mine); the sale of certain mining operations (such as the Huallanca mine); partial and temporary closures of mining operations (such as the Shila-Paula and Recuperada mines); and the production of silver only as by-product of gold (such as the Orcopampa, Antapite and Shila-Paula mines).

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 us pursuant to lease agreements relating to mining rights for the Orcopampa and Ishihuinca mines. Specifically, we pay the applicable lessor a royalty of 10 percent of the value of the concentrates produced in the Orcopampa mine and 7 percent of the value of the concentrates produced in the Ishihuinca mine.

In addition, on June 24, 2004, the Peruvian Congress approved Law 28258 - Mining Royalties Law. This law established a mining royalty that owners of mining concessions must pay to the Peruvian government for the exploitation of metallic and non-metallic resources. The mining royalties are calculated on a sliding scale with rates ranging from one to three percent of the value of mineral concentrates based on international market prices. See "Item 4. Information on the Company—Business Overview—Regulatory Framework—Mining Royalties."

Environmental protection laws and related regulations. Our 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 on the environment. We conduct our operations substantially in accordance with such laws and regulations.

According to environmental regulations set forth by the MEM, we submitted EVAPs for our operating mines in 1995. See "Item 4. Information on the Company—Business Overview—Regulatory Framework—Environmental Matters." Based on the results of the EVAPs, PAMAs were prepared and submitted to the MEM in 1996 and approved by the MEM in 1997.

Pursuant to the environmental regulations, mines were given a five or ten-year period to comply with the agreements reflected in each PAMA. See "Item 4. Information on the Company—The Company—Business Overview—Regulatory Framework—Environmental Matters." Upon completion of the project and agreement with regard to the financial investment, a final report of execution was submitted to the MEM and the MEM designated a group of independent companies, registered with the MEM, to conduct an audit of each PAMA. Thereafter, the MEM issued a resolution recognizing compliance with the relevant mine's PAMA and completion of the adjustment process. Resolutions for each of our mines were issued between November 2002 and April 2003 and thereafter there have been inspection audits each semester. As of December 31, 2005, the activities defined in the PAMAs for the Uchucchacua, Julcani, Orcopampa, Colquijirca and Ishihuinca mining units had been completed.

Throughout this process, we have been in substantial compliance with applicable maximum effluent levels and other legal requirements. In addition, Law No. 28090, which regulation mine closure procedures, was published on October 14, 2003. The corresponding ruling was approved on August 15, 2005. In May and August 2006, we submitted a feasibility-level Closure Plan to the MEM for our mining units and exploration projects. See "Item 4. Information on the Company—The Company—Business Overview—Regulatory Framework—Environmental Matters."

On July 6, 2004, the Peruvian Congress enacted Law No. 28271 - Ley que Regula los Pasivos Ambientales de la Actividad Minera (Law that Regulates the Environmental Liabilities for the Mining Activity). This law regulates identification of potential environmental liabilities for mining activities and the means to remediate the affected areas. In order to comply with Law No. 28271, we are performing reviews in areas currently abandoned or inactive in which we previously carried out exploitation activities, in order to determine which remediation activities, if any, are necessary. In August 2006, we conducted and delivered an environmental liabilities inventory to the MEM for liabilities related to our former exploration activities. Subsequently, in December 2006 we presented the Environmental Liabilities Closure Plans for the MEM's evaluation. See "Item 4. Information on the Company—The Company—Business Overview—Regulatory Framework—Environmental Matters."

In May 2008, the Environmental Ministry of Peru was established by legislative decree. The principal functions of the Ministry include formulating and implementing policies and regulations relating to environmental matters and controlling pollution through supervision and education. Also, the Ministry has to be in continuous communication with several institutions (INRENA, DIGESA, IMARPE, DGAA, among others) and develop a decentralized system to manage natural resources and protect the environment.

In 2006, 2007 and 2008, we spent approximately US\$2.3 million, US\$2.66 million and US\$4.79 million, respectively, in connection with environmental protection measures. We estimate that capital expenditures needed to comply with environmental regulations will be approximately US\$6.3 million and US\$8.35 million in 2009 and 2010, respectively. This amount will be used on items such as environmental monitoring, effluents treatment and environmental remediation. There are currently no legal or administrative proceedings against us for violation of environmental protection laws or other environmental regulations in Peru that could have a material adverse effect on our financial position or results of operations.

Change of functional and reporting currency. Effective January 1, 2006, our functional and reporting currency changed from the Nuevo Sol to the Dollar. This change resulted from an evaluation of the currency denominations of our cash flows in recent years and, in particular, reflects the increasing significance to our financial position of dividends from affiliates denominated in Dollars to our financial position, results of operation and cash flows. Profit and loss accounts for the year ended December 31, 2005 have been translated into Dollars using the average exchange rate of US\$1.00 to S/.3.305.

# Critical Accounting Policies and Estimates

The following is a discussion of our application of critical accounting policies that require our management, or Management, to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and where different estimates that Management reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on our financial statements. Management has identified the following accounting estimates as critical:

- Impairment of long-lived assets;
- Useful life of property, plant and equipment;
- Amortization of capitalized mining costs;
- Deferred income tax asset;
- Accrual for mine closing costs;
- Fair value of derivative instruments;
- Fair value of embedded derivative for concentrates sales;
- Fair value of the liability related to long-term officer compensation; and
- Contingencies.

We also have certain accounting policies that we consider to be important, such as our policies for investments carried at fair value, revenue recognition and exploration costs, that do not meet the definition of critical accounting estimates as they do not require Management to make estimates or judgments that are subjective or highly uncertain.

Management has discussed the development and selection of our critical accounting estimates with the Audit Committee of the Board of Directors.

# Impairment of long-lived assets

We review and evaluate the impairment of our long-lived assets if an event occurs that indicates that the book value of such assets may not be recoverable. An impairment loss represents the amount by which the book value of an asset exceeds the higher of its net selling price or value in use. The value in-use of an asset is generally calculated as the present value of estimated future cash flows expected to be earned from continual use of the asset and from its disposal at the end of its useful life. An impairment loss recognized in a previous year may be adjusted if there is any indication that the estimates used when the impairment loss was recognized should be adjusted to reflect a more favorable cash flow scenario. Future cash flow assumptions include, but are not limited to, estimates of recoverable ounces and tons of ore and metal, prices (which include current and historical prices, price trends and related factors), production levels and capital costs, all based on mine plans. Such future cash flow assumptions are valid when estimated but may change significantly when new information becomes available. Any difference between assumptions and actual market conditions could have an important effect on our financial condition and results of the operations.

During the fourth quarter of 2008, we concluded that the current economic environment and the significant declines in the metal prices represented significant adverse changes in our business, and therefore, evaluated our long-lived assets for impairment as of December 31, 2008, under the procedures established by IAS 36 – "Impairment of Assets" for five of our mining units (Recuperada, Poracota, Antapite, Julcani and Ishihuinca). The estimated cash flows used to assess recoverability of our long-lived assets and measure the carrying value of our mining operations were derived from current business plans using near-term price forecasts reflective of the current environment and Management's projections for long-term average metal prices and operating costs.

Our asset impairment evaluations required us to make several assumptions in the discounted cash flow valuation of (i) our individual mining operations, including near and long-term metal price assumptions, estimates of commodity-based and other input costs and (ii) proven and probable reserve estimates, including any costs to develop the reserves and the timing of producing the reserves, as well as the appropriate discount rate. Our December 31, 2008, impairment evaluation was based on price assumptions reflecting prevailing metals prices for the following three years.

Our evaluation of long-lived assets resulted in the recognition of asset impairment charges of US\$18.6 million for 2008 (recognized as operating expense). These impairment charges had no impact on our operating cash flows.

We believe events that could result in additional impairment of our long-lived assets include, but are not limited to, (i) decreases in future metal prices, (ii) decreases in estimated recoverable proven and probable reserves and (iii) any event that might otherwise have a material effect on mine site production levels or costs.

Useful life of property, plant and equipment

Depreciation is calculated under the straight-line method of accounting. The table set forth below reflects the estimated years of useful life for property, plant and equipment, based on current production levels and market prices:

Property, Plant and Equipment	Estimated Years of Useful Life
Buildings, constructions and other	6 to 20
Machinery and equipment	4 to 10

Certain of our depreciable assets, primarily buildings and constructions, have a useful life in excess of the current productive life of the mines because such assets may be transferred to another mine or converted to another use when production at the mine where it is currently used ceases. In addition, the expected productive life of the mine is normally higher than the current life derived from the proven and probable reserves at year-end. Rather than exploring long-term reserves, we focus on sustaining current reserves.

Amortization of capitalized mining costs

We capitalize mine infrastructure and mineral land costs incurred after Management has identified proven and probable reserves. Upon commencement of production, we amortize these costs over their expected lives, based on proven and probable reserves and other factors.

The process of estimating quantities of reserves is complex, requiring subjective decisions in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given ore body may also change substantially over time as a result of numerous factors, including, but not limited to, additional exploration and construction activity, evolving production history and the continual reassessment of the viability of production under various economic conditions.

A material revision to existing reserve estimates could occur because of, among other things: revisions to geological data or assumptions; changes in assumed prices; and results of drilling and exploration activities. We make every effort to ensure that reported reserve estimates represent the most accurate assessment possible. However, because of the subjective decisions Management has to make, as well as variances in available data for each ore body, these estimates are generally uncertain.

Changes in reserve quantities, including changes resulting from gold, silver, zinc, lead and copper price assumptions, would cause corresponding changes in amortization expense in periods subsequent to the revision, and could result in impairment of the carrying amount of property, plant and equipment and capitalized mining costs.

We estimate reserves for our direct operations assuming a US\$725.00 per ounce gold price, a US\$13.00 per ounce silver price, a US\$1,543 per metric ton zinc price and a US\$992.00 per metric ton lead price and US\$1.20 per pound copper price.

The mines where amortization charges would be most significantly affected by changes in reserve estimates are Uchucchacua, Orcopampa, Colquijirca, Poracota and Antapite. These mines generally have the largest amounts of property, plant and equipment subject to depreciation and the highest per ounce amortization charges.

Deferred income tax asset

Effective Income Tax Rate - 2008

Our income tax expense was US\$44.0 million in 2007 compared to a benefit of US\$26.6 million in 2008. The difference was mainly due to the following:

- (a) Decreased pre-tax income. A US\$238.4 million decrease in pre-tax income, from US\$415.1 million in 2007 to US\$176.7 million in 2008, mainly due to a US\$229.2 million increase in the net loss as a result of the release of commitments in commercial contracts, from US\$185.9 million in 2007 to US\$415.1 million in 2008, which is presented as an unusual item in the statement of income.
- (b) Non-taxable income. According to current tax regulations, equity participation in affiliates, including the receipt of dividends, is not taxable in Peru. In 2008, our equity participation in affiliated companies increased from US\$249.6 million in 2007 to US\$340.9 million in 2008, which reduced our income tax expense by US\$121.4 million in 2008, compared to a US\$88.9 million reduction in income tax expense due to this non-taxable income in 2007. In addition, the gain on change in the fair value of gold certificates of US\$5.1 million in 2007, which decreased our income tax expense by US\$1.8 million. No similar gain decreasing our income tax expense was recorded in 2008.

Effective Income Tax Rate - 2007

Our income tax expense decreased to US\$44.0 million in 2007 from US\$64.0 million in 2006, mainly as a result of the following:

(a) Decreased pre-tax income from US\$580.2 million in 2006 to US\$415.1 million in 2007, mainly due to the net loss as a result of the release of commitments in commercial contracts amounting to US\$185.9 million, which is presented as an unusual item in the statement of income.

- (b) Non-taxable income. According to current tax regulations, equity participation in affiliates, including the receipt of dividends, is not taxable in Peru. In 2007, the equity participation in affiliated companies decreased from US\$313.2 million in 2006 to US\$249.6 million in 2007, which reduced our income tax expense by US\$88.9 million in 2007, compared to a US\$111.5 million reduction in income tax expense due to this non-taxable income in 2006. In addition, the gain on change in the fair value of gold certificates is not taxable. We incurred a loss on change in the fair value of gold certificates of US\$4.9 million in 2006 compared to a gain of US\$5.1 million in 2007, which increased our income tax expense by US\$1.8 million.
- (c) Non-deductible expenses. Pursuant to current tax regulations, the loss (negative fair value) on derivative instruments entered into with investment banks is not deductible to the extent it is generated abroad. In 2007, there was no income tax effect related to losses on derivatives instruments, while in 2006 we obtained a loss of US\$13.3 million on derivative instruments resulting in an income tax effect of US\$3.7 million. In addition, the fair values of normal sales contracts of US\$77.4 million decreased our income tax expense by US\$21.4 million in 2006.

In preparing our annual consolidated financial statements, we estimate the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the tax and book bases of assets and liabilities. Deferred income tax assets and liabilities are measured using tax rates applicable to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates and laws is recognized in income in the period in which such changes are enacted.

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, we consider estimated future taxable income. If we determine that we will not realize all or a portion of our tax assets, we will increase our valuation allowance with a charge to income tax expense. Conversely, if we determine that we will ultimately be able to realize all or a portion of the related benefits for which valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense.

At December 31, 2008 and 2007 our valuation allowance totaled US\$1.53 million and US\$2.17 million, respectively.

Accrual for mine closing costs

We record a provision for mine closure when a legally enforceable obligation arises, which is independent of the full depletion of the mine reserves. Once such an obligation has been appropriately measured, it is recorded by creating a liability equal to the amount of the obligation and recording a corresponding increase to the carrying amount of the related long-lived asset (mine development cost and property, plant and equipment). Over time, the amount of the obligation changes, impacting recording and accretion expenses. Additionally, the capitalized cost is depreciated and/or amortized based on the useful lives of the related assets.

Any difference in the settlement of the liability will be recorded in the results of the period in which such settlement occurs. The changes in the fair value of an obligation or the useful life of the related assets that occur from the revision of the initial estimates should be recorded as an increase or decrease in the book value of the obligation and related asset.

Following our accounting treatment, we have recorded an accrual for mine closure costs of US\$83.5 million as of December 31, 2008 in order to comply with governmental requirements for environmental remediation.

Fair value of derivative financial instruments

# (a) Outstanding derivative contracts

We recognize derivative instruments as assets or liabilities, measured at their fair value, in our consolidated balance sheets pursuant to IAS 39, "Financial Instruments — Recognition and Measurement."

Subsidiary derivative contracts. During 2008, our indirect subsidiary, El Brocal, entered into price-hedging transaction contracts to cover future cash flows derived from its sales. Derivative contracts are recognized as assets and liabilities at fair value in the consolidated financial statements. El Brocal applies hedge accounting for those transactions that meet the specific criteria applicable in accordance with IAS-39. The key terms of these hedge agreements were negotiated to coincide with the negotiated terms of the commercial contracts to which they are related. The hedge of cash flow from future sales was assessed by El Brocal's management as highly effective. The effectiveness of hedging transactions has been measured by means of the cumulative cash flow change offset method, which El Brocal management believes best reflects the objective of managing price risk.

Our derivative contracts. During 2007, we held gold put option contracts, which grant us the right to sell 17,500 ounces of gold at an average price of US\$345 per ounce, depending on certain market conditions. These contracts were cancelled during April 2008 against a total payment in our favor of US\$500.00.

During the first quarter of 2006, our management completed modifications to the terms of all derivative contracts maintained as of December 31, 2005 in order to qualify them as normal sales contracts.

As of December 31, 2008 we did not hold gold derivative contracts.

## (b) Normal sale contracts

To minimize future fluctuations in consolidated results of operations, during 2003, 2005 and 2006 we modified the terms of certain derivative contracts in order to qualify them as normal sale contracts. These contracts were modified to require physical delivery of gold over future periods that do not extend beyond December 2012. Under the terms of the contracts, we will realize fixed or capped prices ranging up to US\$451 per ounce of gold.

During 2007 and 2008, we concluded agreements with all of our customers to release commitments to commercial contracts to sell 1,893,000 gold ounces at fixed prices, varying between US\$345 and US\$451 per ounce of gold. As a result, we will now sell the gold at the market price applicable on the date of the physical delivery of the gold committed.

As of December 31, 2008, we have been released from commitments (related to quantity, date and price) on all the sales contracts entered into for the sale of ounces of gold. Refer to Note 17(a) to the Financial Statements for further discussion.

## (c) Embedded derivative due to changes of the prices in commercial contracts

Substantially all of our concentrate sales contracts provide final copper pricing in a specified period (generally one to four months from the shipment date) based on quoted LME prices. We ultimately receive market prices based on prices in the specified future period; however, the accounting rules applied to these sales result in changes recorded to revenue until the specified future period. We record revenues and invoice customers at the time of shipment based on the current LME prices, which result in an embedded derivative on our provisional priced concentrate sales that are adjusted to fair value through earnings of each period until the date of final pricing. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period until the date of final pricing. See Note 28 to the Financial Statements.

Fair value of the liability related to long-term officer compensation

Our senior executive officers are granted share appreciation rights, which can only be settled in cash, if the executive is working for us at each program's settlement date. These programs are mainly structured in a ten-year term, allocated in several programs with progressive maturities. The average price of the granted share appreciation rights is assigned based on last quarter market quotation of the shares before the grant date and the settlement price is determined based on the variation of the market prices at the maturity date as compared to the price at the date of the grant.

We used the Turnbull & Wakeman Method to estimate the fair value of this liability and the income used comprises the historical volatility, risk-free interest rate, dividend yield, period covered by the program and market value of the shares at closing. See Note 13 to the Financial Statements.

## Contingencies

Contingent liabilities, when identified, are assessed as either remote, possible or probable. 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, together with a possible debit range, when determinable, in notes to the Financial Statements.

Contingent assets are not recognized in the financial statements; however, they may be disclosed in notes to the financial statements if it is probable that such contingent assets will be realized. See Note 31 to the Financial Statements.

#### Revenues

According to our accounting policies, revenue is recognized to the extent that it is probable that the economic benefits will flow to us. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty.

Revenues from sales of concentrates, gold and silver are recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred to the buyer.

## Results of Operations for the Twelve Months Ended December 31, 2008 and 2007

Net sales. Net sales increased by 2.62 percent, from US\$747.0 million in 2007 to US\$766.6 million in 2008, principally due to an increase in the average realized price of gold and silver in 2008 and an increase in the volume of copper concentrates sold due to production of copper at Colquijirca, which commenced copper concentrate production during the last quarter of 2007, partially offset by a decrease in the volume of gold and silver sold during 2008, decreases in the average realized price and volume of lead sold during 2008 and a significant decrease in the average realized price of zinc during 2008. The following tables reflect the average realized price and volume sold of gold, silver, lead, zinc and copper during the years ended December 31, 2007 and 2008:

Average Realized Price	Year ended December 31,				
	2007			2008	Variation
Gold (US\$/oz.)	US \$	684.59	TIC C	872.21	27.4%
Silver (US\$/oz.)	033	13.37	033	14.26	
Lead (US\$/MT)		2,760.30		1,858.59	
Zinc (US\$/MT)		3,069.26		1,798.20	
Copper (US\$/MT)		7,285.46		5,771.34	-20.8%
Volume Sold	Yea	ar ended D	ecembe	er 31,	
		2007	200	08	Variation
Gold (oz.)		418,999	41	4,682	-1.0%
Silver (oz.)	16,	,734,876	16,51	4,171	-1.3%
Lead (MT)		41,535	3	7,853	-8.9%
Zinc (MT)		79,139	8	32,501	4.2%
Copper (MT)		608		7,763	1,176.8%

- (a) Gold sales. The average sales price for gold increased from US\$684.59 per ounce in 2007 to US\$872.21 per ounce in 2008. Gold sales volume decreased from 418,999 ounces in 2007 to 414,682 ounces in 2008. The combined effect of these changes resulted in a US\$74.8 million increase in income from sales of gold in 2008 compared to 2007.
- (b) Silver sales. Average realized silver prices increased from US\$13.37 per ounce in 2007 to US\$14.26 per ounce in 2008. The volume of silver sales decreased from 16,734,876 ounces in 2007 to 16,514,171 ounces in 2008. The combined effect of these changes resulted in a US\$11.8 million increase in income from sales of silver in 2008 compared to 2007.
- (c) Lead sales. Average realized lead prices decreased from US\$2,760.30 per metric ton in 2007 to US\$1,858.59 per metric ton in 2008. Additionally, the volume of lead sold decreased from 41,535 metric tons in 2007 to 37,853 metric tons in 2008, largely due to decreased lead production at our Colquijirca mine. The combined effect of these changes resulted in a US\$44.3 million decrease in income from sales of lead in 2008 compared to 2007.
- (d) Zinc sales. Average realized zinc prices decreased from US\$3,069.26 per metric ton in 2007 to US\$1,798.20 per metric ton in 2008. The volume of zinc sold increased from 79,139 metric tons in 2007 to 82,501 metric tons in 2008. The combined effect of these changes resulted in a US\$94.5 million decrease in income from sales of zinc in 2008 compared to 2007. This decrease was largely due to the decrease in averaged realized price which had a negative effect in the sales of our Colquijirca mine.

(e) Copper sales. Average copper prices decreased from US\$7,285.46 per metric ton in 2007 to US\$5,771.34 per metric ton in 2008. The volume of copper sold increased from 608 metric tons in 2007 to 7,763 metric tons in 2008. The combined effect of these changes resulted in a US\$40.4 million increase in income from sales of copper in 2008 compared to 2007. The increase in the volume of copper concentrates sold was due to production of copper at Colquijirca, which commenced copper concentrate production during the last quarter of 2007.

The revenues from gold, silver, lead, zinc and copper mentioned above do not include refinery charges and penalties incurred, which amounted to US\$133.5 million in 2008, compared to US\$136.8 million in 2007. This decrease was principally due to the lower volume and price of concentrates sold in 2008 compared to 2007, which are used as the basis to calculate refinery charges and penalties.

Revenue associated with performance on executory gold delivery contracts. To minimize future fluctuations in our consolidated results of operations, we modified the terms of certain derivative contracts in order to qualify them as normal sales contracts. During 2005 and 2006 our outstanding derivative contracts were modified to require physical delivery of gold over future periods that do not extend beyond 2012. Under the terms of these modified contracts, our revenue will be capped at between US\$332 to US\$451 per ounce of gold. The fair values of the modified contracts were US\$50.6 million and US\$77.4 million in 2005 and 2006, respectively, and were calculated immediately prior to the modification of these contracts and recorded as deferred revenue in each year.

In March and May 2007, we agreed with six of our customers to sell 971,000 ounces of gold at market prices instead of fixed prices. During the period between January and February 2007 we delivered 40,000 gold ounces and we recognized revenues of US\$5.4 million in 2007. Since March 2007 we have not had any obligation related to these contracts and as a consequence no gain was recognized during 2008.

Royalty income. In 2008, royalty income received by Chaupiloma amounted to US\$48.8 million, representing a 43.53 percent increase from the US\$34.0 million of royalty income received in 2007. This increase is attributed to increased sales from Yanacocha in 2008, as a result of increases in gold production and the average realized price of gold. See Note 32 to the Financial Statements.

Total operating costs. Total operating costs increased by 38.0 percent, from US\$269.4 million in 2007 to US\$371.8 million in 2008, due to the following:

(a) Cost of sales, without considering depreciation and amortization increased by 38.4 percent, from US\$182.0 million in 2007 to US\$251.8 million in 2008, mainly due to (i) an increase of US\$21.0 million due to increased services rendered by our contractors, including increased exploration activities and diamond drilling works, which were used in order to maintain our ore reserves level, (ii) an increase of US\$11.3 million due to the effect of a full year of operating costs during 2008 at our Poracota mining unit, which started operations in June 2007, (iii) an increase of US\$10.6 million due to higher consumption of supplies, mainly as a consequence of higher reagent consumption related to the new plant to treat old tailings at our Orcopampa mining unit, (iv) an increase of US\$8.7 million at our Colquijirca mining unit, mainly due to higher mining costs related to a substantial increase in copper production, from 471 MT of copper in 2007 compared to 7,793 MT in 2008, (v) an increase of US\$7.3 million in direct labor costs, as result of an increase in employee wages at our Orcopampa, Uchucchacua, Recuperada and Julcani mining units, (vi) an increase in energy costs of US\$4.0 million, mainly as a consequence of certain of the foregoing factors, including the full year of Poracota operations in 2008, increased copper production at Colquijirca, re-treatment of old tailings at Orcopampa and increased services rendered by contractors, (vii) an increase of US\$3.8 million in mine support supplies, which were affected by international steel prices and (viii) the appreciation of Nuevo Sol against the U.S. Dollar.

- (b) Exploration in units in operation increased by 50.8 percent, from US\$37.8 million in 2007 to US\$57.0 million in 2008. These increased costs were principally due to an increase in exploration projects at our Orcopampa, Antapite, Shila-Paula and Uchucchaccua mines. See Note 19 to the Financial Statements.
- (c) Depreciation and amortization costs increased by 27.0 percent, from US\$49.6 million in 2007 to US\$63.0 million in 2008, mainly due to higher charges for amortization of development costs related to our Orcopampa, Uchucchaccua and Poracota mines, and depreciation of assets put into operation during 2008.

Total operating expenses. Operating expenses increased by 6.3 percent, from US\$150.4 million in 2007 to US\$159.8 million in 2008, due to changes in the following components:

- (a) Exploration in non-operational areas increased by 19.0 percent, from US\$46.4 million in 2007 to US\$55.2 million in 2008 due to higher expenditures in exploration areas, primarily in the La Zanja, Mallay, Soras, San Francisco, Chucapaca and Marcapunta projects.
- (b) General and administrative expenses decreased by 41.0 percent, from US\$59.2 million in 2007 to US\$34.9 million in 2008, mainly due to a US\$36.3 million decrease in long-term officers' compensation (stock appreciation rights). See Note 20 to the Financial Statements.
- (c) Royalty expenses to third parties and the Peruvian government increased by 5.0 percent, from US\$34.0 million in 2007 to US\$35.7 million in 2008. Royalties paid to third parties amounted to US\$16.4 million and US\$18.8 million in 2007 and 2008, respectively. Royalties paid to the Peruvian government amounted to US\$17.6 million and US\$16.9 million in 2007 and 2008, respectively. The increase in royalties paid to third parties was mainly due to increased sales of gold ounces produced in our Orcopampa mine. The decrease in royalties paid to the Peruvian government was mainly due to a decrease in sales of ore concentrates. Peruvian legislation requires owners of mining concessions to pay the Peruvian government for the exploitation of metallic and non-metallic resources. Mining royalties are calculated with rates ranging from 1 to 3 percent of the value of mineral concentrates or equivalent, according to the quoted market price published by the Ministry of Energy and Mines.
- (d) Selling expenses increased by 42.6 percent, from US\$10.8 million in 2007 to US\$15.4 million in 2008, due mainly to higher freight costs and other services related to sales.
- (e) Impairment of long-lived assets resulted in a loss of US\$18.6 million being recorded in 2008. We evaluated our long-lived assets for impairment as of December 31, 2008, which resulted in a reduction in the carrying amount of mining concessions, property, plant and equipment and development costs to their recoverable amount. See Note 11 to the Financial Statements.

Operating income before unusual item. As a result of the foregoing, operating income before unusual item decreased by 22.6 percent, from US\$366.6 million in 2007 to US\$283.7 million in 2008.

Net loss from release of commitments in commercial contracts. In January and February of 2008, we revised sales contracts with some customers, releasing the commitments on sales contracts to be able to sell the committed gold ounces at market prices in force between the years 2010 – 2012, in accordance with our gold availability. As consequence of the aforementioned, we were released from the obligation to sell 922,000 ounces of gold at fixed prices, varying between US\$345 and US\$451 per ounces of gold, and will instead sell the gold at the market price in force on the date of the physical delivery of the gold committed. For these transactions, we have made a payment of US\$517.1 million (US\$82.6 million in January 2008 and US\$434.6 million in February 2008, respectively) and recorded a decrease in the liability corresponding to the executory gold delivery contracts liability amounting to US\$102.0 million with credit to income of the period. The resulting net loss of US\$415.1 million is presented in the Net loss from release of commitments in sales contracts caption in the consolidated statements of income for the period ended December 31, 2008.

During 2007, we revised sales contracts with other customers and we have made a payment of US\$315.7 million and recorded a US\$129.8 million decrease in the liability corresponding to the executory gold delivery contracts.

Share in affiliated companies, net. Income from equity investments in affiliated companies increased by 36.6 percent, from US\$249.6 million in 2007 to US\$340.9 million in 2008, principally due to the net effect of an increase in income from our equity interest in Yanacocha, partially offset by a decrease in income from our equity interest in Cerro Verde.

Income from our interest in Yanacocha increased by 112.5 percent, from US\$97.2 million in 2007 to US\$206.5 million in 2008. This increase is attributed to increased sales from Yanacocha in 2008, which resulted from an increase in gold production and an increase in the average realized price of gold.

Income from our interest in Cerro Verde decreased by 9.4 percent, from US\$148.5 million in 2007 to US\$134.5 million in 2008, due to lower net income generated by Cerro Verde.

*Interest income.* Interest income increased by 51.7 percent, from US\$11.8 million in 2007 to US\$17.9 million in 2008, mainly due to a US\$154.9 million increase in time deposits. We maintained US\$353.5 million in time deposits as of December 31, 2007 compared to US\$508.4 million as of December 31, 2008.

Interest expense. Interest expense increased by 294.2 percent, from US\$8.6 million in 2007 to US\$33.9 million in 2008, due mainly to an increase in our indebtedness from US\$84.1 million as of December 31, 2007 to US\$327.3 million as of December 31, 2008. See Notes 14 and 23 to the Financial Statements.

Gain (loss) on change in the fair value of gold certificates. In March 2007, we sold all of our Gold Exchange Traded Fund, or Gold ETF, participations and recognized a gain of US\$5.1 million, which was separately presented in our consolidated statement of income. There was no comparable gain recognized in 2008.

Other, net. Other, net increased by 6.95 percent, from an expense of US\$8.7 million in 2007 to US\$9.3 million in 2008. This increase was principally due to a US\$5.0 million increase in other expenses, mainly due to an increase in the provision for closure of mining units and exploration projects, partially offset by a US\$4.4 million increase in other income, mainly due to increased sales of supplies and spare parts to third parties and affiliates.

Gain (loss) on currency exchange difference. In 2007, we recorded a gain on currency exchange difference of US\$5.2 million, compared to a loss on currency exchange difference of US\$12.2 million in 2008. This difference was mainly due to the loss on currency exchange difference reported by El Brocal as a consequence its net asset position in Nuevos Soles in 2008.

Provision for workers' profit sharing, net. Workers' profit sharing expense was US\$19.9 million in 2007, compared to income from workers' profit sharing of US\$4.7 million as a result of a decrease in our taxable income. Provision for workers' profit sharing is calculated by applying a percentage to our taxable income.

Provision for income tax, net. Provision for income tax changed from an expense of US\$44.0 million in 2007 to income of US\$26.6 million in 2008, principally due to a decrease in our taxable income. See "—Critical Accounting Estimates—Income Tax".

Minority interest. Minority interest expense decreased by 48.1 percent, from US\$96.4 million in 2007 to US\$50.0 million in 2008, mainly due to the lower contribution of profits from El Brocal.

*Net income.* As a result of the foregoing, net income decreased by 44.2 percent, from US\$274.8 million in 2007 to US\$153.3 million in 2008. As a percentage of net sales, net income was 20.0 percent in 2008 as compared to 36.8 percent in 2007.

# Results of Operations for the Twelve Months Ended December 31, 2007 and 2006

*Net sales*. Net sales increased by 36.3 percent, from US\$548.1 million in 2006 to US\$747.0 million in 2007, principally due to increases in the price and volume sold of gold and lead during 2007. The following tables reflect the average realized price and volume sold of gold, silver, lead and zinc during the years ended December 31, 2006 and 2007:

Average Realized Price	Year ended December 3	Year ended December 31,		
	2006 2007	Variation		
Gold (US\$/oz.)	US\$ 354.98 US\$ 684	92.9%		
Silver (US\$/oz.)	11.92	12.2%		
Lead (US\$/MT)	1,319.89 2,760	0.30 109.1%		
Zinc (US\$/MT)	3,407.98 3,069	-9.9%		
Copper (US\$/MT)	7,037.74 7,285	5.46 3.5%		
Volume Sold	Year ended December 31,			
	2006 2007	Variation		
Gold (oz.)	415,288 418,999	0.9%		
Silver (oz.)	19,207,066 16,734,876	-12.9%		
Lead (MT)	36,570 41,535	13.6%		
Zinc (MT)	59,489 79,139	33.0%		

<sup>(</sup>a) Gold sales. The average sales price for gold increased from US\$354.98 per ounce in 2006 to US\$684.59 per ounce in 2007. Additionally, gold sales volume increased from 415,288 ounces in 2006 to 418,999 ounces in 2007. The combined effect of these changes resulted in a US\$139.4 million increase in income from sales of gold in 2007 compared to 2006. This increase was largely due to the increase in the average realized price.

<sup>(</sup>b) Silver sales. Average silver prices increased from US\$11.92 per ounce in 2006 to US\$13.37 per ounce in 2007. The volume of silver sales decreased from 19,207,066 ounces in 2006 to 16,734,876 ounces in 2007. The combined effect of these changes resulted in a US\$5.2 million decrease in income from sales of silver in 2007 compared to 2006. This decrease was due to decreased silver production at our Colquijirca mine.

- (c) Lead sales. Average lead prices increased from US\$1,319.89 per metric ton in 2006 to US\$2,760.30 per metric ton in 2007. Additionally, the volume of lead sold increased from 36,570 metric tons in 2006 to 41,535 metric tons in 2007. The combined effect of these changes resulted in a US\$66.4 million increase in income from sales of lead in 2007 compared to 2006. This increase was due to increased lead production at our Colquijirca mine.
- (d) Zinc sales. Average zinc prices decreased from US\$3,407.98 per metric ton in 2006 to US\$3,069.26 per metric ton in 2007. The volume of zinc sold increased from 59,489 metric tons in 2006 to 79,139 metric tons in 2007. The combined effect of these changes resulted in a US\$40.2 million increase in income from sales of zinc in 2007 compared to 2006. This increase was due to increased zinc production at our Colquijirca mine.
- (e) Copper sales. Average copper prices increased from US\$7,037.74 per metric ton in 2006 to US\$7,285.46 per metric ton in 2007. The volume of copper sold increased from 98 metric tons in 2006 to 608 metric tons in 2007. The combined effect of these changes resulted in a US\$3.7 million increase in income from sales of copper in 2007 compared to 2006. This increase was due to increased copper production at our Colquijirca mine.

The revenues from gold, silver, lead, zinc and copper mentioned above do not include refinery charges and penalties incurred, which amounted to US\$136.8 million in 2007, compared to US\$105.5 million in 2006. This increase was principally due to the higher volume of concentrates sold in 2007 compared to 2006.

Revenue associated with performance on executory gold delivery contracts. To minimize future fluctuations in the consolidated results of operations, we modified the terms of certain derivative contracts in order to qualify them as normal sales contracts. During 2005 and 2006 our outstanding derivative contracts were modified to require physical delivery of gold over future periods that do not extend beyond 2012. Under the terms of these modified contracts, our revenue will be capped at between US\$332 to US\$451 per ounce of gold. The fair values of the modified contracts were US\$50.6 million and US\$77.4 million in 2005 and 2006, respectively, and were calculated immediately prior to the modification of these contracts and recorded as deferred revenue in each year.

In 2007 we delivered 40,000 gold ounces compared to 388,000 gold ounces delivered in 2006, as a result of agreements reached with certain of our customers to release the fixed price commitments in their commercial contracts and to modify the schedule of gold commitments. As a result, we recognized revenues of US\$5.4 million in 2007 compared to US\$50.3 million in 2006. On January 24 and February 6, 2008, we reached agreements with customers to eliminate the fixed price commitments in all of our remaining commercial contracts and to sell gold at market prices between 2010 and 2012. See Note 17 to the Financial Statements.

Royalty income. In 2007, royalty income received by Chaupiloma amounted to US\$34.0 million, representing a 29.9 percent decrease from the US\$48.5 million of royalty income received in 2006. This decrease is attributed to decreased sales from Yanacocha in 2007, which resulted from a decrease in the volume of gold sold during 2007.

Total operating costs. Total operating costs increased by 18.9 percent, from US\$226.4 million in 2006 to US\$269.4 million in 2007, due to the following:

- (a) Cost of sales, without considering depreciation and amortization increased by 21.9 percent, from US\$149.3 million in 2006 to US\$182.0 million in 2007, mainly due to (i) an increase in reagent consumption caused by operations at our new cyanidation plant; (ii) an increase in ore treated, a reduction in silver grade and a lower recovery rate caused by higher clay and manganese from the Socorro mine and oxide ore from the Huantajalla mine; (iii) increased expenses for support supplies and (iv) lower silver production in the second quarter due to the impact of a 10-day strike in May 2007.
  - (b) Exploration in units in operation decreased by 1.3 percent, from US\$38.3 million in 2006 to US\$37.8 million in 2007.
- (c) Depreciation and amortization costs increased by 27.5 percent, from US\$38.9 million in 2006 to US\$49.6 million in 2007, mainly due to a US\$2.5 million increase in amortization of mining concessions, from US\$5.9 million in 2006 to US\$8.4 million in 2007, principally as a result of the amortization of mining concessions held by our subsidiaries, Inminsur and Inversiones Colquijirca, and depreciation recorded by our subsidiary, El Brocal, relating to the capitalization of tailings pond No. 5 in December 2006, amounting US\$1.5 million, which was fully depreciated in 2007, and as a result of a US\$10.7 million adjustment of the provision for mine closing recorded in 2006, which generated a higher depreciation of US\$1.8 million in 2007.

Total operating expenses. Operating expenses increased by 45.7 percent, from US\$103.2 million in 2006 to US\$150.4 million in 2007, due to changes in the following components:

- (a) Exploration costs in non-operational areas increased by 28.2 percent, from US\$36.2 million in 2006 to US\$46.4 million in 2007 due to higher expenditures in exploration areas, primarily in the El Milagro, Breapampa, Mallay, Marcapunta and Trapiche projects.
- (b) General and administrative expenses increased by 61.7 percent, from US\$36.6 million in 2006 to US\$59.2 million in 2007, mainly due to a US\$25.0 million increase in long-term officers' compensation (stock appreciation rights) as a result of the increase in our stock price from US\$28.06 as of December 31, 2006 to US\$56.60 as of December 31, 2007.
- (c) Royalty expenses to third parties and the Peruvian government increased by 39.3 percent, from US\$24.4 million in 2006 to US\$34.0 million in 2007. Royalties paid to third parties amounted to US\$13.2 million and US\$16.4 million in 2006 and 2007, respectively. Royalties paid to the Peruvian government amounted to US\$11.3 million and US\$17.6 million in 2006 and 2007, respectively. The increase in royalties paid to third parties was mainly due to increased sales. The increase in royalties paid to the Peruvian government was mainly due to the increase of net income before profit sharing and income tax.

Peruvian legislation requires owners of mining concessions to pay to the Peruvian government for the exploitation of metallic and non-metallic resources. Mining royalties are calculated with rates ranging from 1 percent to 3 percent of the value of mineral concentrates or equivalent, according to the quoted market price published by the Ministry of Energy and Mines.

(d) Selling expenses increased by 83.1 percent, from US\$5.9 million in 2006 to US\$10.8 million in 2007, due mainly to higher freight payments required to transport concentrates and related services, both required as a result of the increased volume of sales.

Operating income before unusual item. As a result of the foregoing, operating income before unusual item increased by 15.6 percent, from US\$317.3 million in 2006 to US\$366.6 million in 2007.

Net loss from release of commitments in commercial contracts. As of December 31, 2006, we had committed to sell 1,933,000 ounces of gold at previously-agreed prices that ranged from US\$345 to US\$451 per ounce of gold between 2007 and 2012. In March and May 2007, we agreed with six of our customers to sell 971,000 ounces of gold at market prices instead of fixed prices. This agreement to release the commitments in our commercial contracts required us to pay these customers US\$315.7 million, which resulted in an expense of US\$185.9 million in 2007 and a decrease to liabilities of US\$129.8 million at the date of the release of the commitments in commercial contracts.

Share in affiliated companies, net. Income from equity investments in affiliated companies decreased by 20.3 percent, from US\$313.2 million in 2006 to US\$249.6 million in 2007, principally due to the net effect of a decrease in the equity income of Yanacocha, partially offset by an increase in the equity income of Cerro Verde.

Income from our interest in Yanacocha decreased by 57.8 percent, from US\$229.8 million in 2006 to US\$97.2 million in 2007, due mainly to the net effect of a decrease in volume of gold sold, from 2.6 million ounces in 2006 to 1.6 million ounces in 2007, and an increase in the cost of production per ounce of gold, from US\$268.26 per ounce in 2006 to US\$458.36 per ounce in 2007, partially offset by an increase in the realized price per ounce of gold sold from US\$599.94 per ounce in 2006 to US\$698.80 in 2007.

Income from our interest in Cerro Verde increased by 85.2 percent, from US\$80.2 million in 2006 to US\$148.5 million in 2007, mainly as a result of an increase in Cerro Verde's net income, from US\$445.4 million in 2006 to US\$813.6 million in 2007, which was primarily due to increased copper production, from 221.7 million pounds in 2006 to 594.2 million pounds in 2007, due to an expansion of its mine in December 2006.

Loss on change in the fair value of derivative financial instruments. In accordance with IAS 39 ("Financial Instruments - Recognition and Measurement"), our derivative instruments have been measured at their fair value. Our silver derivative contracts expired in August 2006, resulting in a US\$13.3 million loss during 2006. No similar loss was recorded during 2007.

Interest income. Interest income increased by 49.4 percent, from US\$7.9 million in 2006 to US\$11.8 million in 2007, due to a US\$171.6 million increase in total time deposits (with original maturity greater than or equal to 90 days). We maintained US\$181.9 million in time deposits as of December 31, 2006 compared to US\$353.5 million as of December 31, 2007. Additionally, we recorded a gain of US\$1.2 million due to the change in the fair value of investment funds.

Interest expense. Interest expense increased by 44.8 percent, from US\$5.9 million in 2006 to US\$8.6 million in 2007, due mainly to an increase in our indebtedness from US\$10.6 million in 2006 to US\$84.1 million in 2007, including (i) a new US\$75 million bank loan obtained by us and (ii) a new US\$9 million loan obtained by our wholly-owned subsidiary, Consorcio Energético de Huancavelica S.A. See Notes 14 and 23 to the Financial Statements.

Gain (loss) on change in the fair value of gold certificates. In May 2006, we acquired one million participations of an Exchange Traded Fund, or Gold ETF, endorsed by the World Gold Council, equivalent to 100,000 gold ounces, at a cost of US\$68.07 per unit. This Gold ETF was accounted for as a financial asset at fair value through profit or loss, in accordance with the intention of our management at the time of the acquisition. As of December 31, 2006, the fair value of the Gold ETF was US\$63.2 million and, consequently, we recognized a loss of US\$4.9 million, which was separately presented in our consolidated statements of income.

In January 2007, we made additional acquisitions equivalent to 110,000 gold ounces, at a cost of US\$60.77 per unit. In March 2007, we sold all of our Gold ETF participations. On the date of sale, the fair value of our Gold ETF position was US\$64.38 million and, consequently, we recognized a gain of US\$5.1 million, which was separately presented in our consolidated statement of income.

Other, net. Other, net decreased from an expense of US\$19.5 million in 2006 to an expense of US\$8.7 million in 2007, mainly due to a net effect of a decrease of the adjustment of provision for closure of mining unit and exploration projects, from US\$9.4 million in 2006 to US\$3.7 million in 2007, and an increase of insurance proceeds received from US\$0.2 million in 2006 to US\$2.1 million in 2007.

Gain (loss) on currency exchange difference. The gain on currency exchange difference increased 1,585.1 percent from a loss of US\$0.3 million in 2006 to a gain of US\$5.2 million in 2007 due mainly to the revaluation of the Peruvian Nuevo Sol against the U.S. Dollar of 6.6 percent in 2007, compared to a revaluation of 6.9 percent in 2006. We held a net asset position in Nuevos Soles in 2007 and net liability position in Nuevos Soles in 2006.

Provision for workers' profit sharing, net. Workers' profit sharing expense increased by 39.2 percent from US\$14.3 million in 2006 to US\$19.9 million in 2007, due to an increase in our taxable income. This amount is calculated by applying a percentage to the taxable income.

Provision for income tax, net. Income tax expense decreased by 31.3 percent, from US\$64.0 million in 2006 to US\$44.0 million in 2007. This increase was mainly due to decreased pre-tax income as a result of the release of commitments in commercial contracts and decreased non-deductible expenses, partially offset by a decrease in non-taxable income. See "—Critical Accounting Estimates—Income Tax."

*Minority interest.* Minority interest expense increased by 9.4 percent, from US\$88.1 million in 2006 to US\$96.4 million in 2007, mainly due to greater allocations of profits from Colquijirca S.A. and Chaupiloma.

*Net income.* As a result of the foregoing, net income decreased by 35.8 percent, from US\$428.1 million in 2006 to US\$274.8 million in 2007. As a percentage of net sales, net income was 36.8 percent in 2007 as compared to 78.1 percent in 2006.

#### **Liquidity and Capital Resources**

As of December 31, 2008, we had cash and cash equivalents of US\$532.0 million, compared to US\$302.9 million at December 31, 2007.

Cash provided by operating activities for the years ended December 31, 2008 and 2007. Net cash and cash equivalents provided by operating activities were US\$150.5 million in 2008 compared to US\$203.0 million in 2007. The decrease in net cash flow provided by operating activities was mainly attributable to: a payment of US\$517.1 million related to the release of commitments in commercial contracts during 2008; increased payments to suppliers and third parties, from US\$202.1 million in 2007 to US\$270.2 million in 2008, as a result of a corresponding increase in the operating activities of our mining units; increased payments to employees, from US\$78.9 million in 2007 to US\$111.1 million in 2008, due mainly to the workers' profit sharing between our subsidiary, El Brocal, and us; increased expenses related to exploration activities, from US\$75.1 million in 2007 to US\$105.4 million in 2008; increased payments of royalties, from US\$33.0 million in 2007 to US\$41.4 million in 2008, as a result of increased royalty payments to the third parties, partially offset by a decrease in payments to the Peruvian government; and increased interest payments from US\$5.8 million in 2007 to US\$26.6 million in 2008, as a result of increased proceeds from sales, from US\$722.9 million in 2007 to US\$781.1 million in 2008; increased dividends received from Yanacocha and Cerro Verde, from US\$159.0 million in 2007 to US\$413.6 million in 2008; and decreased income tax payments from US\$ 91.4 million in 2007 to US\$41.4 million in 2008.

Cash provided by operating activities for the years ended December 31, 2007 and 2006. Net cash and cash equivalents provided by operating activities were US\$203.0 million in 2007 compared to US\$358.8 million in 2006. The decrease in net cash flow provided by operating activities in 2007 compared with 2006 was mainly attributable to: a payment of US\$315.7 million related to the release of commitments in commercial contracts during 2007; decreased dividends received from Yanacocha and Cerro Verde, from US\$209.5 million in 2006 to US\$159.0 million in 2007; decreased collection of royalties from Chaupiloma, owner of the mining concessions exploited by Yanacocha, from US\$48.5 million in 2006 to US\$34.0 million in 2007, due mainly to the decrease of the Yanacocha's gold production; increased payments to suppliers and third parties, from US\$160.4 million in 2006 to US\$202.1 million in 2007, as a result of a corresponding increase in the operating activities of our mining units; increased income tax paid, from US\$49.3 million in 2006 to US\$78.9 million in 2007, due mainly to the workers' profit sharing between our subsidiary, Sociedad Minera El Brocal S.A.A., and us and the revaluation of the Peruvian Nuevo Sol against the U.S. dollar; increased payments of royalties, from US\$2.7 million in 2006 to US\$3.0 million in 2007, as a result of increased royalty payments to the Peruvian government and to the third parties; and increased interest payments from US\$2.4 million in 2006 to US\$5.8 million in 2007, as a result of the bank loans obtained by Consorcio Energético de Huancavelica S.A. and us. These decreases were partially offset by the following: increased proceeds from sales, from US\$497.9 million in 2006 to US\$722.9 million in 2007; and the sale of our investment in Gold ETF participations for US\$135.2 million in 2007.

Cash used in investment activities for the years ended December 31, 2008 and 2007. Net cash and cash equivalents used in investing activities were US\$54.1 million in 2007 compared to US\$76.4 million in 2008. The increase in net cash flow used in investing activities in 2008 compared with 2007 was mainly attributable to: increased disbursements for development activities from US\$31.7 million in 2007 to US\$42.0 million in 2008; and increased expenditures related to investment shares from US\$1.6 million in 2007 to US\$29.5 million in 2008, mainly related to the acquisition of additional equity in El Brocal and Cerro Verde. These decreases were partially offset by decreased time deposits; in 2007 we increased our time deposits by US\$15.8 million while in 2008 we decreased time deposits by US\$56.0 million.

Cash used in investment activities for the years ended December 31, 2007 and 2006. Net cash and cash equivalents used in investing activities were US\$54.1 million in 2007 compared to US\$202.3 million in 2006. The decrease in net cash flow used in investing activities in 2007 compared with 2006 was mainly attributable to: decreased payments in connection with time deposits deposited at banks from US\$62.9 million in 2006 to US\$15.8 million in 2007; collection of US\$55.7 million related to the settlement of available-for-sale financial assets (including structured notes, fixed investment funds and variable investment funds), while in 2006 we had disbursements of US\$40.3 million (including US\$40.0 million related to acquisitions of structured notes, US\$12.0 million related to acquisitions fixed investment funds, off-set by the settlement of variable investment funds by US\$11.3 million); decreased expenditures related to investments shares from US\$22.8 million in 2006, mainly related to the acquisition of a minority interest in Inversiones Mineras del Sur S.A., to US\$1.6 million in 2007. These decreases were partially offset by the following: increased expenditures on the purchase of property, plant and equipment from US\$50.1 million in 2006 to US\$61.6 million in 2007, mainly related to the construction of the fourth stage of the Antapite tailings deposit for US\$9.2 million, the capacity increase in the Orcopampa No. 4 tailing deposit for US\$5.6 million and the construction of a transmission line in Huacarama (Orcopampa) for US\$3.9 million; and increased disbursements for development activities from US\$24.1 million in 2006 to US\$31.7 million in 2007, mainly related to increased exploration activities at our Orcopampa, Poracota and Uchucchacua mines.

Cash provided by (used in) financing activities for the years ended December 31, 2008 and 2007. Net cash and cash equivalents provided by financing activities were US\$155.0 million in 2008 compared to net cash used in financing activities of US\$22.7 million in 2007. The increase in net cash flow provided by financing activities in 2008 compared with 2007 was mainly attributable to: US\$450 million in long-term debt incurred by us during 2008 and a decrease in the payment of dividends to shareholders from US\$70.0 million in 2007 to US\$50.9 million in 2008. This increase was partially offset by an increase in payments of dividends to minority interest shareholders, from US\$26.2 million in 2007 to US\$37.3 million in 2008, and payments to reduce our long-term debt of US\$206.8 million in 2008, compared to US\$1.5 million in 2007.

Cash provided by (used in) financing activities for the years ended December 31, 2007 and 2006. Net cash and cash equivalents used in financing activities were US\$22.7 million in 2007 compared to US\$76.8 million in 2006. The decrease in net cash flow used in financing activities in 2007 compared with 2006 was mainly attributable to: US\$85.0 million in long-term debt incurred during 2007, including a US\$10.0 million bank loan obtained by Consorcio Energetico de Huancavelica S.A. and a US\$75.0 million bank loan obtained by us; decreased bank loans from a net borrowing of US\$2.3 million loan in 2006 to a net payment of US\$10 million in 2007 (composed of proceeds from bank loans of US\$55.2 million and payments of bank loans of US\$65.2 million); increased payment of dividends to shareholders from US\$59.8 million in 2006 to US\$70.0 million in 2007; increased payment of dividends to minority interest shareholders from US\$19.1 million in 2006 to US\$26.2 million in 2007.

## **Long-Term Debt**

On February 20, 2008, we borrowed US\$450.0 million pursuant to a syndicated Bridge Loan Credit Agreement, led by Banco de Credito del Peru, in order to finance the unwinding of our gold hedge book.

On May 21, 2008, in order to repay the US\$450.0 million syndicated bridge loan, we borrowed US\$450 million, referred to as the Syndicated Term Loan, under a new Term Loan Agreement, among us, as borrower, Condesa, as guarantor, Banco de Credito del Peru, as administrative agent and collateral agent, and the lenders party thereto. Borrowings under the Syndicated Term Loan bear interest at a rate per annum equal to LIBOR plus 2.25%. Interest and installments of principal equal to 1/20<sup>th</sup> of the aggregate principal amount borrowed are payable quarterly until maturity in May 2013 (on which date all amounts outstanding shall be payable). Obligations under the Syndicated Term Loan are guaranteed by Condesa, our wholly-owned subsidiary. The term loan agreement governing the Syndicated Term Loan contains certain customary covenants and events of default. See "Item 10. Additional Information—Material Contracts"

In August, September and November 2008, we prepaid US\$49.5 million, US\$38.5 million and US\$60.0 million, respectively, of the outstanding Syndicated Term Loan, in each case without prepayment penalties or charges. As of December 31, 2008, approximately US\$264.0 million remained outstanding under the Syndicated Term Loan.

The Syndicated Term Loan was initially secured by a pledge of our Common Shares held by Condesa. On January 23, 2009, we and the lenders party to the Syndicated Term Loan executed a consent and amendment to release the pledged collateral.

## **Exploration Costs; Capital Expenditures**

Total capital expenditures and exploration costs for 2009 and 2010 (excluding exploration costs at our principal mines, which are included as part of their cost of production) are estimated to be approximately US\$110.0 million and US\$110.0 million, respectively. At Uchucchacua, our ongoing projects for this year include (i) the deepening of the master shaft in the Carmen mine from level 3,990 to level 3,990 and (ii) the construction of ramp 626 and the deepening of the Luz Shaft in the Socorro mine to reach level 3,990 from level 4,060. At Orcopampa, our ongoing projects include (i) the deepening of the Nazareno shaft from level 3,290 to level 3,170 and (ii) the deepening of the Prometida Shaft to reach level 3,290. At Colquijirca, 2009 and 2010 projects include the expansion of the concentrator plant to 18,000 metric tons, or MT, per day.

During 2008 we spent approximately US\$27.12 million on "greenfield" and US\$18.69 in "brownfield" exploration-related investments in Peru. Our "greenfield" investments focused on the following exploration projects: El Faique, La Zanja, Tantahuatay, Hualgayoc, Ccalla Arma, El Milagro, Titiminas, Huañacancha, Luishaja, Breapampa, Trapiche, Chucapaca and Argentina. The 2008 exploration program was financed by internal funds as well as a US\$6.7 million contribution by Newmont Peru S.R.L., Southern Copper Corporation, Gold Fields La Cima S.A., Minera Gold Fields Peru S.A. and Sumitomo Metal Mining Peru S.A. Our "brownfield" investments focused on the following exploration projects in 2008: Mallay, Anamaray, Huamani Huayta Oeste, Orcopampa, Estela-Pampa Castilla, Ayamarca and Shila-Paula. In 2009, we intend to invest US\$16.88 million in the Mallay, Anamaray, Huamani Huayta Oeste, Estela-Pampa Castilla, Ayamarca, Orcopampa and Shila-Paula brownfield exploration projects. We expect to invest between US\$20.0 and US\$25.0 million in the following greenfield exploration projects during 2009: Trapiche, Chucapaca, Breapampa, Hualgayoc, Ccalla Arma and El Faique.

We expect that we will meet our working capital, capital expenditure and exploration expense requirements for the next several years from internally generated funds, cash on hand and dividends received from our investments in non-consolidated mining operations, including Yanacocha. Additional financing, if necessary for the construction of any project, is expected to be obtained from borrowings under bank loans and the issuance of debt securities. There can be no assurance, however, that sufficient funding will be available to us from the internal or external sources to finance any future capital expenditure program, or that external funding will be available to us for such purpose on terms or at prices favorable to us. 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 we fund future capital expenditures from internal cash flow, there may be less funds available for the payment of dividends.

## Recent Accounting Pronouncements

#### U.S. GAAP

Fair Value Measurements. In February 2008, FASB issued FASB Staff Position (FSP) No. FAS 157-2, which delays the effective date of SFAS No. 157 for nonfinancial assets or liabilities that are not required or permitted to be measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those years.

Business Combinations. In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R) which amends SFAS No. 141, and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any non controlling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (revised 2007) is effective for business combinations for which the acquisition date is January 1, 2009 or later and is to be applied prospectively. Early adoption is prohibited. The adoption of FAS 141R will have on impact on the Company's financial statements depending on whether the Company enters into business combination transaction in the future.

Noncontrolling Interests in Consolidated Financial Statements. In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements' an amendment of ARB No. 51" (SFAS No. 160) which establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the no controlling interest, changes in a parent's ownership interest, and the valuation of any retained no controlling equity investment when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the no controlling owners. SFAS No. 160 is effective for the Company's fiscal year beginning January 1, 2009 with early adoption prohibited. This statement is required to be adopted prospectively, except for the following provisions, which are expected to be applied retrospectively: (i) the reclassification of noncontrolling interests to equity in the consolidated balance sheets and (ii) the adjustment to consolidated net income to include net income attributable to both the controlling and noncontrolling interests. The adoption of FAS 160 will have on impact on the Company's financial statements depending on wheter the Company enters into such transaction in the future.

Disclosures about Derivative Instruments and Hedging Activities. In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 amends the disclosure requirements for derivative instruments and hedging activities contained in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under SFAS No. 161, entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS No. 161 encourages, but does not require disclosure for earlier periods presented for comparative purposes at initial adoption. The adoption of SFAS No. 161 will not affect significantly the Company's accounting for derivative financial instruments; however, the Company is currently evaluating the impact on its related disclosures.

Interim Disclosures about Fair Value of Financial Instruments. In April 2009, FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments", which provides enhanced guidance on an fair value disclosures. FSP No. FAS 107-1 and APB 28-1 requires that an entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by Statement 107. Fair value information disclosed in the notes shall be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position. This rule is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of FSP No. FAS 107-1 and APB 28-1 will not have a material impact on the Company's 2008 financial reporting and disclosures.

Recognition and Presentation of Other-Than-Temporary Impairments. In April 2009, FASB issued FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2, "Recognition and Presentation of Other-Than-Temporary Impairments", which provides enhanced guidance on recognition and presentation. FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2 requires to determine whether the holder of an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. An investment is impaired if the fair value of the investment is less than its amortized cost basis.

In addition, an entity shall disclose information for interim and annual periods that enables users of its financial statements to understand the types of available-for-sale and held-tomaturity debt and equity securities held, including information about investments in an unrealized loss position for which an other-than-temporary impairment has or has not been recognized. In addition, for interim and annual periods, an entity shall disclose information that enables users of financial statements to understand the reasons that a portion of an other-than-temporary impairment of a debt security was not recognized in earnings and the methodology and significant inputs used to calculate the portion of the total other-than-temporary impairment that was recognized in earnings. This rule is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2 will not have a material impact on the Company's 2008 financial reporting and disclosures but could affect the Company in the future.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly. On April 9, 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4 or the FSP). FSP 157-4 amends FASB Statement No. 157, Fair Value Measurements (Statement 157 or the Statement) to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The FSP also provides additional guidance on circumstances that may indicate that a transaction is not orderly. This rule is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The adoption of FSP No. FAS 157-4 will likely not have a material impact on the Company's 2008 financial reporting and disclosures but will impact the Company in the future.

#### Peruvian GAAP

There were several International Financial Reporting Standards, or IFRS, and International Financial Reporting Interpretations Committee, or IFRIC, issued internationally and approved by the Peruvian Accounting Standards Board (the *Consejo Normativo de Contabilidad*, or CNC) to be applied in Perustarting from January 1, 2009. The standards that could affect us are the following:

IAS 32 "Financial Instruments – Presentation" (revised 2006), effective internationally for periods that begin on or after January 1, 2007. Requires certain puttable financial instruments and obligations arising from liquidation to be classified as equity if certain criteria are met.

IFRS 7 "Financial Instruments – Disclosures", effective internationally for periods that begin on or after January 1, 2007. The objective of this IFRS is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, to understand the nature and extent of the risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

IFRS 8 "Operating Segments", effective internationally for periods that begin on or after January 1, 2009. This IFRS replaces IAS 14, "Segment Reporting" and establishes that reporting by segments must be done in accordance with "Management's focus", meaning using the internal reporting formats used by Management for decision-making purposes.

We do not expect these changes to have a material effect on our consolidated financial statements.

The following standards, issued internationally as of December 31, 2008, could affect us, but have not yet been approved by the CNC:

IFRS 1 "First-time Adoption of the International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" (revised), effective for periods that begin on or after January 1, 2009. This change in IFRS 1 allows an entity to determine the cost of investment insubsidiaries, jointly -controlled entities, and associates in its first financial statements under the IFRS as of the date of transition to IFRS, using the cost determined in accordance with IAS 27, or considering the previous GAAP carrying amount as cost at the date of the transition to IFRS, or at the fair value in accordance with IAS 39. These changes have no effect on the consolidated financial statements of the Company.

IAS 23 "Borrowing Costs" (revised) applies to borrowing costs incurred on qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. This standard removes the option of expensing all borrowing and requires capitalization of the borrowing costs that are directly attributable to the acquisition, construction or production of qualified assets.

IFRS 3 "Business Combinations (Revised)" and IAS 27 "Consolidated and Separate Financial Statements (Revised)," become effective for financial years beginning on or after July 1, 2009. IFRS 3 as revised introduces a number of changes in the accounting for businesses combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 as revised requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor wil it give rise to a gain or loss. Furthermore the amended standar changes the accounting for losses incurred by the subsidiary as well as the loss of control o a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interest on Joint Ventures. The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests.

IFRS 2 "Share-based Payments (Revised)," effective for periods that begin on or after January 1, 2009. This standard clarifies the definition of vesting conditions and cancellations.

- IAS 1 "Presentation of Financial Statements (Revised)," effective for periods that begin on or after January 1, 2009. When this standard is first applied, the disclosures must be made for all comparative periods presented. This standard requires the grouping of information in the financial statements based on common characteristics and the presentation of a comprehensive income statement. This standard allows presentation of the income and expense captions, as also comprehensive other income in a comprehensive income statement or, alternatively, presenting two separate statements (a statement of income and a comprehensive income statement). The names of some financial statements have been changed to clarify their purpose.
- IAS 32 "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)," effective for periods that begin on or after January 1, 2009. This amendment establishes a series of changes with respect to the classification of certain financial instruments as equity or liability, and increase the disclosure requirements for these instruments. In addition, it requires additional disclosures for negotiable instruments classified as equity.
- IAS 39 "Financial instruments: Recognition and Measurement Eligible Hedged Items (Amendment)," effective for periods that begin on or after July 1, 2009. This amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. This standard clarifies that an entity may designate the changes in fair value or cash flows related to a one-sided risk as the hedged item in an effective relationship. The standard further clarifies that an inflationary element can be designated as a separable risk, if it is a contractually specified cash flow.

Our management is currently analyzing the impact that those standards and interpretations not yet approved by the CNC will have on our operations when such standards are approved for application in Peru.

## YANACOCHA

The following discussion should be read in conjunction with the Yanacocha Financial Statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 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 and in U.S. Dollars.

# **Operating Results**

#### Overview

Introduction

Yanacocha, the largest gold producer in South America, was established in Peru in January 1992, and commenced production activities in August 1993. Yanacocha's operations are located in the Andes mountains in Northern Peru, in the area of Cajamarca which is located approximately 900 kilometers north of Lima and north of the City of Cajamarca, at an altitude of 4,000 meters above sea level. Yanacocha is 51.35 percent owned by Newmont Mining, through its wholly-owned subsidiary Newmont Second, 43.65 percent by us through our wholly-owned subsidiary Condesa, and 5 percent by IFC. Yanacocha is managed by Newmont Peru S.R.L. See "Item 4. Information on the Company—Yanacocha—Management of Yanacocha—General Manager/Management Agreement." On October 31, 1999, pursuant to a public deed, Yanacocha 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) has its capital stock is represented in participations; (iii) is not required to maintain a legal reserve (see Note 16 to the Yanacocha Financial Statements); and (iv) will not receive a different income tax treatment under Peruvian law than it did as a corporation.

The table below highlights Yanacocha's key financial and operating results:

# **Summary of Financial and Operating Performance**

	Year E	Year Ended December 31,			
	2008	2007	2006		
Gold Sales (in thousands of US\$)	1,612,618	1,093,347	1,543,212		
Gold sold (oz.)	1,842,599	1,564,614	2,572,298		
Average gold price received (US\$/oz.)	875	699	600		
Costs applicable to sales (US\$/oz.)	358	324	201		
Other expenses(in thousands of US\$)	83,424	80,941	60,790		
Net income (in thousands of US\$)	476,462	221,489	525,448		
Dividends paid (in thousands of US\$)	590,000	100,000	480,000		

Gold sales. Gold sales increased by 47.5 percent, or US\$519.3 million, from 2007 to 2008, due principally to an 18 percent increase in the volume of gold sold, as a consequence of the higher level of gold produced, and the higher realized average price, which increased from US\$699 per ounce in 2007 to US\$875 per ounce in 2008. 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.

Costs applicable to sales. Costs applicable to sales increased by 30.3 percent from 2007 to 2008 due primarily to higher operating costs, mainly attributed to: (i) higher diesel expense, (ii) higher emulsion and nitrate consumption due to higher presence of water in blasting areas, (iii) increased electricity used in blasting and milling, (iv) higher grinding balls consumption due to the commencement of operations at the Yanacocha gold mill facility, (v) higher labor expenses for salary and bonus increases (vi) increased capitalized costs in leach pad and precious metal inventories, (vii) higher royalties and (viii) increased workers' profit participation expenses as a consequence of higher gold sales revenues; partially offset by higher by-product credit sales due to increased silver sales as a result of higher silver production and higher average realized price. Costs 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 costs applicable to sales, (ii) employee profit sharing of 8 percent of pre-tax profits calculated in accordance with Peruvian GAAP, (iii) royalties of 3 percent of the quarterly net sale value of all gold and silver extracted from the mining concessions payable to Chaupiloma after deducting refinery and transportation costs, (iv) management fees payable to Newmont Peru, the operator of Yanacocha, (v) selling expenses, (vi) accretion costs related to asset retirement obligations and (vii) other costs.

Other expenses. Other expenses increased by 3.1 percent, or US\$2.5 million, from 2007 to 2008, mainly related with higher voluntary contribution of US\$8.8 million and higher expenses related to community development and external affairs of US\$11.4 million due to new projects to improve Yanacocha's relationship with the communities of Cajamarca; partially offset by the reimbursement of US\$14.4 million by insurance companies related to related legal fees and expenses arising from the Choropampa mercury spill litigation.

*Income tax.* Yanacocha's financial and operating results were impacted by a tax expense of US\$196 million in 2008, as compared to US\$107.0 million in 2007, which reflects its increased profitability mainly due to higher gold sales revenues as a consequence of an increase in gold production and higher realized average price.

Dividends. During the year ended December 31, 2008, Yanacocha paid cumulative dividends of US\$590 million to partners and did not reserve any money related to reinvestment programs.

Forward-looking statements. Certain key factors will affect Yanacocha's future financial and operating results. These include, but are not limited to fluctuations in the price of gold. Yanacocha expects 2009 gold sales to be 1.9 million ounces at costs applicable to sales of approximately US\$315 per ounce. Sales from 2010 through 2013 are expected to average approximately 1.44 million ounces at costs applicable to sales of approximately US\$437 per ounce, with actual gold sales and costs being determined by, among other factors, further mine plan optimization efforts, the discovery and development of additional oxide deposits, and the development of Conga, which is currently deferred.

# Critical Accounting Policies

Yanacocha has furnished us with a discussion of its critical accounting policies or methods used in the preparation of its financial statements. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and could potentially impact results under different assumptions and conditions. Note 2 to the Yanacocha Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of the Yanacocha Financial Statements. The following is a brief discussion of the identified critical accounting policies and the estimates and judgments made by Yanacocha.

Stockpiles, Ore on Leach Pads and Inventories.

As described below, costs that are incurred in, or benefit, the productive process are accumulated as stockpiles, ore on leach pads and inventories. Stockpiles, ore on leach pads and inventories are carried at the lower of average cost or net realizable value. Net realizable value represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Write-downs of stockpiles, ore on leach pads and inventories resulting from net realizable value impairments are reported as a component of costs applicable to sales. The current portion of stockpiles, ore on leach pads and inventories is determined based on the expected amounts to be processed within the next twelve months. Stockpiles, ore on leach pads and inventories not expected to be processed within the next twelve months are classified as long-term. The major classifications are as follows:

Stockpiles.

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained ounces (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to a stockpile based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

Ore on Leach Pads.

The recovery of gold from certain oxide ores is achieved through heap leaching. Under this method, ore is placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from ore on leach pads as ounces are recovered based on the average cost per recoverable ounce of gold on the leach pad.

The estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, the leach pads recover approximately 50 percent to 95 percent of the ultimate recoverable ounces in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on the pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Historically, Yanacocha's operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads. As of December 31, 2008, the weighted-average cost per recoverable ounce of gold on leach pads was US\$370 per ounce (unaudited). Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis.

The ultimate recovery of gold from a leach pad will not be known until the leaching process is concluded. Based on current mine plans excluding any Minas Conga production, Yanacocha expects to place the last ton of ore on its leach pads in 2015. Including the estimated time required for residual leaching, rinsing and reclamation activities, Yanacocha expects that its leaching operations will terminate within approximately six years following the date that the last ton of ore is placed on the leach pad.

The current portion of leach pads is determined based on estimates of the quantities of gold at the balance sheet date that is expected to be recovered during the next twelve months.

In-process Inventory.

In-process inventories represent materials that are currently in the process of being converted to a saleable product. Yanacocha's conversion process is leach in-circuit and mill in-circuit. In-process material is measured based on assays of the material fed into the process and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines, stockpiles and/or leach pads plus the in-process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

Amortization of Property, Plant and Mine Development.

Amortization charges for mine development costs are calculated using the units of production method and are based on Yanacocha's current gold production as a percentage of total expected gold production over the life of Yanacocha's mines. The life of the mines is estimated by Yanacocha's geology department using interpretations of mineral reserves, as determined in accordance with the SEC's Industry Guide 7. The estimate of the total expected future life of Yanacocha's mines could be materially different from the actual amount of gold mined in the future and the actual life of the mines due to changes in the factors used in determining Yanacocha's mineral reserves, such as the gold price and operating costs. Any change in management's estimate of the total expected future life of Yanacocha's mines would impact the amortization charge recorded in Yanacocha's financial statements.

Asset Impairment.

Yanacocha reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows of the assets on an undiscounted basis are less than the carrying amount of those assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and operating costs of production and capital, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization other than proven and probable and other material that is not part of the measured, indicated or inferred resource base, are included when determining the fair value of mine site reporting units at acquisition and, subsequently, in determining whether the assets are impaired. The term "recoverable minerals" refers to the estimated amount of gold and other minerals that will be obtained after taking into account losses during ore processing and treatment. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. Yanacocha's estimates of future cash flows are based on numerous assumptions and it is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and operating costs of production and capital are each subject to significant risks and uncertainties.

Reclamation and Remediation Costs (Asset Retirement Obligations).

Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect the changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation or abandonment costs. The asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. Yanacocha reviews, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at each mine site in accordance with FAS No. 143, "Accounting for Asset Retirement Obligations."

#### Results of Operations for the Twelve Months Ended December 31, 2008 and 2007

Sales

Sales increased by 47.5 percent from US\$1,093.3 million in 2007 to US\$1,612.6 million in 2008, due primarily to an 18 percent increase in the volume of gold sold, as a consequence of the higher level of gold production, and a higher average realized price, which increased from US\$699 per ounce in 2007 to US\$875 per ounce in 2008. Production by mine was as follows:

Mine	2008	2007	
	(ounces)		
Cerro Yanacocha	701,063	566,006	
Carachugo	400,452	307,867	
Maqui Maqui	32,550	21,460	
La Quinua	676,273	668,336	
Total	1,810,338	1,563,669	

The increase of gold produced in 2008 as compared to 2007 was mainly attributable to an increase in the volume of leach and mill tons placed, 92.6 million dry metric tons for the year ended December 31, 2008 as compared to 89.7 million dry metric tons for the year ended December 31, 2007, a lower waste to ore ratio, which was 1.05 grams per ton for the year ended December 31, 2008 as compared to 1.11 grams per ton for the year ended December 31, 2007, and higher placed ore grade, which was 0.71 grams per ton for the year ended December 31, 2008 as compared to 0.65 grams per ton for the year ended December 31, 2007.

#### Costs applicable to sales

Costs applicable to sales increased by 30.3 percent from US\$506.3 million in 2007 to US\$659.9 million in 2008 due primarily to higher operating costs, mainly attributed to: (i) higher diesel expense, (ii) higher emulsion and nitrate consumption due to the higher presence of water in blasting areas, (iii) increased electricity used in blasting and milling, (iv) higher grinding balls consumption due to the commencement of operations at the Yanacocha gold mill facility, (v) higher labor expenses due to salary and bonus increases, (vi) increased capitalized costs in leach pad and precious metal inventories and (vii) higher royalties and increased workers' profit participation expenses as a consequence of higher gold sales revenues; partially offset by higher by-product metal sales credit due to increased silver sales as a result of higher silver production and higher average realized price. Costs applicable to sales per ounce of gold increased by 10.5 percent from US\$324 in 2007 to US\$358 in 2008, primarily as a result of a higher operating cost per ounce of US\$323 in 2008 as compared to US\$308 in 2007, a higher royalty expense per ounce of US\$26 in 2008 as compared to US\$22 in 2007 and a higher workers' profit participation expense per ounce of US\$34 in 2008 as compared to US\$20 in 2007. These costs were partially offset by a higher by-product metal sales credit per ounce of US\$27 in 2008 as compared to US\$22 in 2007, due to an increase in the volume of silver sold and the higher average realized price of silver.

Operating costs increased by 23.6 percent from US\$481.5 million in 2007 to US\$595.4 million in 2008. Operating costs consist primarily of drilling, blasting, loading, hauling and milling costs, which increased in 2008 primarily as a result of an increase in fuel price from an average of US\$2.76 per gallon in 2007 to US\$3.13 per gallon in 2008. Additional increases in operating costs resulted from the greater consumption of critical items such as drills, nitrate, tires, electricity, grinding balls, cyanide and lime (from increased tonnage mined and treated), higher personnel costs as a result of hiring new employees (as part of the self performance program) and greater expenses on donations and charitable contributions as a part of the social responsibility plan.

Royalty expense was US\$48.6 million in 2008 as compared to US\$34.0 million in 2007. The increase in the royalty expense paid to Chaupiloma, which equals 3 percent of Yanacocha's net sales, was directly related to the increase in Yanacocha's sales revenues.

Workers' profit participation increased by 82 percent, from US\$33.6 million in 2007 to US\$61.0 million in 2008. The increase in workers' profit participation expense is directly related to the increase of Yanacocha's taxable net income. Workers' profit participation expense is calculated based on taxable net income and in accordance with Peruvian labor legislation. See "Item 4. Information on the Company—Yanacocha—Employees."

## Depreciation, depletion and amortization

Depreciation, depletion and amortization increased by 6.3 percent from US\$159.1 million in 2007 to US\$169.1 million in 2008. This increase was attributable principally to the depreciation of the Yanacocha gold mill facility, partially offset by lower depreciation of some of Yanacocha's older assets (e.g., leach pads, machinery, etc.) that were already fully depreciated.

## **Exploration Expenses**

Exploration costs decreased slightly by 0.3 percent from US\$28.2 million in 2007 to US\$28.2 million in 2008. This decrease was attributable principally to lower advanced projects related to the Chaquicocha Sulfides project and lower perforation works in the Yanacocha district; partially offset by higher expenses related to a sulfide development program.

## Other expenses

Other expenses increased by 3.1 percent, or US\$2.5 million, from 2007 to 2008, mainly related with higher voluntary contribution of US\$8.8 million and higher expenses related to community development and external affairs of US\$11.4 million due to new projects to improve Yanacocha's relationship with the communities of Cajamarca; partially offset by the reimbursement of US\$14.4 million by insurance companies related to related legal fees and expenses arising from the Choropampa mercury spill litigation.

Peruvian mining companies, represented by the Sociedad Nacional de Minería, Petróleo y Energía, agreed to a mining payment equivalent to 3.75 percent of net income after taxes. On December 21, 2006, the Peruvian government issued Supreme Decree No. 071-2006-EM, which regulates the conditions under which the negotiated payment will be paid by Peruvian mining companies. The payment amounts to 3.75 percent of Peruvian net income after income tax, including 2.75 percent to be paid to a local mining fund and 1 percent to be paid to a regional mining fund. This payment is payable from 2006 through 2010, contingent on the price of gold.

Yanacocha will be released from paying the negotiated payment if Yanacocha has to undertake major obligations arising from new taxes or from the modification of existing taxes, and in particular taxes related to mining activities. Yanacocha also will be released if the gold price decreases below the average price for the prior year set by the London Bullion Market Association. The negotiated payment will recommence if gold prices subsequently rise above the reference price.

In 1998, the Peruvian government issued additional regulations regarding the calculation of the workers participation, which limited to 18 monthly salaries the total amount to which each employee is entitled. However, there is a difference between the law and the regulations with regard to the criteria for the calculation. Yanacocha followed the criteria established by the law in determining the amount to be paid to its employees since 1998. As of December 31, 2006, Yanacocha recorded a charge of US\$14.9 million to cover any payment derived from the different criteria established to make these payments in accordance with both the law and the regulations. In August 2007, the court reached an arbitration decision confirming that Yanacocha had overpaid FONDO-EMPLEO and the regional government. Although this is a final decision and cannot be appealed, it is not binding on the regional government. Yanacocha's legal department, based on its best estimate, believes that it can recover a maximum of US\$3.9 million of the US\$5.3 million paid in excess to FONDO-EMPLEO. The remaining balance was charged to "Other expense, net." As of December 31, 2008, Yanacocha had recovered US\$2.3 million from FONDO-EMPLEO. In September 2007, Yanacocha paid the balance of US\$21.8 million (including interest) owed to employees, which exceeded the original amount accrued of US\$6.9 million. The additional amount mostly relates to interest paid by Yanacocha to employees.

#### Interest expense and other income

Interest expense and other income decreased by 71.3 percent from US\$12.7 million in 2007 to US\$3.6 million in 2008. This decrease was attributable principally to lower capitalized interest resulting from the capitalization of projects, especially the Yanacocha gold mill facility, and lower interest income related to lower interest rates for bank accounts.

#### Income tax provision

The increase in income tax provision was directly related to Yanacocha's increase in taxable income. The net effective tax rate was 29.2 percent in 2008 compared to 32.6 percent in 2007. The statutory rate for both years was a weighted average of 30 percent. The factors that most significantly impacted Yanacocha's net effective tax rate were related to non-deductible expenses and penalties.

The uniform income tax rate in Peru was 27 percent of taxable income in 2003. Effective January 1, 2004, the income tax rate in Peru is 30 percent of taxable income (Yanacocha, as explained below, has a stabilized corporate tax rate of 30 percent, excluding income from the La Quinua mine which had a tax rate of 27 percent until December 31, 2003 and 29 percent since January 1, 2004) 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 earnings into capital expansion projects that increase Yanacocha's productivity. This investment credit is based on 80 percent of amounts reinvested and is obtained by application to and approval by the MEM.

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. Yanacocha has entered into such agreements with regard to the following mines: Carachugo/San Jose, Maqui Maqui, Cerro Yanacocha and La Quinua. Pursuant to these agreements, the income tax rate in Peru is 30 percent of taxable income, excluding income from the La Quinua mine which had a tax rate of 27 percent until December 31, 2003 and 29 percent since January 1, 2004.

#### Net Income

As a consequence of the foregoing, net income increased by 115.1 percent, or US\$255.0 million, from US\$221.5 million in 2007 to US\$476.5 million in 2008. As a percentage of sales, net income increased from 20 percent in 2007 to 30 percent in 2008.

#### Results of Operations for the Twelve Months Ended December 31, 2007 and 2006

#### Sales

Sales decreased by 29 percent from US\$1,543.2 million in 2006 to US\$1,093.3 million in 2007, due primarily to a 39 percent decrease in gold sold, partially offset by a higher realized average price, US\$699 per ounce in 2007 compared to US\$600 per ounce in 2006. Production by mine was as follows:

Mine	2007	2006
	(ounces)	(ounces)
Yanacocha	566,006	1,035,794
La Quinua	668,336	1,246,058
Carachugo	307,867	308,600
Maqui Maqui	21,460	21,747
	1,563,669	2,612,199

The decrease in ounces of gold produced in 2007 as compared to 2006 was mainly attributed to lower leach tons placed, 89.7 million dry metric tons and 108.5 million dry metric tons for the periods ended December 31, 2007 and 2006, respectively, a higher waste to ore ratio, 1.11 grams per ton and 0.82 grams per ton for the periods ended December 31, 2007 and 2006, respectively, and lower placed ore grade, 0.65 grams per ton and 0.88 grams per ton for the periods ended December 31, 2007 and 2006, respectively.

## Costs applicable to sales

Costs applicable to sales decreased by 2 percent from US\$515.9 million in 2006 to US\$506.3 million in 2007 due primarily to higher operating costs, mainly attributed to: (i) higher diesel expense, (ii) higher emulsion and nitrate consumption due to the higher presence of water in blasting areas, (iii) increased electricity used in blasting, (iv) higher labor expenses due to salary and bonus increases and (v) increased capitalized costs in leach pad and precious metal inventories; and due to a US\$12.8 million net realizable value adjustment recorded in June 2007; partially offset by lower royalties and decreased workers' profit participation expenses as a consequence of lower gold sales revenues. Costs applicable to sales per ounce of gold increased by 61 percent from US\$201 in 2006 to US\$324 in 2007, primarily as a result of a higher operating cost per ounce of US\$308 in 2007 as compared to US\$189 in 2006, a higher royalty expense per ounce of US\$22 in 2007 as compared to US\$19 in 2006 and a higher accretion cost per ounce of US\$6 in 2007 as compared to US\$3 in 2006. These costs were partially offset by lower employee profit-sharing costs per ounce of US\$21 in 2007 as compared to US\$30 in 2006 and a higher by-product metal sales credit per ounce of US\$22 as compared to US\$16 in 2006, due to an increase in the price of silver.

Operating costs increased by 8 percent from US\$485.2 million in 2006 to US\$523.6 million in 2007. Operating costs consist primarily of drilling, blasting, loading and hauling costs, which increased in 2007 primarily as a result of an increase in fuel price from an average of US\$2.71 per gallon in 2006 to US\$2.76 per gallon in 2007. Additional increases in operating costs resulted from the greater consumption of critical items such as drills, nitrate, tires, electricity, cyanide and lime (from increased tonnage mined and treated), higher personnel costs as a result of hiring new employees (as part of the self performance program) and greater expenses on donations and charitable contributions as a part of the social responsibility plan.

The decrease in the royalty expense paid to Chaupiloma (equivalent to 3 percent of net sales) was directly related to the decrease in sales revenues. Royalty expense was US\$34.0 million in 2007 as compared to US\$48.5 million in 2006. Workers' profit participation expense is calculated based on taxable net income and in accordance with Peruvian labor legislation. See "Item 4. Information on the Company—Yanacocha—Employees." The decrease in workers' profit participation expense is directly related to the decrease of taxable net income. Workers' profit participation was US\$33.6 million in 2007 and US\$76.0 million in 2006.

#### Depreciation, depletion and amortization

Depreciation, depletion and amortization decreased by 7 percent from US\$171.7 million in 2006 to US\$159.1 million in 2007. This decrease was attributable principally to the fact that some of Yanacocha's older assets (e.g., leach pads, machinery, etc.) were already fully depreciated. This decrease was partially offset by higher mine development amortization.

## **Exploration Expenses**

Exploration costs decreased by 12 percent from US\$32.3 million in 2006 to US\$28.2 million in 2007. This decrease was attributable principally to delays in perforation works and the Maqui Maqui drilling project caused by a lack of environmental permits and issues with the local community.

## Other expenses

Other expenses decreased by 26 percent from US\$108.7 million in 2006 to US\$80.9 million in 2007, due mainly to less accruals related with: (i) negotiated payment (voluntary contribution) of US\$12.2 million, as a consequence of lower gold sales revenues, (ii) 1997-2005 workers' profit participation of US\$13.3 million and (iii) La Quinua leach pad failure repair of US\$8.9 million; partially offset by US\$2.0 million recorded in 2007 related to a contractor bankruptcy.

## Interest expense and other income

Interest expense and other income increased by 86.8 percent from US\$6.8 million in 2006 to US\$12.7 million in 2007. This increase was attributable principally to higher capitalized interest resulting from a full year of capitalized interest expense in 2007 as compared to a partial year in 2006.

## Income tax provision

The increase in income tax provision was directly related to Yanacocha's increase in taxable income. The net effective tax rate was 32.6 percent in 2005 compared to 31.2 percent in 2006. The statutory rate for both years was a blend of 30 percent. The factors that most significantly impacted Yanacocha's net effective tax rate were related to non-deductible expenses and penalties.

#### Net Income

As a consequence of the foregoing, net income decreased by 58 percent, or US\$304.0 million, from US\$525.4 million in 2006 to US\$221.5 million in 2007. As a percentage of sales, net income decreased from 34 percent in 2006 to 20 percent in 2007.

#### **Liquidity and Capital Resources**

As of December 31, 2008, Yanacocha had cash and cash equivalents of US\$157.5 million, substantially all of which were held in U.S. Dollars, as compared to US\$288.4 million as of December 31, 2007.

# Cash provided by operating activities

Yanacocha's operations generated a net cash flow of US\$744.5 million in 2008, US\$269.0 million in 2007 and US\$637.2 million in 2006. The increase in net cash flow provided by operating activities in 2008 was mainly due to higher sales revenues due to an increase in the volume of gold sold and higher average realized price during 2008, lower payments to vendors, higher VAT refunded and higher accrual of other liabilities, including income tax, workers' participation expense and voluntary contribution. The decrease in net cash flow provided by operating activities in 2007 was mainly due to lower gold sales revenues due to a decrease in the volumes of gold sold during 2007, lower depletion, depreciation and amortization expenses and lower tax pre-payments.

## Cash used in investing activities

Net cash used in investing activities was US\$251.3 million in 2008, US\$250.2 million in 2007 and US\$268.4 million in 2006. In 2008, Yanacocha's investing activities consisted primarily of US\$34.9 million for the Yanacocha gold mill facility, US\$29.3 million for the Conga project, US\$26.7 million for engineering the east acid water treatment plant, US\$20.7 million for waterways and irrigation channels acquired from the Quishuar, Encajón-Collotán and La Shacsha communities, US\$14.1 million for the construction of an alternate road to the coast of Peru, US\$12.9 million for the purchase of high altitude mining trucks, US\$13.0 million for the foundation of the San Jose Reservoir trust, US\$6.5 million for the construction of the reverse osmosis plant for excess water treatment at Pampa Larga, and US\$27.2 million, US\$13.7 million and US\$6.7 million for the leach pad expansions at La Quinua (stage 7), Carachugo (stage 11) and Yanacocha (stage 6), respectively. In 2007, Yanacocha's investing activities consisted primarily of US\$139.3 million for the Yanacocha gold mill facility, US\$12.4 million for the Conga project, US\$26.4 million for the purchase of high altitude mining trucks, US\$7.6 million for the construction of an alternate road to the coast of Peru, US\$5.2 million for waterways and irrigation channels acquired from the Quishuar and Encajón communities, US\$11.5 million for the Yanacocha 5A leach pad expansion and US\$18.6 million for the Carachugo (stages 10 and 11) leach pad expansion. Investing activities in 2006 consisted primarily of US\$157.8 million for mine and leach pad expansions of Carachugo (stage 10) and La Quinua (stage 6), US\$9.3 million for environmental site and regional water management projects, US\$11.9 million for mining equipment, US\$44.8 million for the Yanacocha Gold Mill Facility, US\$11.1 million for the Conga Project and US\$32.7 million for work related to other ongoing expansions.

## Cash used in financing activities

Net cash used in financing activities was US\$624.0 million in 2008, US\$110.4 million in 2007 and US\$284.4 million in 2006. In 2008, financing activities consisted principally of US\$590 million of dividends distributed to partners and US\$24.9 million of debt payments. In 2007, financing activities consisted principally of US\$100 million of dividends distributed to partners and US\$10.3 million of debt repayments. Financing activities in 2006 consisted primarily of dividends of US\$480 million distributed to partners, partially offset by proceeds received from debt of US\$200 million.

# Exploration Costs; Capital Expenditures

## **Exploration**

Yanacocha's basic and advanced exploration costs during the period from 1992 through 2008 were financed with a combination of internally generated funds, advances from partners, loans from DEG and IFC and proceeds from Yanacocha's Receivables Securitization. See Note 11 to the Yanacocha Financial Statements. During 2006, 2007 and 2008, Yanacocha incurred US\$32.3 million, US\$28.2 million and US\$28.1 million, respectively, in exploration costs. During 2009, Yanacocha plans to spend approximately US\$18.0 million on exploration, which will be expensed, and an additional US\$2.5 million for delineation activities for ore bodies that are currently classified as reserves, which will be capitalized. This budgeted amount will be expended mainly on the Cerro Yanacocha, La Quinua and Minas Conga deposits along with an extensive exploration program in Yanacocha's properties. See "Item 4. Information on the Company—Yanacocha—Exploration."

# **Capital Expenditures**

Yanacocha's capital expenditures from its formation in 1992 through 2008 were financed with a combination of internally generated funds, advances from partners, loans from DEG and IFC and proceeds from Yanacocha's Receivables Securitization (see Note 11 to the Yanacocha Financial Statements). Such capital expenditures have related principally to the construction of the Carachugo, Maqui Maqui, San José, Cerro Yanacocha and La Quinua mining operations, the construction of the two plants at Carachugo and Yanacocha that include a leach solution processing facility and a smelter at each plant, the construction of four carbon column plants at Cerro Yanacocha and La Quinua, the acquisition of both new and used mining equipment, the construction of two dams, the construction of one agglomeration plant at La Quinua, the construction of a gold mill facility at Yanacocha and the expansion of the leach pads located at the Carachugo, Maqui Maqui, Cerro Yanacocha and La Quinua mining operations. Yanacocha's capital expenditures from its formation through December 31, 2008 totaled approximately US\$2,660.9 million. Yanacocha anticipates that its capital expenditures for 2009 will be approximately US\$147.9 million, in connection with the completion of the leach pad expansion at Carachugo (stage 11) and La Quinua (stage 7), additional engineering at the east acid water treatment plant, the construction of a reverse osmosis plant for excess water treatment at Pampa Larga, the continuation of the Minas Conga project, the development of the Chaquicocha deposit, the construction of an alternate road to the coast of Peru and the acquisition of real property, heavy mining equipment and other miscellaneous mining equipment.

# **Research and Development**

Yanacocha is a mining exploration and production company and does not engage in research and development activities.

#### CERRO VERDE

Introduction

The following discussion should be read in conjunction with the Cerro Verde Financial Statements and the related notes thereto included elsewhere in this Annual Report. The Cerro Verde Financial Statements are prepared and presented in accordance with Peruvian GAAP.

## **Operating Results**

#### Overview

We hold a 19.05 percent interest in Cerro Verde, which operates an open-pit and molybdenum mining complex located 20 miles southwest of Arequipa, Peru. The site is accessible by paved highway. The Cerro Verde mine has been in operation since 1976. The Cerro Verde mine is a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant copper minerals are brochantite, chrysocolla, malachite and copper "pitch". Chalcocite and covellite are the most important secondary copper sulfide minerals. Chalcopyrite and molybdenite are the dominant prymary sulfides.

Cerro Verde's current operations consist of an open-pit copper mine and SX/EW leaching facilities. Leach-copper production is derived from a 39,000 metric ton-per-day crushed leach facility and a ROM leach system. This leaching operation has a capacity of approximately 200 million pounds of copper per year. A new 108,000 metric ton-per-day concentrator was completed in late 2006, and processing of sulfide ore began in the fourth quarter of 2006. Annual production between 2009 and 2011 is expected to range from 551 to 680 million pounds of copper per year, of which 105 to 130 million pounds would be our equity share of production, and one to six million pounds of molybdenum per year.

Cerro Verde has sufficient equipment to move an average of 295,000 metric tones of material per day using a fleet of 26 180-metric ton and 230-metric ton haul trucks loaded by six shovels with bucket sizes ranging in size from 21 to 46 cubic meters. Copper cathodes and concentrate production are transported approximately 70 miles by truck and rail to the Pacific Port of Matarani for shipment to international markets.

# Critical Accounting Policies

Cerro Verde has furnished us with a discussion of its critical accounting policies or methods used in the preparation of its financial statements. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and could potentially impact results under different assumptions and conditions. Note 2 to the Cerro Verde Financial Statements includes a summary of the significant accounting policies and methods used in the preparation of the Cerro Verde Financial Statements. The following is a brief discussion of the identified critical accounting policies and the estimates and judgments made by Cerro Verde.

Mineral Reserve and depreciation, Depletion and Amortization

Cerro Verde depreciates the life-of-mine mining and milling assets using the unit-of-production method based on the estimated recoverable proven and probable copper reserves. Cerro Verde has other assets that they depreciate on a straight-line basis over their estimated useful lives. The estimates of recoverable proven and probable copper reserves and the useful lives of the straight-line assets impact the depreciation, depletion and amortization expense. Accounting for depreciation represents a critical accounting estimate because the determination of reserves involves uncertainties with respect to the ultimate geology of the reserves and the assumptions used in determining the economic feasibility of mining those reserves, including estimated copper prices and costs of conducting future mining activities. Additionally, changes in estimated recoverable proven and probable reserves and useful asset lives can have a material impact on net income. Cerro Verde performs annual assessments of the existing assets, including a review of asset costs and depreciable lives, in connection with the review of mine operating and development plans. When Cerro Verde determines that assigned asset lives do not reflect the expected remaining period of benefit, it make prospective changes to those depreciable lives.

There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond the control of Cerro Verde's management. Ore reserve estimates are based upon engineering evaluations of samplings of drill holes. The estimates of recoverable proven and probable reserves are prepared by the employees of Cerro Verde, and majority of these estimates are reviewed and verified by independent experts in mining, geology and reserve determination. At December 31, 2008, recoverable reserves included 21 billion pounds of copper. These estimates involve assumptions regarding future copper prices, the geology of Cerro Verde mine, the mining methods that Cerro Verde uses and the related costs it incurs to develop and mine the reserves. Changes in these assumptions could result in material adjustment to Cerro Verde's reserve estimates, which could result in changes to depreciation, depletion and amortization expense in future periods, with corresponding adjustments to net income.

Cerro Verde reviews and evaluates the long-lived assets for impairment when events or changes in economic circumstances indicate that the related carrying amount of such assets may not be recoverable. Changes to the estimates of recoverable proven and probable reserves could have an impact on the assessment of asset impairment. Revisions to the estimates of recoverable proven and probable copper reserves could give rise to an impairment of the assets.

## Recoverable Copper

Cerro Verde records, as inventory, applicable costs for copper contained in mill and leach stockpiles that are expected to be processed in the future based on proven processing technologies. Mill and leach stockpiles are evaluated periodically to ensure that they are stated at the lower of cost or market. Accounting for recoverable copper from mill and leach stockpiles represents a critical accounting estimate because (i) it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, and therefore, requires management to employ reasonable estimation methods and (ii) recovery rates from leach stockpiles can vary significantly. The quantity of material delivered to mill and leach stockpiles is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blast hole cutting determine the estimated copper grade contained in the material delivered to the mill and leach stockpiles.

Expected copper recovery rates for mill stockpiles are determined by metallurgical testing. The recoverable copper in mill stockpiles, once entered into the production process, can be extracted into copper concentrate almost immediately.

Processes and recovery rates are monitored continuously, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

#### Reclamation and Closure Cost

Reclamation is an ongoing activity that occurs throughout the life of a mine. In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", Cerro Verde records the fair value of the estimated asset retirement obligations (AROs) associated with tangible long-lived assets in the period incurred. Fair value is measured as the present value of cash flow estimates after considering inflation and then applying a market risk premium. The cost estimates are reflected on a third-party cost basis and comply with the legal obligation to retire tangible, long-lived assets as defined by IAS 37. These cost estimates may differ from financial assurance cost estimates for reclamation activities because of a variety of factors, including obtaining updated cost estimates for reclamation activities, the timing of reclamation activities, changes in scope and the exclusion of certain costs not accounted for under IAS 37.

Generally, ARO activities are specified by regulations or in permits issued by the relevant governing authority, and management judgment is required to estimate the extent and timing of expenditures based on life-of-mine planning. Accounting for reclamation and closure costs represents an estimate because (i) Cerro Verde will not incur most of these costs for a number of years, requiring us to make estimates over a long period, (ii) reclamation and closure laws and regulations could change in the future and/or circumstances affecting the operations could change, either or which could result in significant changes to the current plans, (iii) calculating the fair value or the AROs in accordance with IAS 37 requires management to estimates projected cash flows, make long-term assumptions about inflation rates, determine the credit-risk adjusted rate and determine market risk premiums that are appropriate for the operations and (iv) given the magnitude of the estimated reclamation and closure costs, changes in any or all of these estimates could have a significant impact on net income.

## Environmental obligations

Accounting for environmental obligations represents a critical accounting estimate because changes to environmental laws and regulations and/or circumstances affecting the operations, could result in significant changes to the estimates, which could have a significant impact in the net income. As management judgment and estimates are required to comply with applicable Peruvian GAAP guidance, on an annual basis, Cerro Verde reviews changes in facts and circumstances associated with the environmental obligations. Judgments and estimates are based upon available fact, existing technology, presently enacted law and regulations, remediation experience, whether or not Cerro Verde is a Potentially Responsible Party, or PRP, the ability of other PRPs to pay their allocated portions and take into consideration reasonably possible outcomes. The estimates can change substantially as additional information becomes available regarding the nature or extend of the contamination, required remediation methods and actions by or against governmental agencies or private parties.

## Deferred Taxes

In preparing the annual financial statements, Cerro Verde estimates the actual amount of taxes currently payable or receivable as well as deferred tax assets and liabilities attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered on settled. The effect on deferred tax assets and liabilities of a change in tax rate and laws is recognized in income in the period in which such changes are enacted.

A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized. In determining the amount of the valuation allowance, Cerro Verde considers estimated future taxable income as well as feasible tax planning strategies in each jurisdiction. If Cerro Verde determines that it will not realize all or a portion of our deferred tax assets, it will increase its valuation allowance with a change to income tax expense. Conversely, if Cerro Verde determines that it will ultimately be able to realize all or a portion of the related benefits for which a valuation allowance has been provided, all or a portion of the related valuation allowance will be reduced with a credit to income tax expense.

### Inpairment of long-lived assets

Cerro Verde evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amount of such assets may not be recoverable. During the fourth quarter of 2008, Cerro Verde concluded that the current economic environment and the significant declines in copper prices represented significant adverse changes in its business, which required Cerro Verde to evaluate its long-lived assets for impairment as of December 31, 2008, under the procedures established by IAS 36 – "Impairment of Assets."

Cerro Verde's asset impairment evaluations required it to make several assumptions in determining estimates of future cash flows to determine fair value of its individual mining operations, including near and long-term metal price assumptions, estimates of commodity-based and other input costsm, proven and probable reserves estimates, including any costs to develop the reserves and the timing of producing the reserves, and use of the appropriate discount rate. Cerro Verde's December 31, 2008 impairment evaluation was based on price assumptions reflecting prevailing metals prices for three years. As a result of the evaluation of the value in use of our long-lived assets, Cerro Verde determined that it was not required to record a loss due to the impairment of its long-lived assets.

Cerro Verde believes events that could result in additional impairment of its long-lived assets include, but are not limited to, (i) decreases in future metal prices, (ii) decrease in estimated recoverable proven and probable reserves and (iii) any event that might otherwise have a material effect on mine site production levels or costs. Refer to Note 11 to the Financial Statements for further discussion.

## Results of Operations for the Twelve Months Ended December 31, 2008 and 2007

*Net sales.* Net sales increased by 2.3% percent, from US\$1,794.6 million in 2007 to US\$1,835.9 million in 2008, principally due to an increase in the volume of copper and molybdenum sold, partially offset by a decrease in the average realized price of copper. The following tables reflect the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2007 and 2008:

	Ye	Year ended December 31,				
		2007	2008	Variation		
Average price						
Copper (US\$/MT)	US\$	6,743 U	JS\$ 5,557	-21.3%		
<u>Volume sold</u>						
Copper (MT)		266,132	322,908	17.6%		

Average realized copper prices per metric ton decreased from US\$6,743 in 2007 to US\$5,557 in 2008. The volume of copper sold increased from 266,132 metric ton in 2007 to 322,908 metric ton in 2008, mainly due to the increase in the volume of copper concentrates sold. The combined effect of these changes resulted in a US\$41.3 million decrease in income from sales of copper in 2008 compared to 2007.

Total costs of sales. Total costs of sales increased by 42.7 percent, from US\$418.1 million in 2007 to US\$596.7 million in 2008, due to the following:

- (a) Material and supplies consumption costs increased by 50.5 percent from US\$174.1 million in 2007 to US\$262.1 million in 2008, primarily related to an increase in the utilization of materials, supplies and spare parts and higher maintenance costs for Cerro Verde's concentrator plant.
- (b) Depreciation and amortization costs decreased by 10.73 percent from US\$90.4 million in 2007 to US\$80.7 million in 2008, due principally to the US\$13 million write-off of mine development costs in 2007, partially offset by major depreciation and amortization charges in 2008.
- (c) Energy costs increased by 14.3 percent from US\$45.3 million in 2007 to US\$51.8 million in 2008, mainly due to increased electricity consumed in the crushing process and increases in the price of electricity during 2008.
- (d) Labor costs increased by 68.98 percent from US\$40.3 million in 2007 to US\$68.1 million in 2008, due mainly to an increase in the number of employees at Cerro Verde and the payment of a bonus in accordance with the union agreement negotiated with the Sindicato Unico de Trabadores de Sociedad Minera Cerro Verde in September 2008.

Total operating expenses. Operating expenses increased by 30.4 percent from US\$105.5 million in 2007 to US\$137.6 million in 2008, due to changes in the following components:

- (a) Selling expenses increased by 43.6 percent from US\$54.4 million in 2007 to US\$78.1 million in 2007, due mainly to increased ocean freight expenses incurred as a result of the increased volume of copper concentrate sold during 2008; and
- (b) Other operating expenses increased by 1,145.8 percent from US\$2.4 million in 2007 to US\$29.9 million in 2008 principally due to a provision related to the construction of a water treatment plant in Arequipa for US\$25.8 million during 2008; partially offset by
- (c) Negotiated payment (voluntary contribution) expense decreased by 39.4 percent from US\$48.7 million in 2007 to US\$29.5 million in 2008. In 2007 Cerro Verde recorded a total contribution of US\$48.7 million, which included US\$16.7 million for 2006 and US\$32.0 million for 2007, respectively. Cerro Verde recorded an expense of US\$29.5 million related to voluntary contribution for 2008.

Operating income. As a result of the foregoing, operating income decreased by 13.3 percent, from US\$1,270.9 million in 2007 to US\$1,101.5 million in 2008.

Financial income. Financial income decreased by 38.9 percent from US\$33.2 million in 2007 to US\$20.3 million in 2008, primarily related to decreased investment of excess cash from operations in marketable securities. As of December 31, 2008 and 2007, these investments amounted to US\$460.1 million and US\$627.3 million, respectively.

Financial expense. Financial expense decreased by 66.1 percent from US\$23.3 million in 2007 to US\$7.9 million in 2008, mainly due to the prepayment of all of Cerro Verde's outstanding corporate bonds in September 2008. As of December 31, 2008 Cerro Verde had no outstanding indebtedness.

Workers' profit sharing. Workers' profit sharing expense decreased by 17.22 percent from US\$106.8 million in 2007 to US\$88.4 million in 2008. The decrease in workers' profit sharing was due to Cerro Verde's decrease in net income.

Income tax. Income tax expense decreased by 17.4 percent from an expense of US\$368.8 million in 2007 to an expense of US\$304.8 million in 2008.

In 2004, Cerro Verde signed an Agreement of Guarantees and Measures to Promote Investment with the Government of Peru, under the Peruvian General Mining Law. Upon the approval of the agreement, Cerro Verde is subject to the tax in force at May 6, 1996. Cerro Verde has tax stability for a period of fifteen years counted from January 1, 1999. Pursuant to Supreme Decree No. 07-94-EF, mining companies can obtain a tax benefit in the form of an investment credit, by effectively reinvesting non-distributed earnings into capital expansion projects that increase Cerro Verde's productivity. This investment credit is based on 80 percent of amounts reinvested and is obtained by application to and approval by the MEM. Under the terms of this reinvestment program, Cerro Verde reinvested an aggregate of approximately US\$800 million of its earnings during 2005, 2006 and 2007. To date, the information presented to the Ministry of Energy and Mines is currently under evaluation and Cerro Verde's management expects it to be approved during 2009, after which in accordance with Peruvian law, the restricted earnings will be capitalized.

*Net income.* As a result of the foregoing, net income decreased by 10.7 percent from US\$804.6 million in 2007 to US\$718.4 million in 2008. As a percentage of net sales, net income was 39.1 percent in 2008, compared with 44.9 percent in 2007.

## Results of Operations for the Twelve Months Ended December 31, 2007 and 2006

Net sales. Net sales increased by 168.8 percent, from US\$667.7 million in 2006 to US\$1,794.6 million in 2007, principally due to the increase in the volume of copper concentrate sold during 2007, while the volume of copper cathode sold remained constant. Cerro Verde also sold small quantities of molybdenum during 2007. The following tables reflect the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2006 and 2007:

	Y6	ar ended I			
	2	2006		2007	Variation
Average price					
Copper (US\$/MT)	US\$	6,874	US\$	6,743	1.9%
Volume sold					
Copper (MT)		97,127		266,132	174.0%

Average realized copper prices per metric ton decreased from US\$6,874 in 2006 to US\$6,743 in 2007. The volume of copper sold increased from 97,127 metric ton in 2006 to 266,132 metric ton in 2007, mainly due to production at Cerro Verde's new copper concentrate plant, which reached design capacity production in June 2007. The combined effect of these changes resulted in a US\$1,126.9 million increase in income from sales of copper in 2007 compared to 2006.

Total costs of sales. Total costs of sales increased by 197.8 percent, from US\$140.4 million in 2006 to US\$418.1 million in 2007, due to the following:

(a) Material and supplies consumption costs increased by 137.8 percent from US\$73.2 million in 2006 to US\$174.1 million in 2007, primarily related to the increase in the utilization of new and more expensive materials, supplies and spare parts resulting from the operation of Cerro Verde's new copper concentrate plant, which became operational in December 2006.

- (b) Depreciation and amortization costs increased by 236.1 percent from US\$26.9 million in 2006 to US\$90.4 million in 2007, due principally to depreciation of US\$57.0 million recorded in 2007 related to Cerro Verde's new copper concentrate plant.
- (c) Energy costs increased by 190.4 percent from US\$15.6 million in 2006 to US\$45.3 million in 2007, mainly due to increased consumption of electricity as a result of the operation of Cerro Verde's new copper concentrate plant, which reached design capacity production in June 2007.
- (d) Labor costs increased by 78.3 percent from US\$22.6 million in 2006 to US\$40.3 million in 2007, due mainly to the operation of Cerro Verde's new copper concentrate plant. In addition, maintenance and other costs increased by 338.5 percent from US\$24.7 million in 2006 to US\$108.3 million in 2007, mainly due to scheduled and unscheduled maintenance performed at Cerro Verde's new copper concentrate plant as a consequence of some operational issues that were resolved during 2007.

Total operating expenses. Operating expenses increased by 104.5 percent from US\$51.6 million in 2006 to US\$105.5 million in 2007, due to changes in the following components:

- (a) Selling expenses increased by 1,454.3 percent from US\$3.5 million in 2006 to US\$54.4 million in 2007, due mainly to increased ocean freight expenses incurred as a consequence of the increased volume of copper concentrate sold during 2007.
- (b) Negotiated payment (voluntary contribution) amounted to US\$48.7 million in 2007. In order to support to the Peruvian government's efforts to eradicate poverty in Peru and generate a favorable economic environment, on November 8, 2007 Cerro Verde signed an agreement with the Peruvian government to pay a negotiated payment (voluntary contribution) of 3.75 percent of net income, which resulted in a total contribution of US\$48.7 million for the years 2007 and 2006.
- (c) Other operating expenses decreased by 1,904.2 percent from US\$48.1 million in 2006 to US\$2.4 million in 2007 principally due to a contribution made to local communities to finance and implement the construction of a drinking water plant amounting to US\$40.0 million and other minor contributions to Arequipa's Municipalities and Regional Government amounting to US\$8.1 million, recorded in 2006.

Operating income. As a result of the foregoing, operating income increased by 167.2 percent, from US\$475.6 million in 2006 to US\$1,270.9 million in 2007.

Financial income. Financial income increased by 204.6 percent from US\$10.9 million in 2006 to US\$33.2 million in 2007, primarily related to increased investment of excess cash from operations in marketable securities. As of December 31, 2007 and 2006, these investments amounted to US\$627.3 million and US\$340.2 million, respectively.

Financial expense. Financial expense increased by 676.7 percent from US\$3.0 million in 2006 to US\$23.3 million in 2007, mainly due to interest expenses and debt issuance costs related to debt issued to finance the construction of Cerro Verde's copper concentrate plant, which were capitalized during the construction period. During 2007, such expenses and costs were recognized as a financial expense.

Workers' profit sharing. Workers' profit sharing expense increased by 149.5 percent from US\$42.8 million in 2006 to US\$106.8 million in 2007. The increase in workers' profit sharing was directly related to the Cerro Verde's increase in taxable income. Workers' profit sharing is calculated as a percentage of the taxable income.

Income tax. Income tax expense increased by 8,095.6 percent from a benefit of US\$4.5 million in 2006 to an expense of US\$368.8 million in 2007.

In 2004, Cerro Verde signed an Agreement of Guarantees and Measures to Promote Investment with the Government of Peru, under the Peruvian General Mining Law. Upon the approval of the agreement, Cerro Verde is subject to the tax in force at May 6, 1996. Cerro Verde has tax stability for a period of fifteen years counted from January 1, 1999. Pursuant to Supreme Decree No. 07-94-EF, mining companies can obtain a tax benefit in the form of an investment credit, by effectively reinvesting non-distributed earnings into capital expansion projects that increase Cerro Verde productivity. This investment credit is based on 80 percent of amounts reinvested and is obtained by application to and approval by the MEM. Under the terms of this program, Cerro Verde invested the sum of US\$334.2 million during 2007 and US\$317.1 million in 2006 corresponding to the profit obtained in those years, which resulted in a reduced income tax of US\$100.2 million in 2007 and US\$95.1 million in 2006.

*Net income.* As a result of the foregoing, net income increased by 81.0 percent from US\$444.6 million in 2006 to US\$804.6 million in 2007. As a percentage of net sales, net income was 44.9 percent in 2007, compared with 66.6 percent in 2006.

### **Liquidity and Capital Resources**

As of December 31, 2008, Cerro Verde had cash and cash equivalents of US\$481.7 million, compared to US\$630.4 million at December 31, 2007.

Cash provided by operating activities for the years ended December 31, 2008 and 2007. Net cash and cash equivalents provided by operating activities were US\$903.9 million in 2008 and US\$1,118.6 million in 2007. The decrease in net cash flow provided by operating activities in 2008 compared with 2007 was mainly attributable to the following factors: increased collections from customers, from US\$1,647.7 million in 2007 to US\$1,797.4 million in 2008; offset by increased payments to suppliers and third parties, from US\$374 million in 2007 to US\$608.5 million in 2008; increased payments to personnel, from US\$82.2 million in 2007 to US\$162.4 million in 2008; increased payments of other expenses due to contributions in favor of local government from US\$2.4 million in 2007 to US\$97.4 million in 2008; increased payments of income tax, from US\$138.9 million in 2007 to US\$393.1 million in 2008 due to final tax payments of 2007 realized in 2008 for approximately US\$129.6 million.

Cash provided by operating activities for the years ended December 31, 2007 and 2006. Net cash and cash equivalents provided by operating activities were US\$1,118.6 million in 2007 and US\$467.5 million in 2006. The increase in net cash flow provided by operating activities in 2007 compared with 2006 was mainly attributable to the following factors: increased collection from customers, from US\$647.8 million in 2006 to US\$1,647.7 million in 2007; increased payments to suppliers and third parties, from US\$62 million in 2006 to US\$374 million in 2007; increased payments to personnel, from US\$41.7 million in 2006 to US\$82.2 million in 2007; decreased payments of other expenses due to contributions in favor of local government, from US\$8.1 million in 2006 to US\$2.4 million in 2007; and increased payments of income tax, from US\$65.1 million in 2006 to US\$138.9 million in 2007, due to greater taxable income in 2007 compared to 2006.

Cash used in investing activities. Net cash and cash equivalents used in investing activities were US\$133.7 million in 2008, US\$99.8 million in 2007 and US\$559.9 million in 2006.

Cash used in investing activities for the years ended December 31, 2008 and 2007. Net cash used in investing activities increased from US\$99.9 million in 2007 to US\$133.8 million in 2008, mainly due increased purchases of property, plant and equipment, as well as to the extension of drainage, filtering and development systems for leachpad numer one.

Cash used in investing activities for the years ended December 31, 2007 and 2006. Net cash used in investing activities decreased in 2007 compared to 2006, mainly due to a US\$460.1 million decrease in purchases of property, plant and equipment, from US\$560 million in 2006 to US\$99.9 million in 2007, mainly as a result of the completion of the construction of Cerro Verde's copper concentrate plant in December 2006.

Cash provided by (used in) financing activities. Net cash and cash equivalents used by financing activities were US\$918.8 million in 2008 and net cash and cash equivalents provided by financing activities were US\$743.2 million in 2007 and US\$182 million in 2006.

Cash provided by financing activities for the years ended December 31, 2008 and 2007. The increase in net cash flow provided by financing activities in 2008 compared with 2007 was mainly attributable to a US\$220 million increase in dividend payments, partially offset by US\$44.5 million payments of financial obligations.

Cash provided by financing activities for the years ended December 31, 2007 and 2006. The decrease in net cash flow provided by financing activities in 2007 compared with 2006 was mainly attributable to a US\$620.0 million increase in dividend payments and US\$123.2 million on payments on long-term debt. During 2006, Cerro Verde received proceeds from debt issuance amounting to US\$182.0 million.

## Long-term Debt

In February 2005, the board of directors of Cerro Verde approved an approximately US\$850 million expansion and financing of the Cerro Verde mine. On September 30, 2005, Cerro Verde obtained, debt-financing facilities in an overall amount of US\$450 million, including US\$90 million through an offering of corporate bonds. The cash invested by us and Sumitomo Metal Mining Co. and Ltd. and Sumitomo Corporation in connection with the capital increase financed approximately US\$420 million of the expansion for the year ended December 31, 2006.

Effective on January 17, 2007 Cerro Verde terminated its commitments with each lender under its credit facilities. In addition, Cerro Verde redeemed all of its outstanding bonds for US\$74.6 million, including principal and interest, during 2008. As of May 31, 2009, Cerro Verde had no debt outstanding.

## **Trend Information**

## The Company's Trend Information

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

For our exploration activities, there is no production, sales or inventory in a conventional sense. Our financial success is dependent upon the extent to which we are capable of discovering mineralization and the economic viability of exploration properties. The construction and operation 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 us is largely dependent upon factors beyond our control, including the market value at any given time of the metals produced.

### Yanacocha's Trend Information

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

#### Cerro Verde's Trend Information

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

## **Off-Balance Sheet Arrangements**

## **Our Off-Balance Sheet Information**

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

## Yanacocha's Off-Balance Sheet Information

Yanacocha has informed us that there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on Yanacocha's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

### Cerro Verde's Off-Balance Sheet Information

Cerro Verde has informed us that there are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on Cerro Verde's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

# **Tabular Disclosure of Contractual Obligations**

## **Our Contractual Obligations**

The following table shows our contractual obligations as of December 31, 2008:

		Payments due by Period (US\$ in millions)						
		Less than or equal to	1-3	4-5	After 5			
	Total	1 year	years	years	years			
Long-Term Debt	327.3	98.2	140.2	88.9	-			
Provision for closure of mining units and exploration projects	83.4	12.9	33.8	13.0	23.7			
Total Contractual Cash Obligations	410.7	111.1	174.0	101.9	23.7			

As of December 31, 2008, we had no other commercial commitments.

## Yanacocha's Contractual Obligations

The following table shows Yanacocha's contractual obligations as of December 31, 2008:

		Payments due by Period (US\$ in millions)						
	Total	Less than or equal to vear	1-3 years	4-5 years	After 5			
Long-Term Debt	175.9	13.8	51.6	59.6	years 50.9			
Capital Lease Obligations	29.7	13.5	16.2	- J	50.7			
Reclamation and Remediation Liability	181.1	7.1	9.5	14.1	150.4			
Open Purchase Orders	140.8	140.8	_	_	_			
Other Long-Term Obligations (*)	2.1	2.1	-	_	_			
Total Contractual Cash Obligations	529.6	177.3	77.3	73.7	201.3			

<sup>(\*)</sup> Other long-term contracts include deferred workers compensation obligations, power and fuel supply contract commitments and fuel and inventory obligations.

## Cerro Verde's Contractual Obligations

The following table shows Cerro Verde's contractual obligations as of December 31, 2008:

		Payments due by Period (US\$ in millions)						
	Total	Less than or equal to 1 year	1-3 years	4-5 years	After 5 years			
Provision for remediation and mine closure	16.9	-	-	-	16.9			
Total Contractual Cash Obligations	16.9	-	-	-	16.9			

# ITEM 6. Directors, Senior Management and Employees

# **Board of Directors and Senior Management**

Our Board of Directors is responsible for policy decisions and our overall direction and other corporate matters in accordance with our By-laws and the Peruvian Companies Law. Our executive officers oversee our business and are responsible for the execution of the policy decisions of the Board of Directors. The Board of Directors, which must be comprised of seven members, is elected at the annual obligatory meeting of shareholders, or the Annual Obligatory Meeting for a three year term. The last election took place on March 27, 2008, and the next election is scheduled for March 2011. See "Item 10. Additional Information—Memorandum and Articles of Association."

Our current directors and executive officers are as follows:

Name	Ago	Position	Date First	Current Term Ends
	Age	FOSITION	Appointed	Term Enus
Directors				
Alberto Benavides <sup>(1)</sup>	88	Chairman of the Board	1980	March 2011
Norman Anderson	78	Director	1994	March 2011
Luis Coleridge	72	Director	2000	March 2011
Aubrey Laurence Paverd	70	Director	2002	March 2011
Felipe Ortiz-de-Zevallos	61	Director	2003	March 2011
Roque Benavides <sup>(2)</sup>	54	Director	2004	March 2011
Germán Suárez <sup>(3)</sup>	67	Director	2005	March 2011
Executive Officers				
Roque Benavides <sup>(1)</sup>	54	President and Chief Executive Officer	2001	
Carlos E. Gálvez	56	Vice President and Chief Financial Officer	2001	
Raúl Benavides <sup>(1)</sup>	53	Business Development Vice President	1997	
Alejandro Hermoza	47	Vice President Community Relations	2008	
Francois Muths	57	Operations Vice President	2007	
César E. Vidal	54	Explorations Vice President	1996	
José Miguel Morales <sup>(1)</sup>	63	General Counsel	1970	
Alejandro Hermoza	47	Vice President Community Relations	2008	
Carlos Humberto Rodríguez	64	Comptroller	1984	

<sup>(1)</sup> 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 our management:

Alberto Benavides, Founder, Chairman and member of the Compensation Committee and Nominating/Corporate Governance Committee. Mr. Alberto Benavides served as our Chief Executive Officer from 1953 to April 1964, when he joined Cerro de Pasco Corporation as its President and CEO. In 1971 he resigned from Cerro and became head of the Mining Engineering School at the Catholic University of Peru. In 1976 he rejoined Buenaventura as Chairman of the Board and CEO until 2001, when he resigned as CEO but continued as Chairman of the Board, a position which he still holds. He has been Vice Chairman of Yanacocha's Executive Committee since 1992. He also has served as a director of numerous other mining and mining-related companies that are our subsidiaries. He spent a total of 17 years (1944-1952 and 1964-1971) with Cerro de Pasco Corporation, a Delaware corporation engaged in the mining business, where he was in various management and executive positions involved in the exploration and geology of mines in Peru. 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.

<sup>(2)</sup> Roque Benavides Ganoza replaced Jorge Benavides de la Quintana, who was a Director until July 2004

<sup>(3)</sup> Germán Suárez replaced Carlos Plenge Washburn, who was a Director until March 2005.

Norman Anderson, Director and member of the Nominating/Corporate Governance Committee. Mr. Anderson has been a director 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 1978 to 1986, he was Chief Executive Officer and Chairman of the Board of Cominco. He was President and CEO of Fording Coal from 1973 to 1977 and 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 of HudBay Minerals Corporation and is or has been a director or officer of other smaller mining companies and a consultant since leaving Cominco. Mr. Anderson graduated from the University of Manitoba with a B.S. in Geological Engineering in 1953.

Luis Coleridge, Director, Financial Expert, Chairman of the Audit Committee and member of the Nominating/Corporate Governance Committee. Mr. Coleridge was elected a Board Member on March 29, 2000. He is presently an independent business consultant. A retired partner of Arthur Andersen, Mr. Coleridge's career as a public accountant spanned 33 years, in which he rose to the position of Managing Partner of Arthur Andersen's Peruvian operations and retired in 1997. He was also professor of accounting and auditing at the Universidad Nacional Mayor de San Marcos, or UNMSM, and other Peruvian universities and colleges. Mr. Coleridge graduated from UNMSM with a B.S. degree in 1962 and completed post-graduate studies in Economics in 1964.

Aubrey Laurence Paverd, Director and member of the Nominating/Corporate Governance Committee. Dr. Paverd is currently a private consultant based in Melbourne, Australia. He has been a director since 2002. 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. He began as Chief Geologist of South Africa in 1973, rising through the positions of Chief Geologist at Tsumeb Corporation Ltd., Namibia, a subsidiary of Newmont, to assistant to the Vice President of 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.S. (Hons) and M.S. 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.

Felipe Ortiz-de-Zevallos, Director and member of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. Mr. Ortiz-de-Zevallos has been a director since August 2003. He was President of the Universidad del Pacifico de Lima from 2004 to 2006 and is the founder and chairman of the Board of Groupo APOYO since 1977. Mr. Ortiz-de-Zevallos received a degree in Industrial Engineering from The National University of Engineering in 1968, received an M.S. in Administration and System Analysis from the University of Rochester in 1970 and completed the Owner/President Management program at Harvard Business School in 1996. He was the Peruvian ambassador to the United States of America from 2006 to March 2009.

Roque Benavides, Director, President and Chief Executive Officer and member of the Nominating/Corporate Governance Committee. Mr. Benavides has been a director since July 2004 and was our Chief Financial Officer from 1985 to February 2001, when he was appointed President and Chief Executive Officer. Prior to that time, he served as Assistant to our Chairman of the Board from 1980 to 1985 and as a Project Engineer from 1977 to 1979. Mr. Benavides also has been an alternate member of the Executive Committee of Yanacocha since 1992. In addition, he is an alternate board member of Cerro Verde and was the General Manager of Recuperada S.A., formerly one of our majority-owned subsidiaries that has since merged into us, from 1981 to 1996. He currently is serving as an executive officer and as a director of several of our related companies. He also has served as a director of the Sociedad Nacional de Minería, Petróleo y Energía (National Association of Minerals, Petroleum and Energy) 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 (National Confederation of Private Companies, or CONFIEP) from 1999 to March 2001. In 2001, Mr. Benavides was appointed Vice Chairman of the World Gold Council and Vice Chairman of the Silver Institute in 2007. 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.

German Suárez, Director and member of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. Mr. Suárez has been a director since March 2005. Mr. Suárez is an economist who was employed by the Central Bank from 1964 to 1990. From 1979 to 1980, he worked at the International Monetary Fund, or IMF, representing Peru, and from 1981 to 1990 he was in charge of different posts at the Ministry of Economy and Finance. Mr. Suárez served as Chairman of Banco de la Nacion from 1990 to 1992 and Chairman of the Central Bank of Peru from 1992 to 2001. He was a member of the board of directors at Bladex, Extebandes and Arlabank, Latin American Reserves Fund, Credicorp Ltd. and Banco de Credito del Peru. From 1993 to 2001, Mr. Suárez served as Governor of the IMF and Alternate Governor of the Inter-American Development. For the period from 2000 to 2001, Mr. Suárez was elected Chairman of the G-24 (IMF-World Bank). Mr. Suárez graduated from UNMSM with a B.S. in Economics in 1965 and received an M.A. in Economics from Columbia University in 1969.

Carlos E. Gálvez, 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 our Treasury from 1980 to 1985, and as Treasurer from 1978 to 1980. Mr. Gálvez has also served as director of Colquirrumi, our subsidiary, and was appointed director of Conenhua in 2000, director of El Brocal in 2002, director of Contacto S.A. in 2005. He has served as an alternate member of the Executive Committee of Yanacocha since 2005 and an alternate board member of Cerro Verde since 2005. 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 us, Mr. Gálvez served as Managerial Adjunct for Finance and Credit from 1971 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 Universidad del Pacifico de Lima in 1980 and completed the Program for Management Development, in 1997, and the Advanced Management Program, in 2005, at The Harvard Business School.

Raúl Benavides Ganoza, Vice President Business Development. Mr Benavides has been Vice President of Business Development since 1992. He is also a member of the Executive Committee of Yanacocha and board member of Cerro Verde and several of our related companies. From 1984 to 1996 he was General Manager (CEO) of Compañía de Minas Orcopampa. Prior to that time, Mr Benavides was Manager of Operations from 1983 to 1984 and Mine Manager 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 President of the Instituto de Ingenieros de Minas (Institute of Mining Engineering), was also the Founder and 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 Advanced Management Program at The Harvard Business School in 2001.

Alejandro Hermoza Maraví, Vice President Community Relations. A Mechanical Engineer graduated from the University of Maryland, Mr. Hermoza also holds an MSc in Engineering from the same University and an MBA from the Universidad de Ciencia Aplicadas – UPC. He worked as Development Manager for the Confederación Nacional de Instituciones Empresariales Privadas – CONFIEP, and later joined us in 2003, where he began as Deputy Manager for Administration and Human Resources.

Francois Muths, Vice President of Operations. Mr. Muths was appointed Vice President of Operations in February 2007. Prior to that time, Mr. Muths served as a director and general manager of Inversiones Mineras del Sur S.A., our wholly-owned subsidiary from 2005 to 2006, general manager from 1985 to 2005 and general superintendent of the Uchucchacua mine from 1981 to 1983. He received a B.S. in engineering from the National Engineering University of Peru and a M.S. in Mining Engineering from the Colorado School of Mines. In 2005, Mr. Muths completed the Program for Management Development at Harvard Business School.

César E. Vidal, Explorations Vice President. Mr. Vidal has been our Explorations Vice President since the beginning of 1996. Mr. Vidal also currently serves as director of El Brocal and Coimolache and as an alternate member of the Executive Committee of Yanacocha. From 1981 to 1987, he served as a geologist for BISA. Prior to joining us, from 1991 to 1995, he served as an independent economic geologist consultant to several mining companies, including us. 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. He completed the Advanced Management Program at Templeton College of Oxford University in 2005.

José Miguel Morales, General Counsel. Mr. Morales has been our General Counsel since 1973. From 1992 to 1995, Mr. Morales served as an alternate member of the Executive Committee of Yanacocha. Mr. Morales has also served as a member of the Executive Committee of Yanacocha since 1995. Mr. Morales currently serves as a director of seven of our nineteen mining and mining-related subsidiaries or affiliates. 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. In February 2003, Mr. Morales was elected president of the Sociedad Nacional de Minería, Petróleo y Energía (National Association of Minerals, Petroleum and Energy). On January 31, 2005, Mr. Morales ended his tenure as President of Sociedad Nacional de Minería, Petróleo y Energía and was elected on March 16, 2005 President of Confederación Nacional de Instituciones Empresariales Privadas (National Confederation of Private Companies, or CONFIEP) until 2007. 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.

Carlos Humberto Rodríguez, Comptroller. Mr. Rodríguez has served as our Comptroller since 1984 and as Secretary of our Audit Committee. In February 2003, Mr. Rodríguez was elected our Compliance and Ethics Officer. 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, 2008, the aggregate amount of compensation that we paid to all directors and executive officers was approximately S/.47.7 million, including director's fees accrued in 2007 and paid in 2008. We do not disclose to our shareholders or otherwise make available public information as to the compensation of our individual directors or executive officers.

We have a long-term stock appreciation program, with a term of ten years once initiated, 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 our ADSs. This program is in effect as long as the executives are employed by us at the settlement date of the program. See Note 13 to the Financial Statements.

## **Board Practices**

## The Audit Committee

The Audit Committee, which is composed entirely of independent directors as defined in Section 303A.02 of the New York Stock Exchange's Listed Company Manual, is responsible for assisting the Board of Directors in the appointment of independent auditors, upon delegation of such responsibility by the shareholders at the general meeting of shareholders, or the General Meeting, and reviewing the scope of internal and external audits. The Audit Committee also reviews compliance with internal control systems, reviews our 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), the *Bolsa de Valores de Lima* (Lima Stock Exchange) and the Commission and maintains the integrity of the preparation of audits. The members of the Audit Committee are currently Messrs. Coleridge, Ortiz-de-Zevallos and Suárez.

## The Compensation Committee

The Compensation Committee is responsible for evaluating executive performance and approving executive compensation, including compensation of the chief executive officer and any stock option compensation plans. The members of the Compensation Committee are currently Messrs. Benavides-de-la-Quintana, Ortiz-de-Zevallos and Suárez.

## Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee is responsible for preparing the proposals for the general meetings in respect of the composition of the Board of Directors along with the director remuneration to be approved by the shareholders, and monitoring issues and practices related to corporate governance and to propose necessary actions in respect thereof. The members of the Nominating/Corporate Governance Committee are currently Messrs. Anderson, Coleridge, Paverd, Ortiz-de-Zevallos, Benavides-Ganoza and Suárez.

## **Employees**

At December 31, 2008, we and our subsidiaries had 2,314 employees, of which 2,067 were on our payroll. In addition, we have entered into arrangements with independent contractors, which employed 3,771 persons who worked at our operations. We have sought to strengthen our 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, 2008, the average tenure of our permanent laborers at the Julcani, Uchucchacua, Orcopampa, Recuperada, Ishihuinca and Antapite mines (the only mines for which we have long-term historical records) was approximately 14 years.

Of our 2,067 permanent employees, approximately 39.77 percent are members of nine different labor unions (including three unions and one labor union committee for clerical workers and five unions for laborers), which represent all clerical workers and laborers in collective bargaining negotiations with us. Two new unions for workers employed by independent contractors were formed in 2008, one in Uchucchacua and the other at our Ishihuinca mine.

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 our 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 our 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 our employees and housing, hospitals and a full range of social services for our permanent employees and their families at townsites near our mines in compliance with mining regulations. We voluntarily provide 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 equivalent to eight percent of the annual pre-tax profits of their employer, fifty percent of such profits to be distributed based on the number of days each employee worked during the preceding year and the remaining fifty percent of such profits to be distributed based on the aggregate annual salary of each employee. 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 us to the FONDO-EMPLEO, a fund established to promote employment and employee training.

Under Peruvian law, we may dismiss workers for cause by following certain formal procedures. We may dismiss a worker without cause, provided that we pay 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. Several decisions adopted by the Peruvian Constitutional Court, holding that an employee is entitled for reinstatement if no cause for dismissal is expressed by the employer or for failure to present evidence supporting the employer's grounds, have limited our ability to dismiss a worker without cause. However, all employees are entitled to a severance payment upon termination of their employment, regardless of the reason for such termination, equal to approximately one month's salary for each full year worked plus the pro rata portion for any uncompleted year. Pursuant to the Peruvian labor laws enacted in 1991, we deposit funds for severance payments in a bank account selected by each employee and for the benefit of such employee, in both May and November of each year.

Our 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. We are 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 approximately 13 percent of such employee's salary, and pay such amounts to the respective AFP (exact amount varies from one AFP to another). Additionally, for workers involved in mining and metallurgical processes, an additional 2 percent is withheld from their salaries, and we contribute an additional 2 percent to increase their pension funds. We have no liability for the performance of these pension plans. In addition, our independent contractors are responsible for covering severance and pension payments with respect to their employees.

In addition, we pay ES-SALUD nine percent of our total payroll for general health services for all permanent employees. Prior to May 1997, we were required to pay to ES-SALUD one percent of our payroll of blue collar employees for employment related illness and accidents, or the Workers Compensation Fund Payment. In addition, Law No. 26790 also requires us 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.

Prior to April 30, 2007, we had not experienced any strikes during the past five years. On April 30, 2007, we experienced a five-day labor stoppage at the Uchucchacua mine, which coincided with a strike called by the National Mining and Metallurgical Union. In November 2007, unionized workers at Uchucchacua engaged in a three-day strike called by the National Mining and Metallurgical Union. On February 27, 2008, the unionized workers of our Uchucchacua, Orcopampa, Ishihuinca and Antapite mines went on strike for three days, demanding an increase in the amount of their Peruvian regulation-required 8 percent share of our annual pre-tax profits. On June 5, 2008, our Uchucchacua laborers went on a four-day strike to support their negotiating position in the collective bargaining process. On June 30, 2008, the contractor workers of our Uchucchacua mining unit commenced a 7–day strike promoted by the National Federation of Mining Unions, which was declared illegal by the Peruvian Work Ministry.

### **Share Ownership**

At April 30, 2009, our directors and executive officers, as a group, owned 51,184,994 Common Shares, representing 20.12 percent of all the 254,442,238 common shares outstanding. Our directors and executive officers do not own any Investment Shares.

### ITEM 7. Major Shareholders and Related Party Transactions

### **Major Shareholders**

As of April 30, 2009, we had 274,889,924 Common Shares, including 21,160,260 treasury shares, and 744,640 Investment Shares, including 61,976 treasury 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 April 30, 2009 with respect to each shareholder known to us to own more than 2.5 percent of the outstanding Common Shares and with respect to all directors and executive officers as a group.

## Control of the Company

Shareholder	Number of Common Shares	Percentage Beneficial Ownership of Common Shares <sup>(2)</sup>	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 <sup>(1)</sup>	74,123,891	26.97	191,978	25.79	74,315,869	26.96
Blackrock Investment Management (UK) Ltd.	29,663,002	10.79	_	_	29,663,002	10.77
Cia Minera Condesa S.A.	21,160,260	7.70	61,976	8.33	21,222,236	7.70
Blackrock Global Funds-World Gold Fund.	13,000,000	4.73	_	_	13,000,000	4.72
Blackrock Global Funds-World Mining Fund	12,400,000	4.51	_	_	12,400,000	4.50
Integra, AFP.	10,462,232	3.81	_	_	10,462,232	3.80
Fidelity Management & Research.	7,832,189	2.85	_	_	7,832,189	2.84
Prima, AFP	7,805,328	2.84	_	_	7,805,328	2.83
Horizonte, AFP.	7,268,740	2.64	_	_	7,268,740	2.63
Directors and Executive Officers as a Group	51,184,994	18.62	_	_	51,184,994	18.57

- 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.

As of April 30, 2009, we estimate that 136,905,321 ADSs were held in the United States, which represented approximately 49.81 percent of Common Shares outstanding. The number of institutional record holders of our Common Shares (or of ADSs representing our Common Shares) in the United States was 52 institutions.

## **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 our last financial year that has materially affected us, or in any proposed transaction that would materially affect us. Except as otherwise disclosed herein, we have 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. From time to time in the ordinary course of business, we enter into management, exploration, mine construction, engineering and employment contracts with joint venture companies in which one or more of our direct or indirect subsidiaries holds equity or partnership interests.

Chaupiloma is the legal owner of the mineral rights operated by Yanacocha and receives a 3 percent royalty based on quarterly sales, after deducting refinery and transportation costs. Royalties amounted to US\$48.5 million, US\$34.0 million and US\$48.8 million in 2006, 2007 and 2008, respectively, and are presented as royalty income in our consolidated statements of income.

Condesa received cash dividends from Yanacocha of approximately US\$209.5 million, US\$43.7 million and US\$257.5 million in 2006, 2007 and 2008, respectively.

Cash dividends received from Cerro Verde amounted to approximately US\$114.7 million in 2007 and US\$156.1 million in 2008. No cash dividends were received from Cerro Verde in 2006.

In March 2002, Buenaventura Ingenieros S.A. signed a technical service agreement with Yanacocha to perform a number of specialized activities and services. Pursuant to the agreement, the services performed relate to the construction of mining projects and include completion of analysis and studies, work plan design, and functions related to planning, monitoring and administrating the infrastructure projects required by Yanacocha in its operations. This contract expired on December 31, 2004 and was renewed in January 2005 under the same terms. The revenues related to this service contract amounted to approximately US\$1.1 million for the year ended December 31, 2007 and US\$5.1 million for the year ended December 31, 2006.

In November 2000, Conenhua signed an agreement with Yanacocha for the construction and operation of a 220 kw transmission line between Trujillo and Cajamarca, a 60 kw transmission line between Cajamarca and La Pajuela, and the Cajamarca Norte substation; this agreement also encompassed activities necessary to enlarge the Trujillo substation. Pursuant to this contract, the construction work was completed in October 2001. Concurrently, we and Yanacocha signed a 10-year agreement covering electric energy transmission and infrastructure operation beginning in November 2001. In exchange for us operating and managing the transmission project, Yanacocha pays an annual fee of US\$3.7 million. The revenues for these services amounted to approximately US\$4.8 million, US\$4.4 million and US\$3.9 million in 2008, 2007 and 2006, respectively.

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

#### Dividends and Dividends Policy

We can distribute three kinds of dividends: (i) cash dividends, which are paid out of our 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 our 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 our capital 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 we have earned net distributable income in respect of such year. However, we may declare dividends during the year. We 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 our Common Shares and Investment Shares.

The dividend policy establishes that dividends will be not less than 20 percent of our net profits. In principle there are two kinds of dividend payments: the interim dividends which are approved by the Board and are generally paid during the fourth quarter of the year, and the final dividend payment which will be paid in accordance with the general shareholders' meeting resolutions. However, the amount and timing of such payments is subject to the final approval at such annual obligatory shareholders' meeting and Board meeting, as well as to the availability of earnings to distribute. According to the Peruvian Companies Law, there is an exception that permits holders of at least 20 percent of total Common Shares outstanding, require that not less than 50 percent of our after-tax profits 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, which has been 30 percent since January 1, 2004. 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 agree to allocate any portion of the net profits to any special reserve. The remainder of the net profits is available for distribution to shareholders. Any dividend approved by a shareholders' meeting after December 31, 2002 is subject to an additional withholding tax at the rate of 4.1 percent of the total amount of dividends distributed to the shareholders who either are (i) individuals, whether domiciled or non-domiciled in Peru, or (ii) a non-domiciled company or entity. Dividends paid to domiciled companies or entities are not subject to such withholding tax. If any tax or other governmental charge will become payable by Scotiabank Peru, as custodian, the Depositary or us with respect to any ADR or any deposited securities represented by the ADSs evidenced by such ADR, such tax or other governmental charge will be payable by the owner or beneficial owner of such ADR to the Depositary.

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 we issue 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 we declare and pay 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 we so request, distribute stock dividends in the form of additional ADRs evidencing whole ADSs resulting from a dividend or free distribution of Common Shares by us received by the Depositary. Cash dividends paid with respect to the Common Shares and amounts distributed with respect to ADSs are currently subject to Peruvian withholding income tax of 4.1 percent. See "Item 10. Additional Information—Taxation—Peruvian Tax Considerations."

We issue stock dividends for value per share of our stock. The book value of our share capital is based on the nominal (par) value of each share but is adjusted to account for inflation; thus, in inflationary periods, our book value will increase while the nominal value will remain constant. In order to adjust the book value of each share to equal or approximate the nominal value, we periodically issue 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 us. In addition, we may from time to time capitalize profits and, in such case, we have to distribute stock dividends representing the profits capitalized.

Dividends not collected within ten years will be retained by us, increasing our 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). We, however, may pay provisional dividends. Payment of provisional dividends will 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, we suffer a loss or if we finish the fiscal year with a net income that is lower than the amount of provisional dividends paid during such fiscal year, we could legally require all shareholders (including holders of ADRs) to return such payment to us with interest. However, it has been and continues to be our 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 cash dividends and the aggregate of cash dividends paid with respect to the years 2004 to 2008. Prior to May 3, 2003, cash dividends with respect to were paid per Series A Share, Series B Share and ADS. Effective on May 3, 2002, we redesignated our Series B Shares and Series A Shares as Common Shares and each of our ADSs, which previously represented two Series B Shares, represented two Common Shares. Effective November 12, 2003, we modified the ratio of our ADSs from two Common Shares per ADS to one Common Share per ADS. Dividends with respect to the years 2004 to 2008 were paid per Common Share and ADS. See "Item 4. Information on the Company—The Company—History and Development—History—Redesignation of Our Shares and ADSs; Share Split."

Year ended		Per			Per		Per			
December 31,		Common Share			ADSs			Investment Share		
	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total	
$2004^{(1)}$	0.5312	0.585	1.1162	0.5312	0.585	1.1162	0.5312	0.585	1.1162	
$2005^{(2)}$	0.6102	0.7216	1.3318	0.6102	0.7216	1.3318	0.6102	0.7216	1.3318	
$2006^{(3)}$	0.25	0.37	0.62	0.25	0.37	0.62	0.25	0.37	0.62	
$2007^{(3)}$	0.18	0.22	0.40	0.18	0.22	0.40	0.18	0.22	0.40	
$2008^{(3)}$	0.09	0.02	0.11	0.09	0.02	0.11	0.09	0.02	0.11	

- (1) Interim and final dividend amounts are expressed in nominal Nuevos Soles as of December 31, 2004.
- Interim and final dividend amounts are expressed in nominal Nuevos Soles as of December 31, 2005.
- (2) (3) Interim and final dividend amounts are expressed in U.S. Dollars.

## Minority Shareholders

Law No. 28370, published on October 30, 2004, included in the Peruvian Companies Law certain provisions for the protection of the minority shareholders that were formerly contained in Law No. 26985, which had been abrogated. Legislative Decree No. 1061, effective since June 29, 2008, has amended certain of these provisions. Pursuant to Article 262-A of the Peruvian Companies Law, we will issue a notice within sixty days after the Annual Obligatory Shareholders Meeting, or after the expiration of the three-month period after the end of the prior fiscal year in which such Annual Obligatory Meeting is required to be held, the total number and value of any shares not claimed by shareholders, the name of such shareholders, the share quote in the Meeting is required to be held, the total number and value of any snares not claimed by snareinolders, the name of such shares; the total amount of uncollected dividends; and where shares and dividends pending claim are available for the minority shareholders. The publication must be made in the official gazette "El Peruano", on our website and on CONASEV's website. Article 262-B describes the procedure to request share certificates and/or dividends. Pursuant to Article 262-C, we are required to submit to CONASEV within 60 days after having posted the notice on our website and on CONASEV's website, the list of shareholders that have and have not picked-up their share certificates and/or have or have not collected their dividends and evidence that such notice was made. Article 262-D provides that CONASEV, upon the review of appropriate documentation submitted by us, will issue a certificate stating that we have complied with the rules for the protection of the minority shareholders. Article 262-F describes the procedure for handling any claim that the minority shareholders may file, such claims to be solved by CONASEV.

## **Significant Changes**

No significant change in our financial affairs has occurred since the date of the annual financial statements included in this Annual Report.

#### ITEM 9. The Offer and Listing

## Offer and Listing Details

Not applicable.

## Plan of Distribution

Not applicable.

## **Trading Markets**

Effective on May 3, 2002, we redesignated our Series B Shares and Series A Shares as Common Shares. From such date, each of our ADSs, which previously represented two Series B Shares, represented two Common Shares. Effective November 12, 2003, we modified the ratio of our ADSs from two Common Shares per ADS to one Common Share per ADS. See "Item 4. Information on the Company—The Company—History and Development—History—Redesignation of Our Shares and ADSs; Share Split." 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.

As of April 30, 2009, the share capital with respect to the Common Shares was S/.2,748,899,240 represented by 274,889,924 shares and the share capital with respect to the Investment Shares was S/.7,446,400 represented by 744,640 shares. The Common Shares represent 100 percent of our outstanding share capital. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. As of April 30, 2009, there were 1,351 owners of record of the Common Shares and 983 owners of record of the Investment Shares.

### Historical Information

The Series B Shares and the ADSs which represented the Series B Shares (each ADS represented 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 which represented the Series B Shares were issued under the terms of a Deposit Agreement dated May 20, 1996, among ourselves, 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, we consummated the Series A Exchange Offer, pursuant to which we 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, we consummated an exchange offer pursuant to which we exchanged 18,666,198 Labor Shares (now known as Investment Shares) for 18,666,198 Series B Shares. On December 3, 1999, we commenced an exchange offer, pursuant to which we offered to exchange on a one-for-one basis, all outstanding Series A Shares and Investment Shares for our Series B Shares, or 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 us 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.

In March 2008, our shareholders approved an increase in the nominal par value of our Common Shares and Investment Shares from S/.4.00 per Common Share or Investment Share to S/.20.00 per Common Share or Investment Share, as well as a subsequent two-for-one stock split of our Common Shares and Investment Shares. In July 2008, we conducted a two-for-one stock split of our outstanding Common Shares, Investment Shares and ADSs. As a result, the Company had 274,889,924 Common Shares and 744,640 Investment Shares outstanding as of July 24, 2008. In connection with the stock split, our bylaws were amended to decrease the nominal par value of our Common Shares and Investment Shares from S/.20.00 to S/.10.00 per Common Share or Investment Share.

# Trading Information

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 the trading volume and the high and low closing prices of the ADSs representing the Common Shares in U.S. Dollars for the same periods. See "Item 4. Information on the Company—The Company—History and Development—History—Redesignation of Our Shares and ADSs; Share

	Common Shares <sup>(1)</sup>				ADSs <sup>(2)</sup>		Investment Shares <sup>(1)</sup>		
	Trading Volume	High <sup>(3)</sup>	Low <sup>(3)</sup>	Trading Volume	High <sup>(3)</sup>	Low <sup>(3)</sup>	Trading Volume	High <sup>(3)</sup>	Low <sup>(3)</sup>
	(in millions)	(in nomir S/. per sha		(in millions)	(in US\$ per ADS)		(in millions)	(in nominal S/, per share)	
Annual highs and lows		·						·	
2004	2.21	105.00	66.80	109.38	30.49	18.46	0.18	70.20	48.00
2004	3.03	109.00	65.06	109.57	32.54	19.93	0.18	80.70	51.00
2006	2.33	106.50	77.12	173.71	32.49	22.81	0.04	88.00	73.00
2007	1.53	186.00	82.50	137.20	61.00	25.39	0.02	126.50	82.00
2008	1.63	118.75	33.00	274.92	42.89	9.00	0.02	90.00	40.00
Quarterly highs and lows									
2007									
1st quarter	0.33	96.00	82.50	30.68	30.24	25.39	0.0086	85.00	82.00
2nd quarter	0.39	116.90	95.00	29.97	37.46	30.38	0.0049	84.01	83.00
3rd quarter	0.45	154.00	102.00	39.48	50.24	33.57	0.0101	109.00	99.00
4th quarter	0.36	186.00	141.76	37.06	61.00	46.44	0.0003	126.50	110.00
2008									
1st quarter	0.20	118.75	94.08	52.20	42.89	27.91	0.01	77.50	65.05
2nd quarter	0.15	100.50	85.21	42.99	37.51	29.21	0.01	90.00	75.00
3rd quarter	0.49	97.50	50.05	84.21	35.67	15.87	0.01	87.50	57.99
4th quarter	0.80	72.55	33.00	95.53	24.82	9.00	0.01	58.00	40.00
Monthly highs and lows									
2008									
November	0.17	52.00	35.91	28.63	18.09	11.09	0.00	43.00	41.00
December	0.23	66.70	46.00	29.05	21.68	13.94	0.01	43.00	40.00
2009									
January	0.14	63.99	45.05	29.95	20.87	14.00	0.57	43.50	42.50
February	0.31	70.45	55.90	31.93	22.71	17.41	0.02	42.50	40.00
March	0.36	76.50	55.10	34.17	25.11	17.00	0.01	46.00	40.00
April	0.28	78.60	63.20	23.75	25.01	19.09	0.00	45.94	45.94
May	0.46	84.30	71.90	25.39	29.44	20.78	0.00	45.94	45.94

<sup>(1)</sup> Source: Lima Stock Exchange

<sup>(2)</sup> Source: Bloomberg; Yahoo Finance
(3) Prices for Common Shares, Investment Shares and ADSs for 2008 were adjusted as a consequence of a two-for-one stock split in July 2008.

## **Selling Shareholders**

Not applicable.

## Dilution

Not applicable.

# ITEM 10. Additional Information

#### **Share Capital**

Not applicable.

## Memorandum and Articles of Association

## Organization and Register

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

We are managed by the General Meeting, the Board of Directors and the management.

## Objectives and Purposes

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

#### Divactors

The Board of Directors, which must be comprised of seven members, is elected at the Annual Obligatory Meeting. Any changes in the Board of Directors require the approval of the shareholders. The removal of the Board of Directors must be approved at a shareholders' meeting, attended by holders of 75 percent of the Common Shares in the first summons and 70 percent of the Common Shares in the second summons, by resolution approved by, at least, two thirds of the total number of Common Shares outstanding. 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 our By-laws, Directors are not required to be shareholders. The Board of Directors, in its first meeting after the Annual Obligatory Meeting during which elections are held, 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 of our Common Shares 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, 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. Pursuant to article 177 of the Peruvian Companies Law, Directors may be jointly and severally liable to us, the shareholders and third parties for their actions if they act with willful misconduct, gross negligence or abuse their powers.

Our 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 an interest of ours on a specific matter to disclose such interest to us and abstain from participating in the deliberation and decision of the said matter. A director that contravenes such requirement is liable for the damages suffered by us and can be removed by the Board of Directors or a shareholders' meeting upon the request of any shareholder or any member of the Board.

Our 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 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.

Our By-laws contain no provision relating to the directors' power to borrow from us. 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 and in an arms-length transaction. 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 our By-laws nor the Peruvian Companies Law contain age limit requirements for the retirement or non-retirement of directors.

Shares and Voting Rights

We have two classes of shares, the Common Shares and the Investment Shares. The Common Shares represent 100 percent of our outstanding share capital. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. The Common Shares and the Investment Shares may be either physical share certificates in registered form or book-entry securities in the CAVALI ICLV S.A. book-entry settlement system, also in registered form.

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. Our 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 we are, expires at 10 years from the date on which the payment was due in accordance with the dividend declaration.

Our 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. 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 we are located.

The Investment Shares do not represent our 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

Our 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 we decide to establish different rights and obligations we 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 By-laws. The Common Shares are the only class of shares representing 100 percent of our share capital, and, therefore, each Common Share has the same rights and obligations of each other Common Share. 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 our 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. Because we are a sociedad anónima abierta, we are subject to the special control of CONASEV, as provided in Article 253 of the Peruvian Companies Law. If we do not hold 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 our By-Laws, CONASEV will directly, or at the request of at least one shareholder of the Common Shares, call for such a meeting, which will take place in a reasonable period of time. Other shareholder meetings are convened by the Board of Directors when deemed convenient for us or when it is requested by the holders of at least five percent of the Common Shares, provided that such Common Shares do not have their voting rights suspended. If, at the request of holders of five percent of the Common Shares, the shareholder meeting is not convened by the Board of Directors within 15 business days of the receipt of such request, or we expressly refuse to convene the shareholder meeting, CONASEV will call for such meeting. If CONASEV calls for a shareholders meeting, CONASEV will indicate the place, time and hour of the meeting, the agenda and the person who will preside. If it is a meeting other than the Annual Obligatory Meeting or a shareholder meeting required by the Peruvian Companies Law or the By-Laws, the agenda will contain those matters requested by the shareholders who requested the meeting. Resolución CONASEV No. 111-2003-EF-94.10, as amended by Resolución CONASEV No. 016-2004-EF/94.10 and Resolución CONASEV No. 015-2005-EF/94.10, approved provisions related to the right of the minority shareholders to obtain information regarding a sociedad anónima abierta such as us and to request CONASEV to call a shareholders meeting if it is not called by the sociedad anónima abierta upon request, for which purpose Resolución CONASEV No. 007-2006-EF/94.10 shall apply. 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 we are 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 we are 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 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 By-Laws, the sale in a single act of assets with an accounting value that exceeds 50 percent of our capital stock, a merger, division, reorganization, transformation or dissolution, 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 our total voting shares. For the second call, the presence of shareholders holding at least 25 percent of our total voting shares 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 our By-Laws, the following actions are to be taken at the annual obligatory shareholders' meetings: approval of our 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 By-Laws; any decision to increase or reduce capital; any decision to issue debt; initiating investigations or requesting auditor's reports; liquidating, spinning-off, merging, consolidating, dissolving, or changing our business form or structure.

In accordance with Article 21 of the 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 will 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 our By-laws or the Peruvian Companies Law on the rights of nonresident or foreign shareholders to own securities or exercise voting rights on our securities.

Change in Control

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

### Disclosure of Share Holdings

There are no provisions in our By-laws governing the ownership threshold above which share ownership must be disclosed. However, according to Regulation No. 009-2006-EF.94.10 of the CONASEV, which became effective on May 3, 2006, as amended by Regulation No. 020-2006-EF.94.10 and Regulation No. 05-2009-EF-94.01.1 of CONASEV, when an individual or financial group acquires, in one act or various successive acts, a significant percentage (more than 25 percent) of the voting shares of a company, as well as upon any person or group increasing its ownership above the 50 percent and 60 percent thresholds, a procedure known as *Oferta Pública de Adquisición*, or Takeover Bid, must be followed. This has the effect of alerting other shareholders and the market that an individual or financial group has acquired a significant percentage of a company's voting shares, and gives other shareholders the opportunity to sell their shares at the price offered by the purchaser. The purchaser is obliged to launch a Takeover Bid unless it is exempt pursuant to Regulation No. 009-2006-EF.94.10 of the CONASEV as amended. The purchase of ADRs is exempted from the Takeover Bid unless the holders: (i) exercises the voting rights of the Common Shares underlying the ADSs evidenced by such ADRs, or (ii) requests the delivery of such underlying Common Shares. In addition, CONASEV and the Lima Stock Exchange must be notified of any transfer of more than 5 percent of our paid-in-capital.

## Changes in the Capital

Our 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 us, from including in their by-laws stipulations limiting the transfer of their shares or restraining their trading in other ways. We cannot recognize a shareholders' agreement that contemplates limitations, restrictions or preferential rights on the transfer of shares, even if such agreement is recorded in our Share Register (*matricula de acciones*) or in CAVALI.

### Material Contracts

On May 21, 2008, we borrowed a US\$450 million Syndicated Term Loan under a new Term Loan Agreement. Borrowing under the Syndicated Term Loan will bear interest at a rate per annum equal to LIBOR plus 2.25%. Interest and installments of principal equal to  $1/20^{th}$  of the aggregate principal amount borrowed will be payable quarterly until maturity in May 2013 (on which date all amounts outstanding shall be payable). The Syndicated Term Loan may be prepaid at our option, subject to a prepayment fee of (i) 0.4% of the principal amount of the loan prepaid on or before May 21, 2009, (ii) 0.3% of the principal amount of the loan prepaid after May 21, 2010. Obligations under the Syndicated Term Loan are guaranteed by our wholly-owned subsidiary, Condesa.

The Term Loan Agreement governing the Syndicated Term Loan contains certain customary covenants, including covenants that restrict our ability to: incur additional indebtedness; engage in transactions with affiliates; create liens on our assets; make certain investments; sell assets, subject to certain exceptions; acquire other companies or dissolve, liquidate or merge with or into other companies; enter into unrelated businesses; make guarantees; enter into burdensome agreements; and enter into certain hedging transactions other than in the ordinary course of business. In addition, we are required to meet certain financial tests, including a Debt Ratio (as defined in the Term Loan Agreement) of 3.5 to 1.0, and certain operational metrics, including obligations requiring us to maintain the economic value of reserves and the average service life of mining units at specified levels.

The Syndicated Term Loan is also subject to certain customary events of default, including defaults related to non-payment, violation of certain covenants, cross-defaults, insolvency, judgments, invalidity of loan documents or security interests, government intervention or termination of certain concession contracts

In August, September and November 2008, we prepaid US\$49.5 million, US\$38.5 million and US\$60.0 million, respectively, of the outstanding Syndicated Term Loan, in each case without prepayment penalties or charges. As of December 31, 2008, approximately US\$264.0 million remained outstanding under the Syndicated Term Loan.

The Syndicated Term Loan was initially secured by a pledge of our Common Shares held by Condesa. On January 23, 2009, we and lenders party to the Syndicated Term Loan executed a consent and amendment to release the pledged collateral.

## **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 1990s, 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 our voting shares. There is no tax treaty currently in effect between Peru and the United States, except for a treaty to exchange tax information. The information to be exchanged is defined in such treaty as any data or declaration that may be relevant or essential to the administration and application of taxes. 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.

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 currently subject to Peruvian withholding income tax, at a rate of 4.1 percent of the dividend paid, when the dividend is paid to shareholders that are: (i) individuals, whether domiciled or non-domiciled in Peru or (ii) non-domiciled companies or entities. Distributions of additional Common Shares representing profits, distribution of shares which are not distribution of earnings or profits, as well as distribution of preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all shareholders generally will not be subject to Peruvian income or withholding taxes.

## Capital Gains

Pursuant to Article 19, paragraph I, item 1, of the Peruvian Income Tax Law, as amended by Legislative Decree 945 effective since January 1, 2004, and by Legislative Decree 970 effective since January 1, 2007, and by Legislative Decree 972, as amended by Law 29308, effective since January 1, 2009, capital gains resulting from the sale or other disposition of ADSs or Common Shares are exempted from Peruvian income tax if (i) in the case of individuals, the transaction is effected on a Peruvian stock exchange (floor session) on or before December 31, 2009. Therefore, capital gains resulting from the sale or other disposition of ADSs or Common Shares are exempted from Peruvian income tax if the seller is an individual and the transaction is effected on or before December 31, 2009 or, if the seller is not an individual, the transaction is effected on a Peruvian stock exchange (floor session) on or before December 31, 2009. There is no assurance that this exemption will be extended beyond December 31, 2009.

An entity organized in Peru will be subject to Peruvian tax on capital gains from any sale on or before December 31, 2009 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.

With respect to any sale on or before December 31, 2009, 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, "habitually transacts in shares or other securities" or (ii) in the case of an individual not domiciled in Peru, "habitually transacts in shares issued by Peruvian companies" and (b) the sale of such shares is not effected on a Peruvian stock exchange. For this purpose, an individual "habitually 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, being "habitual" upon the eleventh sale. 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.

Sales effected after December 31, 2009

Legislative Decree 972, published on March 10, 2007, as amended by Law 29308, published on December 31, 2008 and effective since January 1, 2009, amended the Peruvian Income Tax Law. According to the amendments, capital gains resulting from the sale or other disposition of ADSs or Common Shares effective after December 31, 2009 shall be subject to Peruvian income tax, either if the transferor is an individual or a legal entity, domiciled or not domiciled in Peru, if the sale is effected on a Peruvian stock exchange or not, or if the sale is effected in Peru or outside Peru. Article 2 of the Peruvian Income Tax Law, as amended by Legislative Decree 945 defines: (i) capital gains as any revenue coming from the sale of capital assets; and (ii) capital assets as those assets whose purpose is not to be traded in the regular course of business of the owner of the assets. Article 2 of the Peruvian Income Tax Law also provides that the sale of shares and similar securities is an operation which produces capital gains.

An entity domiciled in Peru will be subject to Peruvian tax on capital gains from any sale effected after December 31, 2009, whether effected on a Peruvian stock exchange or not, at the regular 30 percent corporate income tax rate. The amount of any 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.

An entity not domiciled in Peru will be subject to Peruvian tax on capital gains from any sale effected after December 31, 2009, either effected on a Peruvian stock exchange or not, at a reduced 5 percent income tax rate, if the sale is effected in Peru. When the sale is effected outside Peru, the regular 30 percent income tax rate is applicable on capital gain. The amount of any 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.

An individual holder will be subject to 30 percent income tax rate on capital gains from the sale or other disposition of Common Shares after December 31, 2009, if such individual (i) in the case of an individual domiciled in Peru, "habitually transacts in shares or other securities" or (ii) in the case of an individual not domiciled in Peru, "habitually transacts in shares issued by Peruvian companies." For this purpose, an individual "habitually 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, being "habitual" upon the eleventh sale. The amount of any 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.

If the individual holder is domiciled in Peru, any capital gain resulting from the first ten sales of shares or other securities issued by Peruvian companies effected during the taxable year, after December 31, 2009, shall be subject to the reduced effective 5 percent income tax rate (6.25 percent nominal income tax rate on the net capital gain, that is 80 percent of the gross capital gain) and any taxable capital gain resulting from the eleventh sale and from further sales during the taxable year, shall be subject to the corporate 30 percent income tax rate, being meaningless if the sale is effected in Peru or outside Peru.

If the individual holder is not domiciled in Peru, any capital gain resulting from the first ten sales of shares or other securities issued by Peruvian companies effected during the taxable year, after December 31, 2009, shall be subject to the reduced effective 5 percent income tax rate if the sale is effected in Peru. Any capital gain resulting from the first ten sales of shares issued by Peruvian company during the taxable year if effected outside Peru shall be subject to the corporate 30 percent income tax rate.

The transferor is required to calculate the capital gain resulting from the sale or other disposition of ADSs or Common Shares registered in the Public Registry of the Stock Market and traded on a Peruvian stock exchange. For shares acquired on or before January 1, 2009, the acquisition price shall be established by the Reference Table based on the Peruvian stock exchange prices that will be published by the Ministry of Economy and Finance.

If the transferor is an individual either domiciled in Peru or domiciled outside Peru or if the transferor is a legal entity not domiciled in Peru, the applicable income tax on capital gains resulting from the sale or other disposition of ADSs or Common Shares, shall be withheld by the purchaser from the purchase price and paid directly to the Tax Authority. It is expected that new provisions will be enacted to ensure the tax withholding responsibility when the transaction is effective on a Peruvian stock exchange. However there is no assurance that the expected new provisions will not affect the sale or other disposition of ADSs or Common Shares traded on the Peruvian stock exchange. If the transferor is a legal entity domiciled in Peru there is no withholding tax responsibility.

#### 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 19 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. Under current law, a maximum 15 percent U.S. tax rate is imposed on the dividend income of an individual U.S. holder with respect to dividends paid by a domestic corporation or "qualified foreign corporation" if certain holding period requirements are met. A qualified foreign corporation generally includes a foreign corporation if (i) its shares are readily tradable on an established securities market in the U.S. or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. Clause (i) will apply with respect to ADSs if such ADSs are readily tradable on an established securities market in the U.S. The ADSs are traded on the New York Stock Exchange. As a result, we believe that we should be treated as a qualified foreign corporation and, therefore, dividends paid to an individual U.S. holder with respect to ADSs for which the minimum holding period requirement is met should be taxed at a maximum rate of 15 percent. The maximum 15 percent tax rate is effective with respect to dividends included in income during the period beginning on or after January 1, 2003, and ending December 31, 2010. 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 of U.S. Dollars will be United States source ordinary income or loss. Distributions to U.S. Holders of additional Common Shares or preemptive rights with respect to

A U.S. Holder will be entitled to a foreign tax credit for Peruvian taxes imposed by withholding or otherwise, subject to generally applicable limitations and restrictions. In the case of U.S. individuals for whom the reduced rate of tax on dividends applies, such limitations and restrictions will appropriately take into account the rate differential under rules similar to section 904(b)(2)(B) of the Internal Revenue Code. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding their application to the particular circumstances of such holder.

A non-U.S. Holder generally is not 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 or ADSs in a transaction subject to Peruvian tax, 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. Generally, gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for such Common Shares or ADSs exceeds one year. Long-term capital gain for an individual U.S. Holder is generally subject to a reduced rate of tax. With respect to sales occurring on or after May 6, 2003, but before January 1, 2011, the long-term capital gain tax rate for an individual U.S. Holder is 15 percent. For sales occurring before May 6, 2003, or after December 31, 2010, under current law the long-term capital gain rate for an individual U.S. Holder is 20 percent.

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

We believe that we are 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, or 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 we were a PFIC in any year during which a U.S. Holder owned ADSs or Common Shares, we would not be treated as a "qualified foreign corporation" for purposes of qualifying dividends paid to a U.S. Holder for the preferential 15 percent maximum U.S. tax rate noted above and the U.S. Holder would be subject to additional taxes on any excess distributions received from us and any gain realized from the sale or other disposition of ADSs or Common Shares (regardless of whether we 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 we 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 number 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 (iv) otherwise 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**

We are subject to the informational requirements of the United States Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file annual reports and other information to the Commission. These materials, including this Annual Report on Form 20-F and the exhibits hereto, 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 100 F Street, N.E., 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 <a href="http://www.sec.gov">http://www.sec.gov</a> 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 us 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 our control. Our primary market risks are related to fluctuations in the prices of gold, silver, zinc and lead. To a lesser extent, we are subject to market risk related to fluctuations in US\$/Nuevo Sol exchange rates and to market risk related to interest rate fluctuation on our cash balances.

## **Commodity Contracts**

Gold, silver, lead and copper hedging and sensitivity to market price

Our revenues and expenses are to a great extent influenced by world market prices for gold, copper, silver, zinc and lead that fluctuate widely and over which we have no control. Until 1998, we pursued a limited economic hedging and options strategy, locking in metals prices on a medium-term basis when we considered market prices attractive. However, in 1998 we adopted a new hedging strategy, in order to focus on long-term position-taking on the price of precious metals.

In October 2004 our Board of Directors issued a mandate not to enter into new hedging transactions. To avoid future fluctuations in the consolidated results of operations, since 2003, we have been modifying the terms of certain gold derivative instruments in order to qualify them as normal sales contracts. In March 2006, we closed out all of our outstanding gold derivative contracts that were maintained as of December 31, 2005 and replaced them with sales contracts that require physical delivery of gold (normal sales) at fixed or maximum prices. On January 15, 2007, we modified the schedule of commitments of gold with two of our clients. As a consequence of this modification, we transferred 208,000 and 108,000 gold ounces that had been committed for 2007 and 2008, respectively, and committed them for sale in 2012 instead, without any cash disbursement. In March and May 2007, we negotiated with several counterparties to eliminate the fixed or maximum price component on determined commitments for a total of 971,000 gold ounces scheduled for delivery from 2008 to 2012, which required us to make aggregate payments of US\$315.69 million. Additionally, from January to February 2008, we negotiated with several counterparties to eliminate the fixed or maximum price component on all of our outstanding gold commitments, representing a total of 922,000 gold ounces, which required us to make aggregate payments of US\$517.15 million. As a result, we are fully exposed to the effects of changes in prevailing market prices of gold, silver and copper. See "Item 3. Key Information—Risk Factors—Factors Relating to the Company—Prices of Gold, Silver and Copper."

As of May 31, 2009, we had no fixed price commitments for the sale of our metals. In 2006, we delivered 388,000 ounces of gold at an average price of US\$338.94 as part of the sales contracts mentioned above. See further discussion in Note 29 to our Financial Statements. As of May 31, 2009, we had no silver derivative contracts or gold convertible put option contracts in place.

At El Brocal, we implemented a base metal hedging policy for a maximum of 25 percent of El Brocal's total payable metal contained per year, for up to three years. As of March 31, 2009 all transactions entered have been forward pricing operations through non-delivery (Asian) swaps. Outstanding hedging commitments for 2009 to 2011 amount to 10 percent of payable metal and are as follows: (i) 5,200 metric tons of copper at an average price of US\$8,147 per metric ton, (ii) 14,300 metric tons of lead at an average price of US\$2,302 per metric ton and (iii) 12,000 metric tons of zinc at an average price of US\$2,637 per metric ton.

Yanacocha and Cerro Verde have informed us that they have generally not engaged in, and are currently not engaged in, gold or copper price hedging activities, such as forward sales or option contracts, to minimize their exposure to fluctuations in the prices of gold or copper.

Normal Sales

We had no normal sales contracts with fixed or capped prices outstanding at April 30, 2009.

Foreign currency risk

We buy and sell our products and obtain capital facilities and investment in U.S. Dollars. The assets and liabilities in different currencies from the U.S. dollar (Nuevos Soles) are not significant. We estimate that the future exchange rate fluctuations of Peruvian currency versus the U.S. dollar will not significantly affect the results of our future operations.

Interest Rate Sensitivity

We reduce our exposure to the risks due to variations in interest rates by engaging in financial obligations and capital leasing with fixed interest rates. See Note 30 to the Financial Statements. Consequently, we do not use derivative instruments to manage this risk and we do not expect to incur significant losses based on interest risks.

## 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. Controls and Procedures

Evaluation of disclosure controls and procedures.

As of December 31, 2008, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the United States Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported as and when required.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in *Internal Control—Integrated Framework*. Our management concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2008. Our independent registered public accounting firm has issued an attestation report on management's assessment of internal control over financial reporting.

Attestation Report of the Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Compañía de Minas Buenaventura S.A.A.

We have audited Compañía de Minas Buenaventura S.A.A.'s internal control over financial reporting as of December 31, 2008, based on based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Compañía de Minas Buenaventura S.A.A.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, Compañía de Minas Buenaventura S.A.A. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Compañía de Minas Buenaventura S.A.A. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Compañía de Minas Buenaventura S.A.A. and subsidiaries and our report dated May 21, 2009, expressed an unqualified opinion thereon.

#### /S/ MEDINA, ZALDIVAR, PAREDES & ASOCIADOS

Countersigned by:

#### /S/ MARCO ANTONIO ZALDIVAR

Marco Antonio Zaldivar C.P.C. Register No. 12477

Lima, Peru May 21, 2009

Changes in internal controls.

There has been no change in our internal control over financial reporting during 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### ITEM 16A. Audit Committee Financial Expert

The Board of Directors has determined that Mr. Luis Coleridge Alcántara is the Audit Committee financial expert as defined in Item 16A of Form 20-F. The Board of Directors has also determined that Mr. Coleridge and each of the other members of the Audit Committee are "independent directors" as defined in Section 303A.02 of the NYSE's Listed Company Manual.

#### ITEM 16B. Code of Ethics

We have adopted a written code of business conduct and ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, as well as all other employees. Our code of business conduct and ethics is posted on, and within five days following the date of any amendment or waiver we intend to disclose any amendments to or waivers from our code of business conduct and ethics on, our website which is located at http://www.buenaventura.com. The information on our website is not a part of, nor incorporated into, this document.

#### ITEM 16C. Principal Accountant Fees and Services

The Audit Committee proposed at the General Meeting that Medina, Zaldivar, Paredes & Asociados, a member firm of Ernst & Young Global, be elected as the independent auditor for 2008. Medina, Zaldivar, Paredes & Asociados has served as our independent public accountant for each of the fiscal years in the two-year period ended December 31, 2007 and 2008, for which audited financial statements appear in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by Medina, Zaldivar, Paredes & Asociados for 2007 and 2008.

	Year ended I	December 31,
	2007	2008
Audit Fees	US\$580,759	US\$656,695
Audit-Related Fees	_	_
Tax Fees	<u>US\$131,092</u>	US\$154,264
Total	US\$711,851	US\$810,959

Audit Fees. Audit fees in the above table are the aggregate fees billed by Medina, Zaldivar, Paredes & Asociados in connection with the audit of our annual financial statements, the review of our quarterly financial statements and statutory and regulatory audits. In addition, the amounts in the above table includes fees that were incurred in connection with the audit of internal control over financial reporting in 2007 and 2008.

Tax Fees. Tax fees in the above table are fees billed by Medina, Zaldivar, Paredes & Asociados in connection with review of income tax filings, transfer pricing studies and tax consultations.

Audit Committee Pre-approval Policies and Procedures

Our Audit Committee is responsible for the oversight of the independent auditor. The Audit Committee has adopted a policy regarding pre-approval of audit services provided by our independent auditors, or the Policy. In accordance with the Policy, the Audit Committee must pre-approve the provision of services by our independent auditor for all audit and non-audit services prior to commencement of the specified service. The requests for pre-approval are submitted to the Audit Committee by the Chief Financial Officer and following approval by audit committee members and engagement letter is executed. The Audit Committee approved all audit, tax and audit-related fees in 2008.

#### ITEM 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

### ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

For the year ended December 31, 2008, neither we nor any person acting on our behalf made any purchase of our Common Shares.

#### ITEM 16F. Change in Registrant's Certifying Accountant

Application of this Item does not apply until our annual report for the fiscal year ending December 31, 2009.

#### ITEM 16G. Corporate Governance

There are significant differences in the corporate governance practices followed by us as compared to those followed by United States domestic companies under the New York Stock Exchange, or NYSE, listing standards. The NYSE listing standards provide that the board of directors of a United States domestic listed company must consist of a majority of independent directors and that certain committees must consist solely of independent directors. Under Peruvian corporate governance practices, a Peruvian company is not required to have a majority of the members of the board of directors be independent.

The listing standards for the NYSE also require that United States domestic companies have an audit committee, a nominating/corporate governance committee and a compensation committee. Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. Peruvian corporate governance practices permit the Board of Directors of a Peruvian company to form special governance bodies in accordance with the needs of such company and do not require that these special governance bodies be composed partially or entirely of independent directors. We maintain three committees, which include the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee. Our Board of Directors has determined that our Audit Committee is composed entirely of independent directors, as defined in the NYSE's Listed Company Manual.

The NYSE's listing standards also require United States domestic companies to adopt and disclose corporate governance guidelines. In July 2002, CONASEV and a committee composed by regulatory agencies and associations prepared and published a list of suggested corporate governance guidelines called "Principles of Good Governance for Peruvian Companies." These principles are disclosed on the CONASEV's website at http://www.conasev.gob.pe. Our code of business conduct and ethics establishes our principles of good corporate governance and, as indicated in "Item 16B. Code of Ethics," is posted on our website.

#### PART III

#### ITEM 17. Financial Statements

Not applicable.

# ITEM 18. Financial Statements

Please refer to Item 19.

### ITEM 19. Exhibits

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### (b) Index to Exhibits

- By-Laws (Estatutos) of Compañía de Minas Buenaventura S.A.A., as amended April 30, 2002 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).
- By-Laws (Estatutos) of Minera Yanacocha S.R.L., as amended October 18, 1999 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).

- 4.1 Shareholders Agreement among SMM Cerro Verde Netherlands B.V., Sumitomo Metal Mining Co., Ltd., Sumitomo Corporation, Summit Global Management B.V., Compañía de Minas Buenaventura S.A.A., Cyprus Climax Metals Company, Phelps Dodge Corporation and Sociedad Minera Cerno Verde S.A.A. dated June 1, 2005 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2005, filed on June 6, 2006).
- Term Loan Agreement, dated as of May 21, 2008, among Compañía de Minas Buenaventura S.A.A., as borrower, Compañía de Minera Condesa S.A., as guarantor, Banco de Credito del Peru, as administrative agent, Banco de Credito del Peru, as collateral agent, and each lender party thereto (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2007, filed on July 15, 2008).
- 4.3 Consent and Amendment, dated as of January 23, 2009 by and among Compañía de Minas Buenaventura S.A.A., as borrower, Compañía de Minera Condesa S.A., as guarantor, Banco de Credito del Peru, as administrative agent, Banco de Credito del Peru, as collateral agent, and each lender party thereto. †
- 11 Code of Conduct and Ethics (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).
- 12.1 Certification of Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
- 12.2 Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
- 13.1 Certification of Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
- Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †

† Filed herewith.

# SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A.

By: /S/ CARLOS E. GÁLVEZ PINILLOS
Carlos E. Gálvez Pinillos
Chief Financial Officer

Dated: June 5, 2009

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**ERNST & YOUNG** 

Medina, Zaldivar, Paredes & Asociados Sociedad Civil

# Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Compañía de Minas Buenaventura S.A.A.

We have audited the accompanying consolidated balance sheets of Compañía de Minas Buenaventura S.A.A. (a Peruvian corporation) and subsidiaries (together the "Company") as of December 31, 2008 and 2007 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008. We have not audited the financial statements as of December 31, 2008, 2007 and 2006 and for the three years then ended of Minera Yanacocha S.R.L (an affiliate in which the Company has a 43.65% interest through its subsidiary, Compañía Minera Condesa S.A.) and the financial statements as of December 31, 2006 and for the year then ended of Sociedad Minera Cerro Verde S.A.A. (an affiliate in which the Company has a 19.05% interest). Those statements were audited by other auditors whose reports were furnished to us and our opinion, insofar as it relates to the amounts included for Minera Yanacocha S.R.L. and Sociedad Minera Cerro Verde S.A.A. (for the year 2006), is based solely on the reports of the other auditors. In the accompanying financial statements of the Company, the investment in Minera Yanacocha S.R.L. amounts to US\$528.3 million as of December 31, 2008 (US\$577.5 million as of December 31, 2007) and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million as of December 31, 2006 and the share in the net income amounts to US\$231.6 million for the year then ended.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Compañía de Minas Buenaventura S.A.A.** and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in Peru, which differ in certain respects from U.S. generally accepted accounting principles (see notes 33 and 34 to the consolidated financial statements).

# Report of Independent Registered Public Accounting Firm (continued)

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Compañía de Minas Buenaventura S.A.A.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 30, 2009 expressed an unqualified opinion thereon.

Lima, Peru, May 21, 2009

Countersigned by:

/s/ MARCO ANTONIO ZALDÍVAR

Marco Antonio Zaldívar C.P.C Register No. 12477

Consolidated Balance Sheets As of December 31, 2008 and 2007

	Note	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Assets			
Current assets			
Cash, banks and time deposits	4	554,752	381,612
Current portion of derivative financial instruments	28	52,873	2,929
Trade accounts receivable, net	5	65,666	107,540
Other accounts receivable, net		23,040	7,760
Accounts receivable from affiliates	32	13,111	14,420
Inventory, net	6	43,472	35,149
Current portion of prepaid taxes and expenses	7	35,573	16,032
	/		
Total current assets		788,487	565,442
Other long-term accounts receivable		1,370	1,451
Prepaid taxes and expenses	7	5,622	5,338
Derivative financial instruments	28	21,464	5,035
Investment in shares	8	882,947	932,420
Mining concessions and property, plant and equipment, net	9	247,298	244,992
Development costs, net	10	110,014	84,187
Deferred income tax and workers' profit sharing asset, net	25	209,167	141,118
Other assets		1,929	1,486
Total assets		2,268,298	1,981,469
	Note	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Liabilities and shareholders' equity, net	Note		
Liabilities and shareholders' equity, net	Note		
Current liabilities		US\$(000)	US\$(000)
Current liabilities  Trade accounts payable Income tax payable	12	US\$(000)  35,944 4,561	US\$(000) 24,662 15,349
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities	12 13	US\$(000)  35,944 4,561 64,817	US\$(000) 24,662 15,349 96,823
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales	12	US\$(000)  35,944 4,561	US\$(000) 24,662 15,349 96,823 5,984
Current liabilities  Trade accounts payable	12 13 28	35,944 4,561 64,817 9,953	24,662 15,349 96,823 5,984 20,869
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities	12 13 28	35,944 4,561 64,817 9,953 98,190 213,465	24,662 15,349 96,823 5,984 20,869
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities Other long-term liabilities Long-term debt	12 13 28 14	US\$(000)  35,944 4,561 64,817 9,953 98,190	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability	12 13 28 14	US\$(000)  35,944 4,561 64,817 9,953 98,190  213,465 96,736 229,105	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities Other long-term liabilities Long-term debt	12 13 28 14	US\$(000)  35,944 4,561 64,817 9,953 98,190  213,465 96,736	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net	12 13 28 14	US\$(000)  35,944 4,561 64,817 9,953 98,190  213,465 96,736 229,105 539,306	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007	12 13 28 14 13 14 17	US\$(000)  35,944 4,561 64,817 9,953 98,190  213,465 96,736 229,105	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital	12 13 28 14 13 14 17	US\$(000)  35,944 4,561 64,817 9,953 98,190  213,465 96,736 229,105 539,306  750,540 2,019 225,978	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve	12 13 28 14 13 14 17	US\$(000)  35,944 4,561 64,817 9,953 98,190  213,465 96,736 229,105 539,306  750,540 2,019 225,978 53,007	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve Other reserves Retained earnings	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities  Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve Other reserves Retained earnings Cumulative translation loss	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269 1,056,937 (34,075)
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt  Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve Other reserves Retained earnings Cumulative translation loss Unrealized gain on valuation of derivative financial instruments, net	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269 1,056,937 (34,075 1,518
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt  Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve Other reserves Retained earnings Cumulative translation loss Unrealized gain on valuation of derivative financial instruments, net	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269 1,056,937 (34,075 1,518 158
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269 1,056,937 (34,075) 1,518 158
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve Other reserves Retained earnings Cumulative translation loss Unrealized gain on valuation of derivative financial instruments, net Cumulative unrealized gain on investments held at fair value	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269 1,056,937 (34,075) 1,518 158 1,414,602
Current liabilities  Trade accounts payable Income tax payable Current portion of other current liabilities Embedded derivatives for concentrates sales Current portion of long-term debt  Total current liabilities  Other long-term liabilities  Other long-term liabilities  Long-term debt Executory gold delivery contracts liability  Total liabilities  Shareholders' equity, net Capital stock, net of treasury shares for US\$62,622,000 in 2008 and US\$14,463,000 in 2007 Investment shares, net of treasury shares for US\$142,000 in 2008 and US\$37,000 in 2007 Additional paid-in capital Legal reserve Other reserves Retained earnings Cumulative translation loss Unrealized gain on valuation of derivative financial instruments, net Cumulative unrealized gain on investments held at fair value  Minority interest	12 13 28 14 13 14 17	35,944 4,561 64,817 9,953 98,190 213,465 96,736 229,105 	24,662 15,349 96,823 5,984 20,869 163,687 72,308 63,250 102,008 401,253 173,930 473 177,713 37,679 269 1,056,937 (34,075) 1,518 158 1,414,602 165,614

Consolidated Statements of Income For the years ended December 31, 2008, 2007 and 2006

Tot the years chied becchief 31, 2000, 2007 and 2000	Note	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Operating income				
Net sales	17	766,603	747,021	548,072
Revenue associated with performance on executory gold delivery contracts		-	5,393	50,325
Royalty income	32	48,760	34,014	48,475
Total income		815,363	786,428	646,872
Operating costs Cost of sales, without considering depreciation and amortization	18	251,804	182,007	149,309
Exploration in units in operation	19	57,003	37,828	38,264
Depreciation and amortization	1)	62,993	49,550	38,844
Depresentation and amortization		02,773	15,550	50,011
Total operating costs		371,800	269,385	226,417
Gross income		443,563	517,043	420,455
G1088 income		443,303	317,043	420,433
Operating expenses				
General and administrative expenses	20	34,907	59,205	36,639
Exploration in non-operating areas	21	55,231	46,407	36,190
Royalties	22	35,694	33,978	24,420
Provision for impairment of long-term assets	11	18,610	-	-
Selling		15,386	10,818	5,928
The Late of the La		150.020	150 400	102 177
Total operating expenses		159,828	150,408	103,177
Operating income before unusual item		283,735	366,635	317,278
Net loss from release of commitments in commercial contracts	17	(415,135)	(185,922)	-
			, , , ,	
Operating income (loss) after unusual item		(131,400)	180,713	317,278
Other income (expenses), net				
Share in affiliated companies, net	8(b)	340,929	249,555	313,168
Interest income	23	17,851	11,772	7,949
Gain (loss) on currency exchange difference	23	(12,198)	5,190	(308)
Gain (loss) on change in the fair value of gold certificates		(12,170)	5,126	(4,861)
Loss from change in the fair value of derivative financial instruments	28	-	-	(13,268)
Interest expense	23	(33,934)	(8,614)	(5,948)
Other, net	24	(9,290)	(8,686)	(19,502)
Total other income, net		303,358	254,343	277,230
Income before workers' profit sharing, income tax and minority interest		171.050	125.056	504 509
income before workers profit snaring, income tax and inmortly interest		171,958	435,056	594,508
Provision for workers' profit sharing, net	25	4,725	(19,931)	(14,271)
Provision for income tax, net	25	26,645	(43,975)	(64,033)
Net income		203,328	371,150	516,204
Net income attributable to minority interest		50,045	96,389	88,147
		,	·	
Net income attributable to Buenaventura		153,283	274,761	428,057
Basic and diluted earning per share attributable to Buenaventura, stated in				
U.S. dollars	26	0.60	1.08	1.68
Weighted average number of shares outstanding considering stock split effect	26	254,442,328	254,442,328	254,442,328

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

# Consolidated Statements of Changes in Shareholders' Equity For the years ended December 31, 2008, 2007 and 2006

Capital stock, net of treasury

	Capital stock, n shar	et of treasury											
	Number of shares outstanding	Common shares US\$(000)	Investment shares US\$(000)	Additional paid-in capital US\$(000)	Legal reserve USS(000)	Other reserves US\$(000)	Retained earnings US\$(000)	Cumulative translation loss US\$(000)	Unrealized gain on valuation of derivative financial instruments, net USS(000)	Cumulative unrealized gain on investments held at fair value US\$(000)	Total US\$(000)	Minority interest US\$(000)	Total Equity US\$(000)
Balance as of January 1, 2006	126,879,832	173,930	473	177,713	37,679	269	483,484	(34,075)	-	70	839,543	23,416	862,959
Dividends declared and paid, note 15(d)						-	(59,767)	-			(59,767)	(19,111)	(78,878)
Capitalization of debt to minority shareholder of Minera La Zanja													
S.R.L. Acquisition of minority interest in	-	-	-	-	-	-	-	-	-	-	-	6,213	6,213
Inversiones Mineras del Sur S.A. and Minas													
Poracota S.A. Unrealized gain on available-for-sale	-	-	-	-	-	-	-	-	-	-	-	(7,240)	(7,240)
financial assets Unrealized gain on		-	-		-		-	-		834	834	-	834
investment shares held at fair value	-	-	_	-	-	-	374	-	-	28	28	-	28
Other Net income							428,057				374 428,057	12 88,147	386 516,204
Balance as of December 31, 2006	126,879,832	173,930	473	177,713	37,679	269	852,148	(34,075)		932	1,209,069	91,437	1,300,506
Dividends declared and paid, note 15(d)	-	_		-	-	_	(69,972)	_	_	_	(69,972)	(26,199)	(96,171)
Unrealized gain on available-for-sale							(,.,					( 1, 11,	
financial assets Realization of accumulated gain	-	-	-	-	-	-	-	-	-	798	798	-	798
on financial instruments										(1.622)	(1.622)		(1.622)
available for sale Unrealized gain on derivative financial		-	-			-	-	-	-	(1,633)	(1,633)	-	(1,633)
instruments held by El Brocal			-				-		1,518		1,518	3,611	5,129
Unrealized gain on investment shares held at fair value	-	-	_	_	-	-	_	_	-	61	61	-	61
Capitalization of debt to minority shareholder of													
Minasnioc Other			-			-	-	-				140 236	140 236
Net income  Balance as of							274,761				274,761	96,389	371,150
December 31, 2007 Dividends declared and	126,879,832	173,930	473	177,713	37,679	269	1,056,937	(34,075)	1,518	158	1,414,602	165,614	1,580,216
paid, note 15(d) Capitalization of	-	-	_	-	-	-	(50,888)	-	-	_	(50,888)	(37,275)	(88,163)
retained earnings, note 15(e)	_	576,610	1,546	48,265	_	-	(626,421)		-			-	-
Shares issued as a result of stock split, note 15(f)	126,879,832	_	_	_	_	_	_	_		_	_	_	_
Unrealized gain on derivate financial	120,077,032												
instruments held by El Brocal Unrealized loss from	-	-	-	-	-	-	-	-	14,644	-	14,644	28,100	42,744
investment shares held at fair value		-		-		-	-	-		(40)	(40)	-	(40)
Decrease of minority interest in El Brocal Net income	-	:	-	-	-	-	153,283	-	-		153,283	(9,093) 50,045	(9,093) 203,328
Transfer to legal reserve, note 15 (c)					15,328		(15,328)						
Balance as of December 31, 2008	253,759,664	750,540	2,019	225,978	53,007	269	517,583	(34,075)	16,162	118	1,531,601	197,391	1,728,992

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

Consolidated Statements of Cash Flows For the years ended December 31, 2008, 2007 and 2006

	2008	2007	2006
	US\$(000)	US\$(000)	US\$(000)
Operating activities			
Proceeds from sales	781.116	722,887	497,875
Dividends received	413,602	159,037	209,520
Royalties received	50,550	30,713	55,821
Interest received	18,461	10.841	7,496
Settlement of gold certificates	-	135,189	-
Value Added Tax (IGV) recovered	-	13,235	16,322
Acquisition of gold certificates	-	(66,853)	(68,071)
Release of commitments in commercial contracts	(517,143)	(315,726)	-
Payments to suppliers and third parties	(270,206)	(202,161)	(160,365)
Payments to employees	(111,110)	(78,852)	(49,316)
Payments for exploration activities	(105,367)	(75,084)	(71,982)
Payments of royalties	(41,401)	(33,033)	(22,742)
Income tax paid	(41,360)	(91,353)	(53,296)
Payments of interest	(26,622)	(5,841)	(2,413)
Net cash and cash equivalents provided by operating activities	150,520	202,999	358,849
Investment activities			
Deposit in escrow account, note 4 (d)	177.811	_	
Decrease in escrow account, note 4 (d)	(177,811)	-	-
Decrease (increase) in time deposits	56,023	(15,815)	(62,933)
Proceeds from sale of plant and equipment	754	916	32
Payments for derivative financial instruments settled, net	-	710	(2,050)
Settlement (acquisition) of available-for-sale financial assets		55,715	(40,292)
Additions to mining concessions and property, plant and equipment	(61,175)	(61,649)	(50,127)
Disbursements for development activities	(41,950)	(31,681)	(24,112)
Payments for purchase of investment shares	(29,541)	(1,563)	(22,829)
Change in accounts receivable from affiliates	(481)	(1,303)	(22,027)
Net cash and cash equivalents used in investment activities	(76,370)	(54,077)	(202,311)
Financing activities	(70,570)	(34,077)	(202,311)
Proceeds from bank loans	510,000	55,237	2,355
Proceeds from long-term debt	450.000	85,000	_,500
Payments of bank loans	(510,000)	(65,237)	_
Payments of long-term debt	(206,824)	(1,487)	(266)
Dividends paid	(50,888)	(69,972)	(59,767)
Dividends paid to minority shareholders	(37,275)	(26,199)	(19,111)
Net cash and cash equivalents provided by (used in) financing activities	155,013	(22,658)	(76,789)
Increase in cash and cash equivalents for the year, net	229,163	126,264	79,749
Cash and cash equivalents at beginning of year	302,864	176,600	96,851
Cash and cash equivalents at beginning of year  Cash and cash equivalents at the end of year, note 4	532,027	302,864	176.600
Cash and Cash equivalents at the end of year, hote 4	332,027	302,004	170,000

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Reconciliation of net income to cash and cash equivalents provided by operating activities			
Net income	153,283	274,761	428,057
Add (less)			
Share in affiliated companies, net of dividends received in cash	72,673	(90,518)	(103,648)
Minority interest	50,045	96,389	88,147
Depreciation and amortization	62,993	49,550	38,844
Income from release of commitments in commercial contracts	(102,008)	(129,804)	-
Deferred income tax and employee profit sharing benefit	(91,565)	(32,506)	(21,651)
Provision (reversal) for long-term officers' compensation	(7,678)	28,666	3,634
Accretion expense of the provision for closure of mining units	6,265	2,456	3,535
Provision for impairment of assets	18,610	-	-
Loss (gain) on currency exchange difference	12,198	(5,190)	308
Provision for estimated fair value of embedded derivatives	3,969	5,984	-
Allowance for doubtful trade accounts receivable	5,372	-	-
Net cost of plant and equipment retired and sold	2,534	923	998
Provision (reversal) for slow moving and obsolescence supplies	684	(1,820)	(1,507)
Provision for closure of mining units	13,066	3,682	9,357
Loss from change in the fair value of derivative financial instruments	-	-	13,268
Loss from change in the fair value of gold certificates	-	-	4,861
Revenue associated with performance on executory gold delivery contracts	-	(5,393)	(50,325)
Other	7,326	4,193	571
Net changes in operating assets and liabilities accounts			
Decrease (increase) in operating assets -			
Financial assets at fair value through profit or loss (Gold Certificates)	-	63,210	(68,071)
Trade accounts receivable	41,874	(30,118)	(50,197)
Other accounts receivable	(4,328)	(3,206)	1,033
Accounts receivable from affiliates	1,790	(3,301)	7,545
Derivative financial instruments	(14,644)	-	-
Inventory	(8,323)	(4,528)	348
Prepaid taxes and expenses	(19,824)	9,736	(2,251)
Increase (decrease) in operating liabilities -			
Trade accounts payable	11,282	(3,877)	13,066
Income tax payable	(10,788)	(31,780)	23,614_
Other liabilities	(54,286)	5,490	19,313
Net cash and cash equivalents provided by operating activities	150,520	202,999	358,849
Transactions that did not affect cash flows:			
Increase in the book value of long-term assets	14,220	935	19,022
Transfer of derivative financial instruments to executory gold delivery contracts liability	-	-	77,425

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

Notes to the Consolidated Financial Statements As of December 31, 2008, 2007 and 2006

#### Identification and Business Activity

(a) Identification -

Compañía de Minas Buenaventura S.A.A. (hereinafter "Buenaventura" or "the Company") is a publicly traded corporation formed in 1953. Buenaventura's stock is traded on the Lima and New York Stock Exchanges through American Depositary Receipts (ADRs), which represent the Company's shares deposited in the Bank of New York. Buenaventura's legal domicile is at Av. Carlos Villaran 790, Santa Catalina, Lima, Peru.

(b) Business Activity -

Buenaventura (individually and in conjunction with partners is engaged in the exploration, extraction, concentration, smelting and commercialization of polymetallic ores and metals.

Buenaventura directly operates seven mining units located in Peru: Uchucchacua, Orcopampa, Poracota, Julcani, Recuperada, Antapite and Ishihuinca. In addition, the Company has a controlling interest in Sociedad Minera El Brocal S.A.A. (hereinafter "El Brocal"), which operates the Colquijirca mining unit, and in Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. (hereinafter "Cedimin"), which operates the Shila and Paula mining units. Also, the Company holds interests in a number of other mining companies including Minera Yanacocha S.R.L. (hereinafter "Yanacocha") and Sociedad Minera Cerro Verde S.A.A. (hereinafter "Cerro Verde"). The Company also owns an electric power distribution company and a mining engineering services company. See note 1(d).

(c) Approval of consolidated financial statements -

The accompanying consolidated financial statements have been approved by Management and the Audit Committee on May 19, 2009. The consolidated financial statements as of December 31, 2007 were approved by Management and the Audit Committee on July 11, 2008.

(d) The consolidated financial statements include the financial statements of the following subsidiaries:

	Ownership Percentage as of					
	December	31, 2008	December 31, 2007			
	Direct	Indirect	Direct	Indirect		
	%	%	%	%		
Investment and mining concessions held, exploration and exploitation of minerals						
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C						
CEDIMIN	44.83	55.17	44.83	55.17		
Compañía Minera Condesa S.A.	100.00	-	100.00	-		
Compañía Minera Colquirrumi S.A.	90.00	-	90.00	-		
Sociedad Minera El Brocal S.A.A. (*)	4.17	29.59	2.76	29.59		
Inversiones Colquijirca S.A. (**)	61.42	-	61.42	-		
Minas Conga S.R.L. (f)	-	60.00	-	60.00		
S.M.R.L. Chaupiloma Dos de Cajamarca	20.00	40.00	20.00	40.00		
Minera La Zanja S.R.L.	53.06	-	53.06	-		
Minera Minasnioc S.A.C. (e)	-	-	60.00	-		
Electric power activity						
Consorcio Energético de Huancavelica S.A.	100.00	-	100.00	-		
Services rendered						
Buenaventura Ingenieros S.A.	100.00	-	100.00	-		
Contacto Corredores de Seguros S.A.	-	100.00	-	100.00		

<sup>(\*)</sup> The equity share in capital stock (common shares with voting rights) was 35.78 and 34.29 percent as of December 31, 2008 and 2007, respectively.

<sup>(\*\*)</sup> Inversiones Colquijirca S.A. has a 51.06 percent interest in Sociedad Minera El Brocal S.A.A..

<sup>(</sup>e) On October 31, 2008, Buenaventura transferred all of its shares in Minera Minasnioc S.A.C. to Compañía Minera Ares S.A.C..

<sup>(</sup>f) The liquidation of Minas Conga S.R.L. was approved on December 30, 2008.

#### 2.1. Significant accounting principles and practices

In the preparation and presentation of the consolidated financial statements, Management has followed International Financial Reporting Standards (IFRS) effective in Peru as of December 31, 2008, 2007 and 2006, which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). A description of these differences and their effects on net income and shareholders' equity is set forth in Notes 33 and 34. The consolidated financial statements derive from the statutory consolidated financial statement presentation and include certain additional disclosures in order to conform more closely to the form and content of financial statements required by the Securities and Exchange Commission of the United States of America (the "SEC").

The principal accounting principles and practices used in accounting for the transactions and in preparing the consolidated financial statements are:

#### (a) Basis of preparation -

The financial statements have been prepared in accordance with generally accepted accounting principles in Peru, which comprises International Financial Reporting Standards (IFRS) duly approved by the Peruvian Accounting Standards Board (Consejo Normativo de Contabilidad). The IFRS incorporate the International Accounting Standards (IAS) and the respective pronouncements issued by the Standards Interpretations Committees (SIC) and the International Financial Reporting Interpretation Committee (IFRIC). The accounting principles and practices adopted by the Company are consistent with those used for the years 2007 and 2006, except for the adoption of the following IFRIC starting January 1, 2008:

IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities"

IFRIC 1 contains guidance on accounting for changes in decommissioning, restoration and similar liabilities that have previously been recognized both as part of the cost of an item of property, plant and equipment under IAS 16 and as a liability under IAS 37. It further establishes that changes in the measurement of existing decommissioning, restoration and similar liabilities derive from changes in the timing or amount of the estimated outflows of resources embodying economic benefits required to satisfy the obligation, or a change in the discount rate. During the years 2008 and 2007 there were no changes in the measurement of the liabilities for closure of mines, for which reason the application of IFRIC 1 had no effect on the Company's financial position.

#### IFRIC 8 "Scope of IFRS 2"

IFRIC 8 clarifies the applicable scope of IFRS 2, which deals with transactions in which an entity or an entity's shareholders have transferred equity instruments or other assets for amounts that are based on the price (or value) of the entity's shares.

Neither Buenaventura nor its subsidiaries have carried out this type of transaction, thus the application of IFRIC 8 had no effect on the Company's financial position.

IFRIC 9 "Reassessment of embedded derivatives"

IFRIC 9 requires the Company, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were stand-alone derivatives. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. There were no significant effects on the adoption of this IFRIC during 2008.

IFRIC 10 "Interim Financial Reporting and Impairment of value"

IFRIC 10 provides guidance on certain conflicts between IAS 34 Interim Financial Reporting, the impairment of asset value under IAS 36 and financial instruments held for sale under IAS 39. This interpretation establishes that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

Because neither Buenaventura nor its subsidiaries have reversed any impairment loss recognized in previous quarterly periods, the application of IFRIC 10 had no effect on the Company's financial position.

IFRIC 11 " Group and Treasury Share Transactions "

IFRIC 11 provides guidance on applying IFRS 2 in three circumstances:

(a) share-based payment involving an entity's own equity instruments, (b) a parent grants rights to its equity instruments to employees of its subsidiary and (c) a subsidiary grants rights to equity instruments of its parent to its employees.

Because neither Buenaventura nor its subsidiaries carry out this type of transaction, the application of IFRIC 11 had no effect on the Company's financial position.

To the date of the consolidated financial statements, the Peruvian Accounting Standards Board (CNC) has mandated the application of IFRS 1 to 6, IAS 1 to 41 and Standards Interpretations Committee (SIC) pronouncements 7 to 32, as well as International Financial Reporting Interpretations Committee (IFRIC) interpretations 1 to 12.

The accompanying consolidated financial statements are presented in U.S. dollars, the Company's functional and presentation currency. All figures have been rounded to thousands, unless otherwise indicated. See (f).

(b) Use of estimates and assumptions -

The preparation of financial statements requires Management to make certain estimates and assumptions in order to determine the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2008, 2007 and 2006. Actual results could differ from those estimates

The most significant estimates with regard to the accompanying consolidated financial statements refer to: (i) the fair value of embedded derivatives, see (t), (ii) the useful life and recoverable value of mining rights and property, plant and equipment, see (j), (iii) the determination of mineral reserves, see (m), (iv) an assessment of the recoverability of the deferred income tax and workers' profit-sharing assets, see (v), (v) share-based payments, see (p), (vi) the provision for impairment of long-term assets, see (n), (vii) the provision for closure of mining units and environmental liabilities, see (q), (viii) the fair value of derivative financial instruments, see (w) and (ix) the provision for contingencies, see (r). Any subsequent difference between such estimates and the actual disbursements will be posted to results in the year in which it occurs.

#### (c) Principles of consolidation -

The consolidated financial statements include the accounts of Buenaventura and the accounts of those subsidiaries in which it owns, directly or indirectly, more than 50 percent equity participation and/or exercises control. All significant inter-company balances and transactions have been eliminated. The minority interest is presented separately in the consolidated balance sheets and in the consolidated statements of income.

See note 1(d) for a list of the companies included in the consolidated financial statements.

#### (d) Business combinations -

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets acquired and liabilities assumed at fair value on the date of the acquisition. The excess of the cost of the business combination over the fair value of the identifiable assets acquired and liabilities assumed in the business acquired is recorded as mining rights. See (k).

In the case of merger with entities under common control, the Company uses the pooling of interests method. According to this method, the financial statements of the acquiring entity and the entity acquired are treated as if they were consolidated financial statements. The comparative financial statements are amended to show the effects of the merger.

#### (e) Investments in associates -

Investments in entities in which the Company's ownership is greater than 20 percent or exercise significant influence are accounted for using the equity method. Under this method, the investment in the associate is carried in the consolidated balance sheet at cost plus cost acquisition changes in the Company's share of net assets of the associate. The amount paid in excess of the fair value of the share of net assets of the associate represents mining rights and is included in the carrying amount of the investment and is amortized using the units-of-production method based on proven and probable reserves. The consolidated statements of income reflect the Company's share of the results of operations of the associates. Gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the

The reporting dates of the associates and the Company are identical and the associates' accounting policies are consistent with those used by the Company for like transactions and events in similar circumstances. The functional and presentation currency of the affiliates Yanacocha and Cerro Verde is the U.S. dollar.

After the application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss of the Company's investment in associates. The Company determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statement of income.

#### (f) Foreign currency translation -

Change of functional and presentation currency -

Effective January 1, 2006, the Company's functional and presentation currency is the US dollar (the Nuevo Sol until December 31, 2005). In recent years, Company Management observed the evolution of the currency in which its income is generated and its payments are made, and noted certain conditions that made it necessary to change its functional currency from Nuevos Soles to U.S. dollars. The main indicators that Management took into account to conclude about the change in functional currency were as follows: (i) the growing significance of the dividends received in U.S. dollars from affiliates in the financial position, of operations and cash flows of the Company; (ii) the gradual increase in costs denominated in U.S. dollars; (iii) the Company's decision to pay dividends in U.S. dollars and (iv) the continuous cash increase in U.S. dollars with respect to the Company's cash balance.

The Company will continue using its financial statements in Nuevos Soles for tax purposes.

Transactions and balances in foreign currency -

Transactions in foreign currency (any currency different to the functional currency) are initially recorded at the functional currency rate in force at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the consolidated balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Exchange differences resulting from the settlement of the transactions in foreign currencies and from the translation of the monetary assets and liabilities at the exchange rates at year-end, are recognized in the consolidated statement of income.

#### (g) Cash, banks and time deposits -

The cash and banks caption presented in the Company's consolidated balance sheet includes all cash on hand and deposited in banks, including time deposits whose maturities are three months or more.

The cash and cash equivalents caption presented in the Company's consolidated statements of cash flows includes cash on hand, time deposits and highly liquid investments with original maturities of three months or less.

#### (h) Investments and other financial instruments -

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through profit and loss, loans and receivables, and available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

#### Financial assets at fair value through profit or loss -

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Assets within this category are classified as current assets if they are held for trading or it is expected to realize them within the next twelve months counted as from the balance sheet date. Gain or losses on investments held for trading are recognized in profit and loss.

#### Loans and receivables -

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment.

If there is objective evidence of an impairment in the value of financial assets (such as the debtor's probability of insolvency or significant financial difficulties), the amount of the impairment is measured as the difference between the book value of the assets and the present value of the estimated future cash flows, discounted at an original effective interest rate or one applicable for similar transactions. The carrying amount of the receivable is reduced by means of an allowance account. The amount of the loss must be recognized in the consolidated statement of income. If in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial investments -

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity, net of taxes. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income.

#### (i) Inventories -

Inventories are stated at the lower of average cost or net realizable value. Net realizable value is defined as the estimated sales price obtainable in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average method.

The accrual for obsolescence is based on an item-by-item analysis completed by the Company's management and related amounts are charged to expense in the period in which the obsolescence is deemed to have occurred.

#### (j) Property, plant and equipment -

The mining rights and property, plant and equipment, net caption is stated at cost, net of accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. In addition, when each major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. Other repair and maintenance costs are recognized as expenses as incurred.

Depreciation is calculated under the straight-line method of accounting considering the lower of estimated useful lives of the asset or estimated reserves of the mining unit. The useful lives are the following:

#### Years

Buildings, construction and other	Between 6 and 20
Machinery and equipment	Between 5 and 10
Transportation units	5
Furniture and fixtures	Between 8 and 10
Computer equipment	4

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognizing an asset (calculated as the difference between the proceeds from the sale and the book value of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

The asset's useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

#### (k) Mining rights and concessions -

Mining rights correspond to the mineral reserves and acquisitions of mining concessions allocated as part of the cost of business combinations that took place in previous years. Mining rights are presented as part of the Mining rights and property, plant and equipment, net caption, and represent the Company's ownership of mining properties that contain the mineral reserves acquired. Those mining rights related to mineral reserves are amortized following the units-of-production method based on proven and probable reserves.

Mining concessions correspond to exploration rights in areas of interest to the Company allocated as part of the cost of business combinations that took place in previous years. Mining concessions are capitalized in the consolidated balance sheet and represent the Company's ownership of mining properties of geologic interest. Mining concessions are depreciated starting from the production phase following the units-of-production method based on proven and probable reserves. In the event that the Company abandons these concessions, the costs associated are written off in the consolidated statement of income.

At the end of each year, the Company assesses each mining unit to see whether there is any indication that the value of its mining rights has been impaired. If such indication exists, the Company estimates the recoverable amount of the assets. See (n).

 Exploration and mine development costs -Exploration costs are charged to expense as incurred.

When it is determined that a mineral property can be economically developed, meaning when the existence of proven and probable reserves is determined, the costs incurred to develop this property, including the costs to further delineate the ore body and remove overburden to initially expose the ore body, are capitalized as mine development costs. In addition, expenditures that increase significantly the economic reserves in the mining units under exploitation are capitalized. Mine development costs are amortized using the units-of-production method, based on proven and probable reserves.

On-going development expenditures to maintain production are charged to operations as incurred.

#### Deferred stripping costs -

The costs to remove overburden and other waste material to gain access the ore body (stripping costs) incurred by the Company before the operation of a mining project, are capitalized as part of the mine development cost, and are subsequently amortized on the units-of-production basis, using proven and probable reserves. The stripping costs for development of the Tajo Norte–La Llave mine are shown in the "Development Costs, net" caption in the consolidated balance sheet. Stripping cost incurred during the production phase of a mine are variable productions cost and it is included in the cost of inventory extracted during the period in which the stripping cost are incurred.

#### (m) Determination of mineral reserves and resources -

The Company computes its reserves using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed, which are audited by an independent third party (Algon Investment S.R.L.), represent the estimated amounts of proven and probable ore that can be processed economically under the present conditions.

The process for estimating the amount of reserves is complex and requires making subjective decisions at the time of assessing all the geologic, geophysical, engineering and economic data that is available. Revisions could be made of the current estimates of ore reserves due to, among other factors: revisions of the geologic data or assumptions; changes in estimated prices; and the results of exploration activities.

Changes in the amount of ore reserves could mainly affect the depreciation of fixed assets directly related to the mining activity and the period for amortization of development costs.

#### (n) Impairment of non-financial assets -

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its use value and is determined for an individual asset (cash-generating unit) unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

A cash-generating unit is the smallest identifiable group of assets, denominated a mining unit, that generates cash inflows from continuing use that are independent of the cash inflow generated by other assets or groups of assets. In order to determine cash-generating units, the Company has determined whether there is an active market for the minerals and metals produced by a mining unit.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing use value, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

#### (o) Borrowings -

All loans and borrowings are initially recognized at the fair value of the cash received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

#### (p) Share-based payments -

Senior executives of the Company are granted share appreciation rights, which can only be settled in cash. The liability for these transactions is measured at each reporting date until settlement.

On January 1, 2006, the Company adopted IFRS 2 "Share-Based Payments". According to this standard, the cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model (see more details in note 13). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured at each balance sheet date up to and including the settlement date with changes in fair value recognized in profit and loss.

#### (q) Provisions -

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed periodically and are adjusted to reflect the best estimate available as of the date of the consolidated balance sheet. The expense relating to any provision is presented in the consolidated statement of income. Provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

#### Provision for closure of mining units -

The Company records a provision for mine closure when a legally enforceable obligation arises, independently of the full depletion of the reserves. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. Once such obligation has been appropriately measured, which is presented at fair value, it is recorded by creating a liability equal to the amount of the obligation and recording a corresponding increase to the carrying amount of the related long-lived assets (mine development costs and property, plant and equipment). Subsequently, the capitalized cost is depreciated and/ or amortized based on the useful life of the related asset using straight-line method for fixed assets and units of production for development costs. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. When settling the liability, the Company will post any gain or loss that is generated.

#### (r) Contingencies -

Loss contingencies are recorded in the financial statements when their occurrence is probable and they can be reasonably estimated. In other cases, they are only disclosed in notes to the consolidated financial statements.

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

#### (s) Treasury shares -

The Company, through a subsidiary, has treasury shares (common and investment shares). The nominal values of these shares are presented net of the capital stock and investment shares amounts.

The effect of the dividends income arising from the treasury shares held by the subsidiary are eliminated in the consolidated financial statements.

#### (t) Revenue recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company. Revenue is measured at the fair value of the consideration received, excluding discounts and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

#### Sales of concentrates, gold and silver -

Revenues from sales of concentrates, gold and silver are recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred to the buyer.

As far as the measurement of revenues from the sale of concentrate, the Company assigns a provisional value to these sales, since they are subject to a final price adjustment at the end of a contractually-set period, which normally ranges between 30 and 180 days after delivery of the concentrate to the customer. Exposure to changes in metals price generates an embedded derivative that must be separated from the commercial contract. At the close of each period, the sale price used initially is adjusted in accordance with the future price for the quotation period stipulated in the contract. Adjustment of the provisional sale value is posted as an increase or decrease in net sales.

#### Interest income -

Revenues are recognized as interest accrues.

#### Commercial sales contracts ·

The gains on contracts qualifying as normal sales are initially deferred in the consolidated balance sheets as an "Executory gold delivery contracts liability" and then recognized as income in the years in which the Company makes the physical delivery of the committed ounces of gold and tons of mineral as a "Revenue associated with performance on executory gold delivery contracts", see note 17.

#### (u) Borrowing cost -

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized.

(v) Income Tax and workers' profit sharing 
Current portion of the Income Tax and employee profit sharing

Income Tax and employee profit sharing for the current period are measured at the amount expected to be paid to the taxation authorities and workers, respectively. The rates and laws used to compute the amount are those in force as of the date of the consolidated balance sheet date.

Deferred portion of income tax and employee profit sharing

Deferred income tax and employee profit sharing are provided using the liability method on temporary differences at the consolidated balance sheet date between the tax and book bases of assets and liabilities.

Deferred income tax and employee profit sharing liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

All deductible temporary differences and loss carryforwards generate the recognition of deferred tax assets to the extent that it is probable that they can be used in calculating taxable income in future years. Deferred income tax and employee profit sharing assets are recognized for all deductible temporary differences and tax loss carry-forwards, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of the deferred income tax and employee profit sharing assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred asset to be utilized. Unrecognized deferred assets are reassessed at each consolidated balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### (w) Derivative financial instruments -

Derivatives not designated as hedging instruments -

Derivative contracts are recognized as assets and liabilities at fair value in the consolidated balance sheet. Changes in the fair value of derivative contracts not qualifying as hedging instruments are recorded in the "Loss from Change in the Fair Value of Derivative Instruments" caption in the consolidated statements of income.

Derivatives designated as hedging instruments -

The El Brocal subsidiary uses derivative instruments to manage its exposure to changes in metals prices. In order to manage such risks, El Brocal applies hedge accounting for those transactions that meet the specific criteria applicable in accordance with IAS 39.

At the beginning of the hedge relationship, El Brocal formally documents the relationship between the item hedged and the hedging instrument, including the nature of the risk, the objective and the strategy to be taken to carry out the hedging, and the method to be used to estimate the effectiveness of the hedge relationship.

A formal assessment is made upon beginning the hedge relation, to ensure that the hedging instrument is highly effective in offsetting the risk designated in the item hedged. Hedges are formally assessed every semester. A hedge is considered as highly effective if it is expected that the changes in cash flow attributed to the risk hedged during the period for which the hedge is designated are offset within a range from 80 to 125 percent.

As of December 31, 2008, El Brocal holds only derivative instruments on mineral prices that qualify as hedging instruments, classified as cash flow hedges. The effective portion of these derivatives' changes in fair value is recognized in shareholders' equity and results, respectively, and the gain or loss related to the ineffective portion is recognized immediately in the statement of income. The amounts accumulated in shareholders' equity for cash flow are transferred to the consolidated statement of income for the periods in which the item hedged affects gains and losses.

For those cash flow hedges that qualify as such, any gain or loss from the effective portion of the hedging instrument is initially recognized in shareholders' equity, in the "Unrealized gain in value of derivative financial instruments" caption. Any gain or loss from the ineffective portion of the hedging instrument is initially recognized in the consolidated statement of income in the "Interest expense" caption. When the cash flow hedged affects the consolidated statement of income, any gain or loss from the hedging instrument is posted in the "Net sales" caption of the consolidated statement of income.

#### (x) Basic and diluted earnings per share -

Basic and diluted earnings per share have been calculated based on the weighted average number of common and investment shares outstanding at the date of the consolidated balance sheets; treasury shares have been excluded from the calculation. When the number of shares is modified as a result of capitalization of retained earnings, share splits or share grouping, the net income per basic and diluted shares is adjusted retroactively for all of the periods reported. If the change occurs after the date of the consolidated financial statements, but before the financial statement are authorized to issue, the calculation of net income per basic and diluted shares for all of the reported periods must be based on the new number of shares.

#### (y) Segments -

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The method for determining operating segments is commonly referred to as the "management approach", this approach is based on "the way that management organizes the segments within the enterprise for making operating decisions and assessing performance." The Company's Board of Directors, as the parent company of each of the subsidiaries operating in each of the Company's operating segments, is the chief operating decision maker. The Company's Board of Directors basically reviews financial information for the mining companies on an individual basis and as an operating group within Peru to evaluate the financial performance and to allocate resources as necessary.

#### (z) Comparative consolidated financial statements -

To improve the presentation of the consolidated financial statements, the Company has made some reclassifications for the period ended December 31, 2007 and 2006 for the purpose of making them comparable to those for the similar period in 2008:

- The amortization of development costs of US\$13,205,000 and US\$11,270,000 as of December 31, 2007 and 2006, respectively, have been reclassified from the "Exploration in units in operation" caption to the "Depreciation and amortization" caption in the consolidated statements of income.

#### (aa) Unusual items -

Unusual items represent significant items in the consolidated statement of income due to their nature or the infrequency of the events that give rise to them. They are presented separately in the consolidated statement of income for a better understanding of the Company's financial performance by users of the financial statements, as well as to facilitate comparison with previous periods and allow a better assessment of trends in the financial results

# 2.2. International Financial Reporting Standards (IFRS) those are not yet mandatory in Peru –

There are several IFRS and IFRIC issued internationally and approved by the local Accounting Standards Board (CNC) to be applied in Peru starting from January 1, 2009. The standards that could affect the Company are the following:

- IAS 32 "Financial Instruments Presentation" (revised 2006), effective internationally for periods that begin on or after January 1, 2007. Requires certain puttable financial instruments and obligations arising from liquidation to be classified as equity if certain criteria are met.
- IFRS 7 "Financial Instruments Disclosures", effective internationally for periods that begin on or after January 1, 2007. The objective of this IFRS is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, to understand the nature and extent of the risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

- IFRS 8 "Operating Segments", effective internationally for periods that begin on or after January 1, 2009. This IFRS replaces IAS 14, "Segment Reporting" and establishes that reporting by segments must be done in accordance with "Management's focus", meaning using the internal reporting formats used by Management for decision-making purposes.

The Company does not expect these changes to have a material effect on the Company's consolidated financial statements.

The following standards, issued internationally as of December 31, 2008, could affect the Company but have not yet been approved by the CNC:

- IFRS 1 "First-time Adoption of the International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" (revised), effective for periods that begin on or after January 1, 2009. This change in IFRS 1 allows an entity to determine the cost of investment in subsidiaries, jointly-controlled entities, and associates in its first financial statements under the IFRS as of the date of transition to IFRS, using the cost determined in accordance with IAS 27, or considering the previous GAAP carrying amount as cost at the date of the transition to IFRS, or at the fair value in accordance with IAS 39. These changes have no effect on the consolidated financial statements of the Company.
- IAS 23 "Borrowing Costs" (revised) applies to borrowing costs incurred on qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. This standard removes the option of expensing all borrowing and requires capitalization of the borrowing costs that are directly attributable to the acquisition, construction or production of qualified assets.
- IFRS 3 "Business Combinations (Revised)" and IAS 27 "Consolidated and Separate Financial Statements" (Revised), become effective for financial years beginning on or after July 1, 2009. IFRS 3 as revised introduces a number of changes in the accounting for businesses combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 as revised requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control o a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interest on Joint Ventures. The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests.
- IFRS 2 "Share-based Payments (Revised)", effective for periods that begin on or after January 1, 2009. This standard clarifies the definition of vesting conditions and cancellations.

- IAS 1 "Presentation of Financial Statements (Revised)", effective for periods that begin on or after January 1, 2009. When this standard is first applied, the disclosures must be made for all comparative periods presented. This standard requires the grouping of information in the financial statements based on common characteristics and the presentation of a comprehensive income statement. This standard allows presentation of the income and expense captions, as also comprehensive other income in a comprehensive income statement or, alternatively, presenting two separate statements (a statement of income and a comprehensive income statement). The names of some financial statements have been changed to clarify their purpose.
- IAS 32 "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)", effective for periods that begin on or after January 1, 2009. This amendment establishes a series of changes with respect to the classification of certain financial instruments as equity or liability, and increase the disclosure requirements for these instruments. In addition, it requires additional disclosures for negotiable instruments classified as equity.
- IAS 39 "Financial instruments: Recognition and Measurement Eligible Hedged Items (Amendment)", effective for periods that begin on or after July 1, 2009. This amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. This standard clarifies that an entity may designate the changes in fair value or cash flows related to a one-sided risk as the hedged item in an effective relationship. The standard further clarifies that an inflationary element can be designated as a separable risk, if it is a contractually specified cash flow.

As of this date, the Company's management is analyzing the impact that those standards and interpretations not yet approved by the CNC will have on its operations when such standards are approved for application in Peru.

#### 3. Transactions in Nuevos Soles

Transactions in Nuevos Soles

Transactions in Nuevos Soles

Transactions in Nuevos Soles are made at the exchange rates published by the Peruvian Banking and Insurance Superintendence (SBS). As of December 31, 2008, the exchange rates for Nuevos Soles were S/3.137 for purchase and S/3.142 for sale (S/2.995 for purchase and S/2.997 for sale as of December 31, 2007) and have been applied by the Company to asset and liability accounts, respectively.

As of December 31, 2008, the subsidiary El Brocal had time deposits of S/123,133,000 (S/257,003,000 as of December 31, 2007). There are no additional significant assets and liabilities denominated in Nuevos Soles as of December 31, 2008 and 2007.

#### 4. Cash, banks and time deposits

(a) The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Cash	468	460
Bank accounts	45,888	27,700
Time deposits (b)	485,671	274,704
Cash balances included in the consolidated statement of cash flows	532,027	302,864
Time deposits with original maturity greater than 90 days (c)	22,725	78,748
	554,752	381,612

(b) The table below presents the components of time deposits as of December 31, 2008:

Currency	Original maturities	Annual interest rate %	US\$(000)
U.S. dollars	From 8 to 77 days	From 0.10 to 4.5	453,211
Nuevos Soles	From 30 to 90 days	From 6.75 to 7.20	32,460
			485,671

The table below presents the components of time deposits as of December 31, 2007:

Currency	Original maturities	Annual interest rate %	US\$(000)
U.S. dollars	From 2 to 90 days	From 4.57 to 5.61	237,500
Nuevos Soles	From 62 to 90 days	From 5.20 to 5.40	37,204
			274,704

(c) As of December 31, 2008, it mainly corresponds to time deposits maintained by El Brocal:

Currency	Original maturities	Annual interest rate	US\$(000)
U.S. dollars	From 91 to 91 days	From 6.10 to 6.10	16,000
Nuevos Soles	From 96 to 182 days	From 5.90 to 6.70	6,725
			22,725

As of December 31, 2007, it mainly corresponds to time deposits maintained by El Brocal:

Currency	Original maturities Annual interest rate %		US\$(000)
U.S. dollars	From 91 to 271 days	From 5.05 to 5.30	30,700
Nuevos Soles	From 91 to 228 days	From 5.00 to 5.50	48,048
			78,748

<sup>(</sup>d) During 2008, in compliance with the Syndicated Loan Agreement, the Company established an escrow account in a local bank for US\$177,811,000. In accordance with the amendments made to the Syndicated Loan Agreement, see note 14(b), as of December 31, 2008 it was no longer necessary to maintain this additional guarantee. This deposit no longer secures the long-term debt and as of December 31, 2008 is shown as time deposit.

Trade accounts receivable, net
(a) The table below presents the components of this caption:

	2008	2007
	US\$(000)	US\$(000)
Johnson Matthey Limited	22,593	22,522
Consorcio Minero S.A. – CORMIN	12,003	16,825
AYS S.A.	9,738	16,558
Doe Run Perú S.R.L.	7,994	11,324
BHL Perú S.A.C.	5,222	5,224
Votarantim Metais Cajamarquilla S.A.	4,090	5,189
MK Metal Trading Perú S.A.C.	1,590	1,554
Sudamericana Trading S.R.L.	984	2,565
Glencore International A.G.	972	1,752
Trafigura A.G.	221	19,505
Other	5,631	4,522
	71,038	107,540
Provision for doubtful accounts, (b)	(5,372)	
	65,666	107,540

The accounts receivable are denominated in United States dollars, have current maturities and do not accrue interest. No specific guarantees have been granted for these obligations.

In Management's opinion, the allowance for doubtful accounts is sufficient to cover bad debt risk at the date of the consolidated balance sheet.

The allowance for doubtful accounts had the following movement in 2008: (b)

	2008 US\$(000)
Opening balance	-
Provision for the period, note 20	5,372
Closing balance	5,372

Inventory, net
(a) The table below presents the components of this caption:

	2008	2007
	US\$(000)	US\$(000)
Products in process	11,562	12,333
Finished goods	9,529	7,875
Spare parts and supplies	25,033	16,909
	46,124	37,117
Provision for impairment of value of spare parts and supplies (b)	(2,652)	(1,968)
	43,472	35,149

(b) The provision for impairment of value of spare parts and supplies had the following movement during the years 2008, 2007 and 2006:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Opening balance	1,968	3,788	5,295
Provision for the period	810	15	138
Reversal of provision, note 24	(16)	(1,049)	(1,389)
Sale	-	(786)	(30)
Write-offs	(110)	-	-
Loss from translation to U.S. dollars	-	-	(226)
Closing balance	2,652	1,968	3,788

In the opinion of Company Management, the provision for impairment of value of spare parts and supplies adequately covers this risk as of the date of the consolidated balance sheet.

Prepaid taxes and expenses
(a) The table below presents the components of this caption:

	2008	2007
	US\$(000)	US\$(000)
Income tax credit (c)	21,268	12,723
Value added tax credit	12,048	5,481
Temporary Tax on Net Assets credit	3,234	-
Pre-paid insurance	3,188	1,604
Deferred costs	577	802
Other deferred charges	880	760
	41,195	21,370
Less – Non current portion		
Value added tax credit (b)	5,622	5,338
	35,573	16,032

- As of December 31, 2008 and 2007, it mainly includes the value added tax originated by the exploration activities of Minera La Zanja S.R.L.. In Management's opinion, this credit will be offset with the future value added tax liability to be generated when the exploitation activities begin in (b) the near future.
- This corresponds to income tax prepayments made during the years 2008 and 2007 that were not applied against the current tax due, because of (c) the Buenaventura's tax-loss carryforwards for those years. Buenaventura will request the Tax Administration to refund the prepayments corresponding to the year 2007.

(b)

Investments in shares
(a) The table below presents the components of this caption: (a)

	Share in share	holders' equity	ty Amount	
	<b>2008</b> %	<b>2007</b> %	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Investments held under the equity method				
Minera Yanacocha S.R.L. (c)				
Equity share	43.65	43.65	528,330	577,537
Payment in excess of the share in fair value of assets and liabilities, net			17,748	19,599
			546,078	597,130
Sociedad Minera Cerro Verde S.A.A. (c)			2 10,010	
Equity share	19.05	18.50	252,242	267,448
Payment in excess of the share in fair value of assets and liabilities, net	17.03	10.50	81,089	57,960
nuomitios, not			333,331	325,408
Investments held at fair value			333,331	323,100
Other			3,538	9,870
Q			2,220	,,,,,
			882,947	932,420
The table below presents the net share in affiliated companies:				
		2008	2007	2006
		US\$(000)	US\$(000)	US\$(000)
Minera Yanacocha S.R.L.		206,478	97,216	229,787
Sociedad Minera Cerro Verde S.A.A.		134,451	148,533	80,171
Other	_	<u> </u>	3,806	3,210
		340,929	249,555	313,168

The investments held in Yanacocha (a gold mine located in Cajamarca, Peru) and Cerro Verde (a copper mine located in Arequipa, Peru) represent (c) the Company's most significant investments.

The share in their results has been significant in relation to the Company's net earnings in 2008, 2007 and 2006.

The table below presents the movement in the investments in Yanacocha and Cerro Verde:

	Yanacocha		Cerro Verde	
	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Opening balance	577,537	522,568	267,448	231,641
Share in affiliated companies	208,329	98,327	136,854	150,501
Payments for acquisition of additional shares	-	-	4,007	-
Dividends received	(257,536)	(43,650)	(156,067)	(114,694)
Other	-	292	-	-
Ending balance	528,330	577,537	252,242	267,448

The table below presents the movement in the payments in excess of the share in the fair value of assets and liabilities acquired from Yanacocha and Cerro Verde:

	Yanacocha		Cerro Verde	
	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Opening balance	19,599	20,710	57,960	59,928
Amount paid in excess of the fair value of assets and liabilities	-	-	25,532	-
Amortization of excess amount paid	(1,851)	(1,111)	(2,403)	(1,968)
Ending balance	17,748	19,599	81,089	57,960

### Reinvestment programs -

Mining companies can obtain a tax benefit ("Reinvestment Credit") by applying retained earnings to investment programs oriented towards attaining increased production levels ("Reinvestment Programs"). Reinvestment credits are obtained by means of an application approved by the Ministry of Energy and Mines, which must guarantee 80 percent of the amount reinvested by mining companies.

Yanacocha restricted its earnings by US\$189,600,000 in accordance with its reinvestment program for the 2002-2004 period. Also, according to current tax regulations, Yanacocha capitalized this amount in 2007, which cannot be reduced in the four years following capitalization.

In addition, Cerro Verde restricted its earnings for US\$800,000,000 in accordance with its reinvestment program for the 2004-2007 period. According to current tax regulations, the restricted earnings of Cerro Verde were transferred to a restricted earnings equity account and will be transferred to the capital stock once the Ministry of Energy and Mines approves the investment.

Summary of financial information based on the financial statements of Yanacocha and Cerro Verde-The table below presents the principal amounts in the financial statements of Yanacocha and Cerro Verde, adjusted to conform to Buenaventura's accounting practices:

	-	Yanacocha			Cerro Verde		
	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)	
Balance Sheet							
Total assets	1,895,681	1,895,884	1,825,457	1,983,572	2,010,776	1,637,584	
Total liabilities	682,893	569,559	629,049	659,397	565,034	385,405	
Shareholders' equity	1,212,788	1,326,325	1,196,408	1,324,175	1,445,742	1,252,179	
Results							
Total income	1,612,618	1,093,347	1,560,899	1,835,911	1,794,559	667,671	
Operating income	668,877	315,835	763,790	1,099,162	1,270,514	524,875	
Net income	476,462	229,915	531,485	718,433	813,554	445,370	

## 9.

Mining concessions and property, plant and equipment, net
The table below presents the movement in cost and accumulated depreciation during year 2008:

	Opening balance US\$(000)	Additions US\$(000)	Retirements US\$(000)	Sales US\$(000)	Transfers US\$(000)	Closing balance US\$(000)
Cost						
Land	2,501	-	-	-	30	2,531
Mining land	7,215	-	-	-	-	7,215
Mining concessions	106,927	9,967	-	-	-	116,894
Buildings, construction and other	146,239	232	(148)	(86)	27,236	173,473
Machinery and equipment	186,130	24,201	(458)	(742)	6,431	215,562
Transportation units	7,717	490	(49)	(660)	756	8,254
Furniture and mixtures	12,593	668	(3)	(1)	589	13,846
Works in progress	34,154	22,801	(2,222)	-	(35,042)	19,691
Mine closure costs	24,896	3,136	<u>-</u>	<u> </u>		28,032
	528,372	61,495	(2,880)	(1,489)	-	585,498
Accumulated depreciation and amortization						
Mining land	4,951	620	-	-	-	5,571
Mining concessions	41,622	6,848	-	-	-	48,470
Buildings, construction and other	82,371	15,731	(111)	(76)	(2)	97,913
Machinery and equipment	134,347	18,425	(380)	(572)	2	151,822
Transportation units	4,994	869	(49)	(646)	-	5,168
Furniture and mixtures	1,945	886	-	-	-	2,831
Mine closure costs	13,150	2,224		<u>-</u>		15,374
	283,380	45,603	(540)	(1,294)	-	327,149
Provision for impairment of long-term assets						
Mining concessions, note 11	-	2,387	-	-	-	2,387
Property, plant and equipment, note 11		8,664		-	-	8,664
	-	11,051		-	-	11,051
Net cost	244,992					247,298

Mining concessions The table below presents the movement of the cost and accumulated amortization of the mining concessions by mining units:

	Balance as of January 1,		Balance as of December 31,
	2008	Additions	2008
	US\$(000)	US\$(000)	US\$(000)
Cost			
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C CEDIMIN	51,138	_	51,138
Inversiones Colquijirca S.A.	36,286	-	36,286
Inversiones Mineras del Sur S.A.	11,662	-	11,662
Sociedad Minera El Brocal S.A.A.	3,405	9,967	13,372
Minas Poracota S.A.	2,864	-	2,864
Minera Paula 49 S.A.C.	1,572	-	1,572
	106,927	9,967	116,894
Accumulated amortization			
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. –			
CEDIMIN	26,167	2,359	28,526
Inversiones Colquijirca S.A.	10,806	1,025	11,831
Inversiones Mineras del Sur S.A.	1,845	2,584	4,429
Sociedad Minera El Brocal S.A.A.	1,550		1,768
Minas Poracota S.A.	125	431	556
Minera Paula 49 S.A.C.	1,129	231	1,360
	41,622	6,848	48,470
Provision for impairment of mining concessions			
Inversiones Mineras del Sur S.A., note 11		2,387	2,387
		2,387	2,387
	65,305		66,037

In 2008 the Company had works in progress related mostly to US\$3,013,000 for construction of the zinc-silver circuit, US\$2,111,000 for construction of a mill in Uchucchacua and US\$3,988,000 for construction of a transmission line in Huancarama, in Orcopampa. El Brocal had works in progress related mostly to US\$1,540,000 for the expansion of tailings fields No. 6 and 7, and US\$997,000 for optimization of the Río Blanco – Jupayragra Hydroelectric Power Station. The Company's Management expects these works in progress to be concluded during the year

## 10.

Mine development costs, net
The table below presents the movement in the cost and accumulated amortization by mining units:

	Balance as of January 1,		Balance as of December 31,
	<b>2008</b> US\$(000)	Additions US\$(000)	<b>2008</b> US\$(000)
Cost	03\$(000)	03\$(000)	034(000)
Orcopampa	49,594	5,814	55,408
Uchucchacua	35,650	3,032	38,682
Poracota	24,002	5,759	29,761
La Llave	515	24,598	25,113
Antapite	18,917	79	18,996
Recuperada	2,942	2,418	5,360
Julcani	803	1,382	2,185
Ishihuinca	1,027	_	1,027
Shila y Paula	815	55	870
Mine closure costs	12,841	13,613	26,454
	147,106	56,750	203,856
Accumulated amortization			
Orcopampa	16,548	9,873	26,421
Uchucchacua	22,202	2,989	25,191
Antapite	15,061	2,209	17,270
Poracota	1,049	3,586	4,635
Ishihuinca	994	27	1,021
Shila y Paula	204	611	815
Recuperada	318	294	612
Mine closure costs	6,543	3,775	10,318
	62,919	23,364	86,283
Provision for impairment of mine development costs			
Poracota	-	1,085	1,085
Antapite	-	1,726	1,726
Recuperada		4,748	4,748
	-	7,559	7,559
Net cost	84,187		110,014

Project for the expansion of El Brocal operations (La Llave) -

On August 15, 2008, the Board of Directors of El Brocal approved a project to expand its operations in order to reach a treatment level of 18,000 MT per day of ore from its Tajo Norte and Marcapunta mines. The project involves setting up the open pit, expanding the level of operations, modernizing the Huaraucaca concentrator plant and adapting those services required to support the new production capacity.

As of December 2008 and 2007, El Brocal had executed the following works related to the project to expand operations:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Mine development	14,988	-
Concentrator plant	4,395	-
Feasibility study	1,321	515
Construction of Huachuacaja tailings area	635	-
Other minor activities	272	-
	21,611	515

## 11. Provision for impairment of long-term assets

The table below presents the components of the loss from impairment of long-term assets recorded by Buenaventura and subsidiaries:

Cash-generating unit	Mining concessions and property, plant and equipment US\$(000)		Total US\$(000)
Poracota	-	1,085	1,085
Antapite	8,928	1,726	10,654
Recuperada	2,123	4,748	6,871
Total	11,051	7,559	18,610

The book value of the items denominated mining rights and property, plant and equipment, and development costs have been reduced to their estimated realizable value by recognizing an impairment loss of US\$18,610,000 which is shown in the "Provision for impairment of long-term assets" caption in the consolidated statement of income.

As part of the process of assessing the recoverability of its long-term assets' book value, the Company has identified significant changes in the estimated future income (mainly by the reduction of ore reserves in some mining units and the decrease of base metal prices) for the Poracota, Antapite and Recuperada cash generating units, resulting in their book value exceeding their recoverable amount.

Assessing the impairment of long-term assets involves comparing their respective book values with their recoverable values. The recoverable value of assets is the greater of its fair value less the costs of sale or its value in use.

The recoverable value used in assessing the Recuperada unit is the fair value of the assets located in this unit less the associated costs of sale. To establish this value, an independent consulting firm specializing in asset appraisal was contracted.

The recoverable value used in assessing the Antapite and Poracota units is their value in use. The Company estimates the value in use of its long-term assets using a discounted cash-flow model. Cash flow was projected for the useful life of the mining units based on Management's expectations. This period depends on variables, including the mineral reserves of each unit.

The following assumptions have been used for calculating the value in use:

- (i) Production volumes: the production volumes of the Poracota and Antapite units are substantiated by the reserves and resources audited as of December 31, 2008, considering Management's production plan for the coming years. According to such reserves, the Poracota unit has a production horizon of four years and Antapite of one year. Management believes that there will no be significant changes in estimated production volumes that would result in the present value of long-term assets exceeding their recoverable amount.
- (ii) Discount rates: Future cash flows have been adjusted according to the specific risk assigned to this type of asset and discounted at a pre-tax rate of 8.32 percent. The discount rate used is the Weighted Average Cost of Capital (WACC). Management believes that there will no be significant changes in the discount rate that could increase the impairment loss.
- (iii) Metals prices: The Company has used future metals prices (forward metal prices) obtained from the average of estimates made by foreign investment banks.
- (iv) Operating costs: The Company has projected its operating costs in relation to its cost structure as of the date of the balance sheet. Management believes that there will no be significant changes in estimated operating costs considered that could increase the impairment loss.

In the opinion of the Company's management, the provision for impairment of long-term assets adequately covers the risk of impairment as of the date of the consolidated balance sheet.

# 12. Trade accounts payable

Trade accounts payable arise mainly from the acquisition of material, supplies and spare parts. These obligations are mostly denominated in U.S. dollars, have current maturities and do not accrue interest. No specific guarantees have been granted for these obligations.

### 13. Other liabilities

The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Provision for closure of mining units and exploration projects	83,485	57,889
Remuneration and similar benefits payable	15,652	16,841
Stock appreciation rights	14,024	37,803
Employee profit sharing payable	8,421	13,863
Accounts payable to partner	7,755	2,982
Provision for environmental liabilities	7,013	6,448
Taxes payable	5,366	7,142
Provision for labor contingencies	4,198	3,708
Royalties payable to the Peruvian State	1,712	4,079
Voluntary mining contribution payable	1,556	2,601
Royalties payable to third parties	1,535	1,609
Interest payable	1,127	-
Dividends payable	919	972
Provision payable to investor	-	3,983
Other liabilities	8,790	9,211
	161,553	169,131
Less - Long-term portion		
Provision for closure of mining units and exploration projects	70,595	45,094
Stock appreciation rights	12,058	22,229
Accounts payable to partner (*)	7,755	2,982
Provision for environmental liabilities	6,328	1,503
Notes payable	-	500
	96,736	72,308
Current portion	64,817	96,823

<sup>(\*)</sup> This corresponds to accounts payable by the Minera La Zanja S.R.L. subsidiary to its partner, Newmont Peru S.R.L., as a result of works related to the pre-operating stage that are expected to be capitalized in the medium term.

Provision for closure of mining units and exploration projects -

The table below presents the movement of the provision for closure of mining units and exploration projects:

	US\$(000)
Balance as of January 1, 2006	26,922
Disbursements	(4,549)
Additions and changes in estimates	28,379
Accretion expense	3,535
Balance as of January 1, 2007	54,287
Disbursements	(3,471)
Additions and changes in estimates	4,617
Accretion expense	2,456
Balance as of December 31, 2007	57,889
Disbursements	(8,186)
Additions as budgeted in new operating areas	27,517
Accretion expense	6,265
Balance as of December 31, 2008	83,485

The provision for closure of mining units and exploration projects represents the present value of the closure costs that are expected to be incurred between the years 2008 and 2024. Estimates of the costs for closure of mining units are based on studies prepared by independent advisers that meet the environmental regulations in effect. The provision for closure of mining units corresponds mostly to activities that must be carried out for restoring the mining units and areas affected by operating activities. The principal works to be performed correspond to earthworks, revegetation efforts and dismantling of the plants. Closure budgets are reviewed regularly to take into account any significant change in the studies conducted. Nevertheless, the closure costs of mining units will depend on the market prices for the closure works required, which will reflect future economic conditions. Also, the time when the disbursements will be made depends on the useful life of the mine, which will be based on future metals prices.

As of December 31, 2008, the future value of the provision for closure of mining units and exploration projects was US\$119,758,000, which has been discounted using the adjusted annual risk-free rate of 8.32 percent, resulting in a liability of US\$83,485,000. The Company believes that this liability is sufficient to comply with the environmental protection laws in effect approved by the Ministry of Energy and Mines.

Stock Appreciation Rights -

Senior executives of the Company are granted share appreciation rights, which can only be settled in cash, if the executive is working for the Company at each program's settlement date. These programs are mainly structured in a ten-year term, allocated in several programs with progressive maturities. The average price of the granted programs is assigned based on the last quarter market quotation of the shares before the grant date and the settlement is determined based on the variation of the market prices at the maturity date as compared to the price at the date of the grant.

In 2007, the Company changed the valuation method used to estimate the fair value of its liabilities for compensation to management from the Black-Scholes-Merton model to the Turnbull & Wakeman model. Pursuant to IFRS 2 "Share-based Payments", the Company changed the valuation methodology after determining that the Turnbull & Wakeman method would produce a better estimate of the fair value of the liabilities by compensation to management considering the compensations structure adopted by the Company. The effect of this change in estimating the year-2006 profit was not material.

The table below presents the principal assumptions used by the Company to estimate the fair value as of December 31, 2008 and 2007:

	2008		2007
Historical volatility	48.25%	)	47.90%
Risk-free interest rate	0.39%	)	3.25%
Dividend yield	1.34%	)	1.44%
Period covered by the program	10 years		8 years
Market value of the shares at closing:			
Before stock split (2007)	\$ US19.92	\$	US54.65
After stock split, note 15(f)	\$ US19.92	\$	US27.33

The table below presents the movement of the shares subject to the compensation program for the years 2008 and 2007:

Before stock split effect

N	Jum	ber	Λf	ch	are

	2008	2007
Opening balance	2,258,600	2,230,000
Granted during the year	363,000	400,000
Settled during the year	(398,800)	(371,400)
Expired during the year	(10,000)	-
Final balance before stock split	2,212,800	2,258,600
Effect of stock split, note 15(f)	2,212,800	-
Final balance before stock split	4,425,600	2,258,600

After stock split effect

### Number of shares

	2008	2007
Opening balance	4,517,200	4,460,000
Granted during the year	726,000	800,000
Settled during the year	(797,600)	(742,800)
Expired during the year	(20,000)	-
Final balance including stock split	4,425,600	4,517,200

The expiries of shares per year are as follows: 729,200 in 2009; 579,900 in 2010; 569,034 in 2011; 641,470 in 2012; 660,364 in 2013 and 1,245,632 thereafter.

The average prices for the stock appreciation rights granted and expiring in the months of January 2008 and 2007 were US\$54.65 and US\$53.04 per share, respectively (US\$27.33 and US\$26.52, respectively, considering the effect of the stock split).

The table below presents the movement of the stock appreciation rights for the years 2008 and 2007:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Opening balance	37,803	14,214	17,291
Provisions (recovery) for the year, note 20	(7,678)	28,666	4,519
Payments made during the year	(15,574)	(5,077)	(7,306)
Programs expired during the year	(527)	-	(885)
Gain on translation to US dollar	-	-	595
	14,024	37,803	14,214
Less - non-current portion	12,058	22,229	9,135
Current portion	1,966	15,574	5,079

## 14.

Long-term debt
(a) The table below presents the detail of long-term debt as of December 31, 2008 and 2007:

	Original amount US\$ (000)	Guarantee	Annual interest rate	Maturities	2008 US\$(000)	2007 US\$(000)
Compañía de Minas Buenaventura S.A.A.						
Syndicated Loan Agreement (b)	450,000	None	Three-month LIBOR plus 2.25% (4.47% as of December 31, 2008)	Quarterly maturities from February 2009 to May 2013	264,000	-
Banco de Crédito del Peru (d)	75,000	Secured interest of US\$13,748,000 on machinery and equipment and surety bonds of US\$14,000,000	Three-month LIBOR plus 0.85% (3.07% as of December 31, 2008)	Quarterly maturities from March 2009 to June de 2010	56,250	75,000
		03314,000,000			30,230	75,000
Consorcio Energético de Huancavelica S.A.						
BBVA Banco Continental	9,000	None	Three-month LIBOR plus 1.25% (4.06% as of December 31, 2008)	Quarterly maturities from March 2009 to June 2012	7,000	9,000
Contacto Corredores de Seguros S.A.						
Mitsui – Masa Leasing	57	None	8.71%	Monthly maturities from March 2008 to February 2011	41	-
Sociedad Minera El Brocal S.A.A.						
Banco de Crédito del Peru	376	Goods leased	5.34%	_	4	119
banco de Credito del Ferd	370	Goods leased	3.3470		327,295	84,119
Non-current portion					(229,105)	(63,250)
Current portion					98,190	20,869

(b) On February 20, 2008, Buenaventura signed a Syndicated Bridge Loan Agreement for the amount of US\$450,000,000 with a syndicate of banks led by Banco de Crédito del Perú (the agent bank) with an interest rate of 90 day Libor plus 2.25% nominal annual (4.47 per cent as of December 2008). The loan proceeds was used to pay clients to release the commitments in sales contracts that Buenaventura held as of such date (see note 17(a)) and to pay its financial obligations assumed during 2008, prior to obtain the syndicated bridge loan, which was repaid in May of 2008 with funds provided by a new loan.

On May 21, 2008 Buenaventura signed a Syndicated Loan Agreement for US\$450,000,000. The Banco de Crédito del Perú (BCP) was designated as Administrative Agent on behalf of the bank syndicate. The main clauses provided in the syndicated agreement include the following:

(i) The loan is structured according to the source of funding as follows:

	US\$(000)	%
Local banks	200,000	44.45
Foreign banks	250,000	55.55
	450,000	100.00

- (ii) The loan accrues a 90 day Libor plus 2.25% nominal (4.47 percent as of December 31, 2008). The principal amount may only be prepaid on each of the programmed quarterly maturity dates.
- (iii) The loan has been granted for a five-year period. The amortization of the principal amount shall be made in 20 quarterly payments of US\$22,500,000 starting August 27, 2008 and ending May 27, 2013.
- (iv) Compañía Minera Condesa S.A. (hereinafter "Condesa") signed the Syndicated Loan Agreement as guarantor for Buenaventura. For such effect, Condesa granted the Agent bank a pledge over its ADS (Pledged Securities), which were held in the Bank of New York. The pledge affects 21,130,260 ADS of Buenaventura, which should have a market value of at least 1.25 times the remaining balance of the principal of the loan. If the market value of the pledge falls to levels below 1.25 times the remaining balance of the principal, the Company commits to grant additional pledges up to the value of at least 1.50 times the remaining balance of the principal.

In compliance with this clause of the agreement, during the year 2008 Buenaventura established an escrow account for US\$177,811,000. See note 4(d). In December 2008, Condesa, Buenaventura and the lead bank signed an addendum to the Syndicated Loan Agreement denominated Consent and Amendment, which releases the entire lien on the ADS for pledged securities, consequently releasing the collateral cash deposit that had been kept in the escrow account to that date.

- (v) Buenaventura agrees to not enter into derivative contracts for speculative purposes as defined in the International Financial Reporting Standards.
- (vi) Buenaventura agrees to maintain a Debt Ratio financial index of less than 3.5 as of the end of each quarter. This ratio is determined by dividing Buenaventura's consolidated financial debt by the sum of the consolidated EBITDA and the collection of dividends for the twelvemonth period following the calculation date. As of December 31, 2008 the Debt Ratio was 0.42.

In the opinion of Buenaventura's Management, as of the date of submitting the financial statements, the Company has duly complied with all of the obligations assumed under the Syndicated Loan Agreement.

- (c) In August, September and November 2008, Buenaventura prepaid US\$49,500,000, US\$38,475,000 and US\$60,000,000, respectively, with no additional charges for penalties. These prepayments caused the quarterly installments to be reprogrammed from US\$22,500,000 to US\$20,025,000 for the installment for August 2008, to US\$18,000,000 for the installment for November 2008 and to US\$14,667,000 for the installments up to May 2013.
- (d) In June 2007, Buenaventura obtained a loan from Banco de Crédito del Perú for the amount of US\$75,000,000 in order to partially finance the payments in connection with the release of the fixed price component in the trade contracts entered into in 2007, as explained in note 17. This loan carries a three month Libor interest rate plus 0.85 per cent. Secured interests of US\$13,748,000 have been granted on machinery and equipment, as well as US \$14,000,000 in surety bonds.

(e) The long-term debt held by Buenaventura and its subsidiaries matures as follows:

Period	US\$(000)
2009	98,190
2010	79,439
2011	79,439 60,667
2012	59,667
2013	59,667 29,332
	327,295
Current portion	(98,190)
Non current portion	229,105

(f) The interest expense (interest and prepayment penalties related to the Syndicated Loan Agreement amounts to US\$20,992,000 for the period ended December 31, 2008.

## 15. Shareholders' equity, net

### (a) Capital stock -

Common shares with voting rights represent 100 percent of the Company's issued capital. The table below presents the components of the capital stock as of December 31, 2008 and 2007:

	2008			2007				
	Number of shares	Nominal value S/(000)	Capital stock S/(000)	Capital stock US\$(000)	Number of shares	Nominal value S/(000)	Capital stock S/(000)	Capital stock US\$(000)
Common shares	274,889,924	2,748,899	2,748,899	813,162	137,444,962	549,780	646,378	188,393
Treasury shares	(21,130,260)	(211,303)	(211,303)	(62,622)	(10,565,130)	(42,261)	(49,623)	(14,463)
	253,759,664	2,537,596	2,537,596	750,540	126,879,832	507,519	596,755	173,930

The market value of common shares amounted to US\$20.22 as of December 31, 2008 (US\$28.26 as of December 31, 2007) and it presented a trading turnover of 80 per cent (84 per cent as of December 31, 2007).

### (b) Investment shares -

Investment shares do not have voting rights or participate in shareholders' meetings but do participate in the distribution of dividends. The table below presents the components of investment shares as of December 31, 2008 and 2007:

	2008					2007		
	Number of shares	Nominal value S/(000)	Investment shares S/(000)	Investment shares US\$(000)	Number of shares	Nominal value S/(000)	Investment shares S/(000)	Investment shares US\$(000)
Investment shares	744,640	7,446	7,446	2,161	372,320	1,489	1,749	510
Treasury investment shares	(61,976)	(619)	(619)	(142)	(30,988)	(124)	(127)	(37)
		<u> </u>						
	682,664	6,827	6,827	2,019	341,332	1,365	1,622	473

The market value of investment shares amounted to US\$13.69 as of December 31, 2008 (US\$20.91 as of December 31, 2007) presented a trading turnover of 19 per cent (21 per cent as of December 31, 2007).

### (c)

Legal reserve The Peruvian Corporations Law (*Ley General de Sociedades*) requires that a minimum of ten percent of the distributable earnings for each period, after deducting the income tax, be transferred to a legal reserve until the latter is equal to 20 percent of the capital stock. This legal reserve can be used to offset losses or may be capitalized, with the obligation, in both cases, to replenish it.

For the year ending December 31, 2008, Buenaventura increased its legal reserve by the amount of US\$15,328,000, which has been set aside from the net profit corresponding to the 2008 period.

### (d) Dividends declared and paid -

The table below presents the dividends declared and paid in 2008, 2007 and 2006:

Meeting	Date	<b>Dividends</b> <b>declared</b> US\$	Dividend per share US\$
2008 Dividends			
Mandatory Annual Shareholders' Meeting	March 27	30,320,000	0.11
Board of Directors' Meeting	October 30	24,806,000	0.09
Less – dividends granted to Condesa		(4,238,000)	
		50,888,000	
2007 Dividends			
Mandatory Annual Shareholders' Meeting	March 28	50,992,000	0.37
Board of Directors' Meeting	October 26	24,806,000	0.18
Less – dividends granted to Condesa		(5,826,000)	
		69,972,000	
2006 Dividends			
Mandatory Annual Shareholders' Meeting	March 30	30,320,000	0.22
Board of Directors' Meeting	October 30	34,454,000	0.25
Less – dividends granted to Condesa		(5,007,000)	
		59,767,000	

As of December 31, 2008, the effect of declared and paid dividends by two subsidiaries to minority shareholders, is made up as follows:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Sociedad Minera El Brocal S.A.A.	23,338	17,055
S.M.R.L. Chaupiloma Dos de Cajamarca	13,937	9,144
	37,275	26,199

### (e) Capitalization of retained earnings -

The Mandatory annual Shareholders' Meeting held March 27, 2008, agreed to increase the nominal value of the common and investment shares from S/4.00 to S/20.00 each. For this, the Meeting approved the following capitalizations:

- (i) Capitalization of results from exposure to inflation as of December 31, 2004 accumulated of capital stock and investment shares amounting to S/96,858,000 (US\$28,230,000). As of capitalization date, results from exposure to inflation was included as part of capital stock. As a consequence, no additional movement was required in the consolidated statement of changes in shareholders' equity.
- (ii) Capitalization of retained earnings amounting to S/2,108,219,000 (US\$626,421,000) increased the capital stock and investment shares accounts by US\$576,610,000 (net of treasury stock for US\$48,160,000) and US\$1,546,000 (net of treasury stock for US\$105,000), respectively.

As a result of the capitalizations, the nominal value of treasury shares (common and investment) increased from US\$14,499,000 to US\$62,764,000 (an increase of US\$48,265,000). In compliance with accounting standards, the Company shows the nominal value of treasury shares net of the capital stock. See note 26 (b).

### (f) Stock Split -

In the General Shareholders Meeting held March 27, 2008, shareholders agreed that once the capitalization of retained earnings described in paragraph (e) and registered in Peru's public registries, these would be split by changing the nominal value of common and investment shares from S/20.00 to S/10.00.

The Board of Directors in its session of July 1, 2008 agreed on the schedule to carry out this splitting of Company shares. According to this schedule, the date of registration of the operation was July 18, 2008. As from July 21, 2008 the Lima Stock Exchange traded the new number of shares effective as of such date (254,442,328 shares made up by 253,759,664 common shares and 682,664 investment shares) and as from July 23, 2008 the New York Stock Exchange did the same.

### 16. Tax Situation

(a) The Company and its subsidiaries are subject to the Peruvian tax system. As of December 31, 2008, the income tax rate was 30 percent on taxable income

Legal entities and individuals not domiciled in Peru are subject to an additional tax of 4.1 percent on the dividends received.

(b) During the four years following the year of filing tax returns the tax authorities have the power to review and, as applicable, correct the income tax computed by the Company. The Income Tax and Value Added Tax (IGV) returns for the following years are open to review by Tax Authorities:

### **Entity**

### Years open to review by Tax Authorities

Compañía de Minas Buenaventura S.A.A.	2006, 2007 and 2008
Buenaventura Ingenieros S.A.	2004, 2005, 2006, 2007 and 2008
Compañía de Exploraciones, Desarrollo e Inversiones	
Mineras S.A.C. – CEDIMIN	2004, 2005, 2006, 2007 and 2008
Compañía Minera Condesa S.A.	2004, 2005, 2006, 2007 and 2008
Compañía Minera Colquirrumi S.A.	2004, 2005, 2006, 2007 and 2008
Consorcio Energético de Huancavelica S.A.	2004, 2005, 2007 and 2008
Contacto Corredores de Seguros S.A.	2004, 2005, 2006, 2007 and 2008
Inversiones Colquijirca S.A.	2004, 2005, 2006, 2007 and 2008
Sociedad Minera El Brocal S.A.A.	2004, 2005, 2006, 2007 and 2008
Minas Conga S.R.L.	2004, 2005, 2006, 2007 and 2008
S.M.R.L. Chaupiloma Dos de Cajamarca	2004, 2006, 2007 and 2008
Minera La Zanja S.R.L.	2004, 2005, 2006, 2007 and 2008

Due to the possible interpretations that the Tax Authorities may give to legislation in effect, it is not possible to determine whether or not any of the tax audits that will perform will result in increased liabilities for the Company. For that reason any tax or surcharge that could arise from future tax audits would be applied to the income of the period in which it is determined. However, in Management's opinion, any possible additional payment of taxes would not have a material effect on the consolidated financial statements as of December 31, 2008.

### Buenaventura -

Buenaventura's Income Tax Returns for the 2000 and 2003 periods have been audited by Tax Authorities. As a result of the aforesaid, the Tax Administration has issued assessments denying recognition of Buenaventura's tax-loss carryforwards reported as of December 31, 2000 and 2003 amounting to S/177,822,000 (US\$51,828,000) and S/49,652,000 (US\$14,472,000), respectively. The principal objection is against having considered certain non-taxable income – dividends and income originating from application of the equity accounting method – as taxable income for the purpose of determining tax-loss carryforwards. In Management's opinion, this interpretation has no legal basis, for which reason Buenaventura could obtain a favorable result in the tax claim procedure initiated against the above-mentioned assessments.

During the year 2007, Buenaventura's Income Tax Returns for the 2004 and 2005 periods were audited by the Tax Administration. As consequence of the aforementioned, the Tax Administration issued assessments denying recognition of deductions of S/92,274,000 (US\$31,450,000) for 2004 and S/119,785,000 (US\$40,827,000) for 2005. The principal objection was against the recognition the deferred income from the sale of future production as taxable income when Buenaventura delivered the ounces of gold committed. In the opinion of Buenaventura's Management, this interpretation has no legal basis, for which reason Buenaventura would obtain a favorable result in the tax claim procedure initiated against the above-mentioned assessments.

### Cedimin .

Cedimin's Income Tax Return for the 2002 period has been audited by the Tax Administration. As a result, the Tax Administration has issued assessments modifying the tax-loss carryforward declared by Cedimin. The principal objection is against having considered Cedimin's loss of S/27,129,000 (US\$7,907,000) on the sale of Minera Huallanca S.A.C. and Minera Yanaquihua S.A shares as non-deductible. In the opinion of Cedimin's Management, this interpretation has no legal basis, for which reason Cedimin would obtain a favorable result in the tax claim procedure initiated against the above-indicated assessment.

### Condesa -

Condesa's Income Tax Returns for the 2000, 2001 and 2003 periods have been audited by the Tax Administration. As a result of the aforesaid, the Tax Administration has issued assessments reducing the tax-loss carryforwards from previous years, which Condesa had reported in those periods, by S/1,359,000 (US\$396,000), S/16,087,000 (US\$4,545,000) and S/13,892,000 (US\$4,049,000) respectively. In addition, with respect to the 2001 Income Tax Return, the Tax Administration has issued a resolution determining a tax omission of S/1,153,000 (US\$336,000) and a resolution imposing a fine of S/573,000 (US\$167,000), mainly as consequence of the reduction of the tax loss originating from 2000. For these periods, the principal objection is against having considered non-taxable income (dividends) as taxable for purposes of determining the tax-loss carryforward. In the opinion of Condesa's Management, this interpretation has no legal basis, for which reason Condesa would obtain a favorable result in the tax claim procedure initiated against the above-mentioned assessments.

Sociedad Minera El Brocal S.A.A. -

The Tax Administration has audited the Income Tax Returns of Sociedad Minera El Brocal S.A.A. ("El Brocal") corresponding to the 2000 and 2003 tax period, and issued Tax Assessments Resolutions amounting to S/ 2,112,000 and S/2,292,000, respectively, due to their objection to certain expense deductions in both periods. El Brocal has not accepted the aforementioned tax assessments and, therefore, filed tax claims against them. In the opinion of El Brocal's Management, the Tax Administration's interpretation fails to have the necessary legal grounds and, consequently, the results of the tax claims are expected to be favorable to El Brocal.

(c) As of December 31, 2008 and 2007, the tax-loss carryforward determined by Buenaventura amounts to approximately \$\sigma 1,694,130,000\$ and \$\sigma 486,168,000\$, respectively (equivalent to U\$\\$539,188,000\$ and U\$\\$154,732,000\$), arising mainly from the release of the fixed prices in its commercial sales contracts. This loss can be used to offset taxable income obtained in subsequent periods without expiration. As allowed by the Income Tax Law, Buenaventura has chosen a system for offsetting this loss with an annual cap equivalent to 50 percent of net future taxable income, until exhausting this amount. The amount of the tax-loss carryforward is subject to the results of the audits mentioned in the previous paragraph (b).

Buenaventura has decided to recognize a deferred income tax asset insofar as there it is more likely than not that the tax-loss carryforward can be used to offset future net income.

## 17.

Net sales and sales commitments
The Company's revenues are mostly from sales of gold and precious metals in the form of concentrates, including silver-lead, silver-gold, zinc and lead-gold-copper concentrates and ounces of gold.
The table below presents the net sales to customers by geographic region:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Net sales by geographic region	224(000)	024(000)	024(000)
Peru	356,309	346,704	294,375
America	173,898	219,220	70,196
Europe	153,701	97,960	86,919
Asia	41,197	66,540	57,497
Africa	14,080	-	-
Oceania	7,725	279	23,459
	746,910	730,703	532,446
Services rendered			
Peru	19,693	16,318	15,626
	766,603	747,021	548,072
The table below presents the net sales to customers by product type:			
Net sales by product Gold	319,643	270,016	125,838
Silver	18,547	14,471	5,157
Silver	338,190	284,487	130,995
Concentrates:			
Gold	32,056	13,745	4,552
Silver	139,577	114,445	186,819
Zinc	112,353	174,980	169,215
Copper	34,792	3,339	577
Lead	89,942	139,707	40,288
	408,720	446,216	401,451
Services rendered			
Peru	19,693	16,318	15,626
	17,070	10,510	10,020
	766,603	747,021	548,072

(a) In March and May of 2007, Buenaventura agreed with six of its customers upon the release of commitments to commercial contracts to sell 971,000 ounces of gold at fixed prices. This agreement to release the commitments in commercial contracts resulted in Buenaventura paying these customers US\$315,726,000, with a charge to results for the period and reversing the liability for executory gold contracts of US\$129,804,000, with a credit to income of the period. The net effect amounting to US\$185,922,000 is presented in the consolidated statement of income.

In January and February of 2008, Buenaventura revised the sales contracts with other customers, to release the commitments on sales contracts to be able to sell the committed gold ounces at market prices in force between the years 2010 – 2012, in accordance with Buenaventura's gold availability.

As consequence of the aforementioned, Buenaventura was released from the obligation to sell 922,000 ounces of gold at fixed prices, varying between US\$345 and US\$451 per ounces of gold; thus, they will be sold at the market price in force on the date of the physical delivery of the gold committed.

For these transactions, Buenaventura has made a payment of US\$517,143,000 (US\$82,592,000 in January 2008 and US\$434,551,000 in February 2008, respectively) and recorded a decrease in the liability corresponding to the executory gold delivery contracts liability amounting to US\$102,008,000 with credit to income of the period. The resulting net loss of US\$415,135,000 is presented in the Net loss from release of commitments in sales contracts caption in the consolidated statements of income for the period ended December 31, 2008.

(b) As of December 31, 2008, Buenaventura has been released of commitments (related to quantity, date and price) on all the sales contracts entered into for the sale of ounces of gold.

### Embedded derivative -

The Company's sales based on a provisional sales price contain an embedded derivative, which is required to be bifurcated from the host contract. The host contract is the sale of the metals contained in the concentrates at the current spot LME price. The embedded derivative, which does not qualify for hedge accounting, is marked-to-market through earnings each period. At December 31, 2008 and 2007, the Company had consolidated embedded derivatives based on forward prices for the expected settlement dates. Final prices on these sales will be established over the next several months pursuant to terms of sales contracts. The impact of fluctuations in the forward prices used for these derivatives through the settlement date is reflected as derivative gains and losses in revenues. Concentrate sales include adjustments to the provisional sale value resulting from changes in the fair value of the embedded derivative. These adjustments resulted in reducing sales by US\$3,969,000 and US\$5,984,000 in 2008 and 2007; respectively. See note 28.

### Concentration of sales –

In 2008, the three most important customers represented 20%, 16% and 15% of total sales (22%, 14% and 10% of total sales in 2007). As of December 31, 2008, 47% of the accounts receivable are related to these customers (47% as of December 31, 2007).

# Costs of Sales, without considering depreciation and amortization The table below presents the components of this caption: 18.

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Opening balance of products in process, note 6(a)	12,333	10,286	9,346
Opening balance of finished goods, note 6(a)	7,875	6,862	16,279
Consumption of materials and supplies	64,401	49,684	41,053
Direct labor	48,264	35,853	28,154
Services provided by third parties	48,622	29,450	27,996
Transport	9,364	6,578	5,364
Electricity and water	13,988	9,836	8,767
Other production expenses	65,396	51,698	25,710
Provision for inventory impairment,			
Note 6(b)	2,652	1,968	3,788
Final balance of products in process, note 6(a)	(11,562)	(12,333)	(10,286)
Final balance of finished goods, note 6(a)	(9,529)	(7,875)	(6,862)
	251,804	182,007	149,309

## 19.

**Exploration in operating units**The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Exploration expenses			
Orcopampa	13,493	9,047	10,853
Uchucchacua	11,518	8,913	11,847
Antapite	9,684	6,017	3,275
Shila	8,261	4,780	4,908
Poracota	5,892	3,217	-
Julcani	3,808	1,491	1,881
Recuperada	2,963	2,756	1,396
Ishihuinea	1,384	1,607	4,104
	57,003	37,828	38,264

### 20.

**General and administrative expenses**The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Stock appreciation rights, note 13	(7,678)	28,666	3,634
Personnel expense	18,117	12,820	12,010
Sundry expenses	8,647	6,619	6,201
Professional fees	6,201	6,512	6,102
Allowance for doubtful accounts, note 5	5,372	-	-
Board of Directors' participation	2,091	2,072	5,940
Insurance	738	769	794
Supplies	597	433	631
Maintenance	303	589	585
Amortization of other assets	261	261	261
Rent	258	464	481
	34,907	59,205	36,639

## 21.

**Exploration in non-operating areas**The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Outside of mining units			
La Zanja Project	8,446	1,583	4,449
Mallay Project	8,002	4,279	1,802
Breapampa Project	3,259	4,256	-
El Milagro Project	2,936	6,804	1,946
Trapiche Project	2,701	3,009	2,820
la Llave Project	2,591	2,558	-
Soras Poracota Project	2,426	852	771
San Francisco Project	2,118	-	-
Hatun Orco Project	2,109	1,272	2,546
San Francisco (Argentina)	1,495	369	-
Chucapaca Project	1,786	-	-
Anamaray Project	1,051	799	324
Argentina Project	428	942	167
El Faique Project	401	748	721
Los Pircos-Cirato Project	191	1,049	3,442
Pampa Andino Project	67	481	933
Llillinta Project	27	827	-
Tinyaclla Project	5	107	4,450
Hueso Sur Project	3	360	346
Sausa Layo-Norte Project	-	1,733	3,386
Consolidado de Hualgayoc Project	-	838	-
Other minor projects	4,522	175	442
	44,564	33,041	28,545
In mining units			
Marcapunta	10,667	9,881	6,002
Recuperada	-	-	268
Other		3,485	1,375
	55,231	46,407	36,190

## 22.

**Royalties**The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Sindicato Minero de Orcopampa S.A.	18,275	15,670	12,332
Peruvian State	16,883	17,601	11,260
Minera El Futuro de Ica S.R.L.	536	707	828
	35,694	33,978	24,420

**Interest income and expense**The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Interest income			
Interest on deposits	17,524	9,120	5,534
Interest on loans	79	1,491	818
Income from liquidation of investment funds	-	1,161	1,597
Other	248	<u>-</u>	<u> </u>
	17,851	11,772	7,949
Interest expense			
Interest expenses related to third parties	(19,287)	(4,493)	(1,167)
Accretion expense, note 13	(6,265)	(2,456)	(3,535)
Prepayment penalties to early extinguishment of bank loan	(3,771)	-	-
Tax on financial transactions	(2,299)	(1,308)	(1,045)
Other	(2,312)	(357)	(201)
	(33,934)	(8,614)	(5,948)

## 24.

Other, net
The table below presents the components of this caption:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Other income			
Sale of supplies and services to third parties	5,308	160	846
Prior period reversals	1,887	1,943	127
Sale of rights	1,720	-	-
Net gain on sale of property, plant and equipment	971	237	24
Reversal of the provision for impairment of inventory, note 6(b)	16	1,049	1,389
Income from insurance proceeds	11	2,072	186
	9,913	5,461	2,572
Other expenses			
Adjustment of provision for closure of mining units and exploration projects	(10,129)	(3,682)	(9,357)
Voluntary mining contribution	(1,700)	(2,637)	(1,783)
Cost of supplies sold to third parties	(1,435)		
Provision for labor contingencies	(1,338)	(549)	(1,319)
Administrative services	(1,140)	-	-
Late and additional taxes	(711)	-	-
Services provided by third parties	(320)	-	-
Accident in Colquijirca mining unit	-	(2,696)	-
Net loss from sale of obsolete supplies	-	(1,203)	(3,173)
Depreciation			(211)
Other, net	(2,430)	(3,380)	(6,231)
	(19,203)	(14,147)	(22,074)
Net	(9,290)	(8,686)	(19,502)

Income tax and workers' profit sharing

(a) The Company and its subsidiaries recognize the effects of timing differences between the accounting basis and the tax basis. The table below presents the components of this caption, according to the items that give rise to them:

	As of January 1, 2008 US\$(000)	Credit (debit) to the consolidated statement of income		
		Income tax US\$(000)	Workers' profit sharing US\$(000)	As of December 31, 2008 US\$(000)
Deferred asset				
Tax - loss carryforward	58,116	106,091	30,751	194,958
Provision for closure of mining units, net	13,094	1,337	387	14,818
Difference in depreciation and amortization rates	7,009	3,052	885	10,946
Stock appreciation rights provision	13,458	(6,563)	(1,902)	4,993
Impairment of property, plant, machinery and equipment, and development costs	_	3,499	1,014	4,513
Embedded derivative from sale of concentrates	2,051	701	203	2,955
Environmental liability for Mina Santa Barbara	1,773	_	-	1,773
Loss from translation into U.S. dollars	7,504	(4,951)	(1,434)	,
Deferred income from sale of future production	33,192	(25,733)	(7,459)	-
Other	9,115	(1,402)	(387)	7,326
	145,312	76,031	22,058	243,401
Less – Allowance for deferred asset recoverability	(2,166)		142	(1,534)
Deferred asset	143,146	76,521	22,200	241,867

		Credit (debit) to the consolidated statement of income		
	As of January 1, 2008 US\$(000)	Income tax US\$(000)	Workers' profit sharing US\$(000)	As of December 31, 2008 US\$(000)
Deferred liability				
Amortization of development costs Other	1,332 (525)	(5,590) 128	(1,620)	(5,878)
Deferred liability	807	(5,462)	(1,581)	(6,236)
Less deferred liability recorded in equity				
Derivative financial instruments	(2,835)	(18,319)	(5,310)	(26,464)
Deferred asset, net (*)	141,118	52,740	15,309	209,167

(\*) The total amount of the deferred asset, net, includes the portion for income tax and workers's profit sharing recorded in equity by US\$18,319,000 and US\$5,310,000, respectively.

Buenaventura has not recognized deferred income tax and employee profit sharing liabilities in relation to the excess of the accounting basis over the tax basis of investments in shares due to the following:

- In the case of the Cerro Verde affiliate, Buenaventura has not recognized a deferred income tax and employee profit sharing liability for US\$47,922,000 as of December 31, 2008 (US\$50,275,000 as of December 31, 2007) given that Buenaventura Management has the intention and capacity to hold this investment until its copper reserves are depleted; in this sense, Management believes that the timing differences will be reversed by means of dividends to be received in the future that are not subject to the income tax paid by the Company.
- In the case of the Yanacocha affiliate, Buenaventura has not recognized a deferred income tax and employee profit sharing liability for US\$144,381,000 (US\$152,278,000, as of December 31, 2007) given that Buenaventura Management has the intention and capacity to hold this investment until its gold and silver reserves are depleted. Accordingly, Management believes that the timing differences will be reversed by means of dividends to be received in the future, which are not subject to the Income Tax paid by the Company.

In both cases, Buenaventura's management has the ability of reversing the temporary difference, by other manners besides dividends distributions, without any tax effects.

According the Law 972 "Law on treatment of capital gains" (Decreto legislativo sobre tratamiento de las rentas de capital) enacted in March 2007, any gain or losses originated by the sales of shares traded in the Lima Stock Exchange are not subject to income tax until January 1, 2009. Later in 2008, the Law 29308 "Law that defers the exonerations contained in the article 19° of the Law of Income tax and postpones the delivery in force of various articles and dispositions of the Law N° 972" (Ley que prorroga las exoneraciones contenidas en el articulo 19° de la Ley del Impuesto a la Renta y posterga la entrada en vigencia de varios artículos y disposiciones del Decreto Legislativo N° 972) was enacted as of December 31, 2008 and postponed it until January 1, 2010. Currently, the corresponding regulation which will provide implementation guidance has not been finalized nor approved. The new tax regulations could impact the Company's tax position and its ability to reverse the temporary difference without tax effects in the future.

(b) The table below presents the current and deferred portions of the provisions for Income Tax and employee profit sharing shown in the consolidated statement of income for the years 2008, 2007 and 2006:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Income (expense) tax revenues			
Current			
Inversiones Colquijirca S.A.	(23,548)	(54,350)	(48,752)
Compañía de Minas Buenaventura S.A.A.	-	-	(15,375)
S.M.R.L. Chaupiloma Dos de Cajamarca	(14,303)	(9,860)	(14,096)
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C - Cedimin S.A.C.	(3,933)	(2,508)	(1,288)
Consorcio Energético de Huancavelica S.A.	(1,550)	(933)	(726)
Other	(1,022)	(1,525)	(582)
	(44,356)	(69,176)	(80,819)
Deferred			
Compañía de Minas Buenaventura S.A.A.	74,252	21,409	13,904
Inversiones Colquijirca S.A.	(3,234)	3,230	2,800
Other	(17)	562	82
	71,001	25,201	16,786
Total	26,645	(43,975)	(64,033)

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Employee profit sharing income (expense) (i)			
Current			
Inversiones Colquijirca S.A.	(6,826)	(15,753)	(14,130)
Compañía de Minas Buenaventura S.A.A.:			
Current - legal	-	-	(4,444)
Current - without effect of unusual item	(7,503)	(10,322)	-
Compañía de Exploraciones, Desarrollo e			
Inversiones Mineras S.A.C - Cedimin S.A.C.	(1,143)	(727)	(374)
Consorcio Energético de Huancavelica S.A.	(272)	(164)	(127)
Other	(95)	(270)	(61)
	(15,839)	(27,236)	(19,136)
Deferred			
Compañía de Minas Buenaventura S.A.A.	21,523	6,204	4,030
Inversiones Colquijirca S.A.	(937)	936	811
Other	(22)	165	24
	20,564	7,305	4,865
Total	4,725	(19,931)	(14,271)

<sup>(</sup>i) According to Peruvian law, mining companies with more than 20 employees must have an employee profit sharing plan equivalent to 8 percent of annual taxable income. As of December 31, 2008, 2007 and 2006, S.M.R.L. Chaupiloma Dos de Cajamarca, Contacto Corredores de Seguros S.A. and Compañía Minera Condesa S.A. had less than 20 employees.

(c) During the years 2008, 2007 and 2006, the provisions posted for employee profit sharing and Income Tax in the Statement of Income were determined as follows:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Income before employee profit sharing and income tax	171,958	435,056	594,508
Combined legal rate	35.60%	35.60%	35.60%
Employee profit sharing and income tax expense according to combined legal rate	61,217	154,880	211,645
Current employee profit sharing – without effect of unusual item	7,503	10,322	-
Permanent differences:			
Effect of share in affiliated companies	(121,371)	(88,842)	(111,488)
Effect of translation to U.S dollars	6,186	-	-
Financial income from tax-exempt interest	3,609	2,699	-
Expenses not deductible for tax purposes	3,062	-	-
Gain (loss) on change in the fair value of gold certificates	-	(1,825)	1,731
Effect of the fair value of derivative contracts that were changed to commercial contracts	-	-	(27,563)
Effect of the fair value of derivative financial instruments	-	-	4,723
Other permanent items	8,424	(13,328)	(744)
Total	(31,370)	63,906	78,304

#### 26.

Basic and diluted earnings per share

(a) The composition of shares effective as of December 31, 2008 and 2007, as well as the number of shares considered in the calculation of net income per basic and diluted share, are described in detail below:

	Shares Outstanding					Number of shares (denominator in calculation of net income per basic and diluted share after stock split effect)			
	Common	Investment	Treasury	shares	Total	Common	Investment	Total	
			Common	Investment					
Balance as of January 1, 2007	137,444,962	372,320	(10,565,130)	(30,988)	127,221,164	126,879,832	341,332	127,221,164	
Shares issued as a result of stock split (note 15 (f))					<u>-</u>	126,879,832	341,332	127,221,164	
Balance as of December 31, 2007	137,444,962	372,320	(10,565,130)	(30,988)	127,221,164	253,759,664	682,664	254,442,328	
Shares issued as a result of stock split (note 15 (f))	137,444,962	372,320	(10,565,130)	(30,988)	127,221,164	126,879,832	341,332	127,221,164	
Balance as of December 31, 2008	274,889,924	744,640	(21,130,260)	(61,976)	254,442,328	253,759,664	682,664	254,442,328	

The table below presents the computation of basic and diluted earnings per share as of December 31, 2008, 2007 and 2006:

	2008	2007	2006
Net income (numerator) – US\$	153,283,000	274,761,000	428,057,000
Shares (denominator)	254,442,238	254,442,238	254,442,238
D : 1111 1 : 1 TIO	0.60	1.00	1.60
Basic and diluted earnings per share— US\$	0.60	1.08	1.68

The number of treasury shares considered in the calculation of net income per basic and diluted share, are as follow:

	Number of shares			
	Common	Investment	Total	Total US\$(000)
Balance as of January 1, 2008 and, 2007 and 2006	10,565,130	30,988	10,596,118	14,462
Increase in the per value of treasury shares	-	-	-	48,265
Shares issued as a result of stock split (note 15 (f))	10,565,130	30,988	10,596,118	-
Balance as of December 31, 2008, 2007 and 2006	21,130,260	61,976	21,192,236	62,727

#### 27. Disclosure of information on segments

International Accounting Standard (IAS) 14 requires that corporations present financial information by line of business and by geographic area. Corporations should take into account their organizational structure and internal reporting system to identify reportable segments. A business segment is a component of a corporation that provides a single product or service or a group of related products and services and that is subject to risks and returns that are different from those of other business segments. A geographic segment is a component of a corporation that provides products and services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Company's most important line of business is mining, which activities are carried out through eight companies. Management believes that these companies can be combined into a single segment (mining) as they show similar financial performance and characteristics as regards the nature of its products, the nature of the production process, the type of customers and the legal framework. The electricity, mining consultancy and insurance segments are not significant for purposes of assessing the course of the business; thus, Management believes that the Company's only reportable segment is mining.

Sales to customers are broken down by geographic location, determined based on the location of the assets.

#### 28. Derivative Financial Instruments

Derivative contracts -

Buenaventura

In March 2006, Buenaventura completed the conversion of the gold derivative contracts to normal sales contracts. A loss of US\$13,268,000 was posted in 2006 with regard to these contracts.

El Brocal

Metals-price hedging transactions -

El Brocal has a policy of carrying out transactions to hedge metals prices using derivative instruments for up to a term of 3 years, for a total of no more than 25% of the estimated metal content of its annual production each year. The El Brocal Board of Directors meeting of February 23, 2007 named a Hedging Committee to be responsible for approving all hedging transactions, after their contracting and/or execution. The Company maintains lines of credit with brokers on the London Metals Exchange (LME) and the New York Commodities Exchange (COMEX) for carrying out hedging transactions, in order to guarantee the initial and variation margins required for this type of transaction.

During 2008, El Brocal subscribed price-hedging transaction contracts to cover the future flows derived from its sales. The critical terms of the hedging transactions has been negotiated with brokers so as to agree with the terms negotiated in the commercial contracts to which they are related. The hedging of the cash flow from sales to be made in coming years has been assessed by El Brocal Management as highly effective. The effectiveness of hedging transactions has been measured by means of the cumulative cash flow change offset method, since El Brocal Management believes that this method best reflects the risk management objective with regard to hedging.

The table below presents the hedge instruments held by the El Brocal subsidiary as of December 31, 2008:

				Fair value (*)		
Metal	Monthly average amount	Total Amount	Fixed Price US\$	Period	2008 US\$(000)	<b>2007</b> US\$(000)
Zinc	675 MT	4,050	2,853	January 2009 - June 2009	5,815	2,031
Zinc	675 MT	4,050	2,679	July 2009 - December 2009	5,710	896
Zinc	675 MT	4,050		January 2010 - June 2010	5,305	733
Zinc	425 MT	2,550	2,481	July 2010 - December 2010	2,856	-
Zinc	500 MT	3,000		July 2008 - December 2008	-	2,018
Lead	675 MT	3,750		January 2009 - June 2009	5,372	562
Lead	675 MT	3,750	2,618	July 2009 - December 2009	6,118	383
Lead	675 MT	3,750	2,562	January 2010 - June 2010	5,824	425
Lead	675 MT	3,750	2,568	July 2010 - December 2010	5,550	-
Lead	300 MT	1,800	2,145	January 2011 - June 2011	1,929	-
Lead	250 MT	1,500		January 2008 – June 2008	-	428
Lead	250 MT	1,500		July 2008 - December 2008	-	488
Copper	350 MT	2,100		January 2009 - June 2009	7,165	-
Copper	875 MT	4,500	8,245	July 2009 - December 2009	22,693	<u>-</u>
Total					74,337	7,964
				Less - current portion	52,873	2,929
					21,464	5,035

# (\*) Fair value

As of December 31, 2008 and 2007, El Brocal recognized gains of US\$21,403,000 and losses of US\$454,000, with regard to hedging transactions settled in those years. These amounts are included in the "Net sales" caption of the consolidated statement of income. As of December 31, 2008, El Brocal had US\$11,314,000 in accounts receivable from brokers on the London Metals Exchange for transactions already settled, which is presented in "Other accounts receivable, net" caption of the consolidated balance sheet. US\$4,167,000 of this amount was received in January 2009.

Embedded derivative from changes of quotes in provisional commercial settlements As of December 31, 2008 and 2007, the fair value of the embedded derivative content of commercial contracts is a loss of US\$9,953,000(loss of US\$8,299,000 maintained by Bluenaventura) and US\$5,984,000 (loss of US\$5,760,000 maintained by Bluenaventura) and US\$5,984,000 (loss of US\$5,000 (l by El Brocal and a loss of US\$224,000 maintained by Buenaventura) respectively. The related liability is shown in the Embedded derivative for concentrate sales caption in the consolidated balance sheet.

Embedded derivative for concentrate sales held by Buenaventura and El Brocal as of December 31, 2008:

		<u>-</u>	Quo	Quotations			
Metal	Amount	Maturity	Provisional US\$	Future US\$	Fair value US\$(000)		
Gold	6,114 OZ	January - Mach	Between 730. 75 and 831.10	Between 759.36 and 817.70	313		
Silver	30,839 OZ	January - April	Between 9.28 and 12.35	Between 9.87 and 10.62	(189)		
Copper	22,680 MT	January - March	Between 137.27 and 233.26	Between 139.34 and 168.60	(4,569)		
Lead	33,249 MT	January - April	Between 951.70 and 1,871.57	Between 962.88 and 1,291.10	(4,165)		
Zinc	70,878 MT	January - March	Between 1,096.45 and 1,356.76	Between 1,100.57 and 1,239.75	(1,343)		
					(9.953)		

Embedded derivative for concentrate sales held by Buenaventura and El Brocal as of December 31, 2007:

			Quo	<u></u>	
Metal	Amount	Maturity	Provisional US\$	Future US\$	Fair Value US\$(000)
Zinc	85,784 MT	January - April	Between 2,241 and 3,830	Between 2,353 and 2,975	(6,655)
Lead	35,030 MT	January - April	Between 1,915 and 3,729	Between 2,549 and 3,720	959
Copper	2,586 MT	January - May	Between 6,715 and 8,008	Between 6,588 and 6,685	(64)
					(5,760)
Embedded d	derivative held by Buen	aventura			(224)
	-				
					(5,984)

As of December 31, 2008 and 2007 the changes in the fair value of embedded derivatives yielded losses of US\$3,969,000 and US\$3,724,000, respectively, and were present in the "Net sales" caption of the consolidated statement of income. The futures quotes for the dates on which it is expected to settle the open positions as of December 31, 2008 are taken from publications of the London Metals Exchange.

#### 29. Financial risk management

The Company's activities expose it to a variety of financial risks: market risks (including interest-rate risk, currency risk and the risk of changes in the prices of minerals), credit risk and liquidity risk. The Company's risk-management program seeks to reduce the potential adverse effects on its financial performance.

Company Management is knowledgeable as to the conditions prevailing in the market and, based on its knowledge and experience, controls the currency, interest-rate, credit and liquidity risks following policies approved by the Board of Directors. The most important aspects for Management of these risks are:

#### (a) Currency risk -

The Company purchases and sells its products and obtains financing for working capital and investments in U.S. dollars. The El Brocal subsidiary holds assets and liabilities denominated in Nuevos Soles; nevertheless Management believes that future fluctuations in the exchange rate for Peruvian currency against the US dollar will not significantly affect the results of the Company's future operations.

#### (b) Interest-rate risk -

The Company's exposure to this risk arises from changes in the interest rates in its financial instruments and liabilities. The Company holds financial instruments, mostly time deposits, subject to a fixed interest rate, and financial liabilities at a floating interest rate. Nevertheless, the Company does not expect to incur material losses due to interest-rate risk because its time deposits have short-term maturities and are monitored by the Management. The Company is exposed to interest rate risk primarily as a result of exposure to movements in the Libor. It is the Company preference to borrow at floating rate of interest.

#### (c) Price risk -

As of December 31, 2008, the Company is exposed to risk in the change of prices in the minerals markets. Management assesses the advisability of periodically executing or renegotiating fixed-price contracts. *Commodity* price risk is managed by maintaining a diversified portfolio of *commodities*. Hedging may be entered into only limited circumstances.

#### (d) Credit risk -

The Company conducts commercial operations only with a portfolio of local and international customers of renowned credit and solvency. The Company's policy is that all customers that wish to do business using credit are subject to credit-verification procedures. The Company's greatest credit-risk exposure is the book value of its cash, bank and time deposits, trade accounts receivable, other accounts receivable and derivative financial instruments.

With respect to the credit risk arising from the Company's other financial instruments (mainly the balances deposited in banks) the Company's credit-risk exposure due to non-fulfillment by a counterpart would at most be the book value of those financial instruments.

#### (e) Liquidity risk -

Liquidity risk arising from the inability to obtain the funds necessary to meet the Company's commitments associated with the financial instruments, including the inability to quickly sell a financial asset at a price approximating its fair value. The Company has sufficient funds to meet the commitments it has assumed; thus it believes that it has low liquidity risk.

#### (f) Capital management -

The objective of the Company's capital management is to invest in mining activities or projects that contribute to maximizing the shareholders' equity value. The management of the Company's capital is monitored by the Board of Directors. There are no externally imposed capital requirements.

#### 30. Fair value of financial instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in an ordinary transaction between parties interested in an arm's length transaction rather than a liquidation or forced sale. Information about the fair market value of the financial instruments is presented below:

Current assets and liabilities approximate their fair value due to the short-term maturities of these financial instruments.

The fair value of long-term debt approximates its book value because is subject to a floating interest rate (Libor).

#### 31. Commitments and contingencies

#### (a) Environmental -

The Company's exploration and exploitation activities are subject to environmental protection standards, in compliance with which the Company has filed preliminary environment assessments and Environmental Adjustment and Management Programs (PAMA) for its mining units. The Ministry of Energy and Mines has approved the PAMA presented by the Company for its Uchucchacua, Julcani, Orcopampa and Huachocolpa mining units. As of December 31, 2006, the PAMA for the Uchucchacua, Julcani and Orcopampa mining units had been completed.

Law 28090 was promulgated on October 14, 2003 to rule the obligations and procedures that must be met by the holders of mining activities for the preparation, filing and implementation of Mine Closure Plans, as well as the establishment of the corresponding environmental guarantees to secure fulfillment of the investments that this includes, subject to the principles of protection, preservation and recovery of the environment. On August 15, 2005 the Law's regulations were approved. According to their first transitory disposition, closure plans approved prior to enactment of the regulations must be adjusted to the new provisions within a term no greater than nine months starting from their publication. During the year 2006, in compliance with this Law, the Company completed the Mine Closure Plan assessments for its mining units. To the date of this report, these Mine Closure Plans are pending approval by the Ministry of Energy and Mines.

In 2008, the Company made disbursements of US\$8,186,000 (US\$3,471,000 and US\$4,549,000 during the years 2007 and 2006, respectively), related to activities included in the mine closure budgets. As of December 31, 2008, the Company has recognized liabilities amounting to US\$83,485,000 (US\$57,889,000 as of December 31, 2007) related to its obligations for the future closure of mining units, see note 13.

On July 2, 2004 the Congress of the Republic passed Law No. 28271 "Law that Regulates the Environmental Liabilities of Mining Activities". This Law has the objectives of ruling the identification of mining activity's environmental liabilities and financing the remediation of the affected areas. According to this law, environmental liabilities refer to the impact caused to the environment by abandoned or inactive mining operations. Company's Management is currently conducting an inventory of the abandoned or inactive areas where the Company has previously carried out some mining works, in order to be able to determine the remediation and closure activities that must be performed. On December 7, 2005, the corresponding regulations were approved, and mining companies were given one year to estimate the amount of their environmental liabilities and to file a mine closure plan. According to these regulations, the Ministry of Energy and Mines had to prepare a preliminary inventory of environmental liabilities, identifying one responsible party for each remediation area. This inventory was published by means of Ministerial Resolution No.290-2006 issued June 15, 2006 and the holders of the mining concessions were given sixty days to identify new liabilities and to make the corresponding objections.

The Company reconciled the areas identified by the Ministry of Energy and Mines to those identified in its own records and proceeded to estimate its liabilities, posting an operating expense of US\$6,764,000 (US\$4,980,000 related to the Santa Barbara unit and US\$1,784,000 related to the Buenaventura operating units) as of December 31, 2006. The mine closure plans were prepared by an independent expert authorized by the Ministry of Energy and Mines. The Company expects to settle these liabilities over the next three years.

The Company believes that the liabilities posted are sufficient to comply with the environmental regulations in effect in Peru.

#### (b) Leased concessions -

Sindicato Minero Orcopampa S.A. -

The Company pays 10 per cent on the valued production of mineral obtained from the concessions leased by Sindicato Minero Orcopampa S.A. This concession is in force until the year 2043.

#### Minera El Futuro de Ica S.R.L. -

INMINSUR entered into a contract with Minera El Futuro de Ica S.R.L. to operate leased mining concessions in the department of Arequipa. The contractual terms establish that the lease is subject to payment of a royalty equivalent to seven percent of the monthly value of the sale of concentrates. The contract will be in force until the year 2015.

The total expense for mining royalties, amounting to US\$18,811,000 in 2008 (US\$16,377,000 and US\$13,160,000 in 2007 and 2006, respectively), is shown as an operating expense in the consolidated statement of income, see note 22.

#### (c) Legal and tax procedures -

#### **Buenaventura's legal procedures**

Buenaventura is a party in legal procedures that have arisen in the normal course of its activities; nevertheless, in the opinion of Buenaventura's Management, none of these procedures, individually or as a whole, would result in material contingencies.

#### Yanacocha's judicial procedures

Mercury spill in Choropampa -

In June 2000, a transport contractor of Yanacocha spilled approximately 151 kilograms of elemental mercury near the town of Choropampa, Peru, which is located 85 kilometers southwest of the Yanacocha mine. Elemental mercury is not used in Yanacocha's operations but is a by-product of gold mining and was sold to a Lima firm for use in medical instrument and industrial applications. A comprehensive health and environmental remediation program was undertaken by Yanacocha in response to the incident. In August 2000, Yanacocha paid under protest a fine of S/1,740,000 (approximately US\$0.5 million) to the Peruvian government (Ministry of Energy and Mines). Yanacocha has entered into settlement agreements with a number of individuals impacted by the incident. As compensation for the disruption and inconvenience caused by the incident, Yanacocha entered into agreements with and provided a variety of public works in the three communities impacted by this incident. Yanacocha cannot predict the likelihood of additional expenditures related to this matter.

Yanacocha, and other defendants have been named in lawsuits filed by approximately 1,100 Peruvian citizens in Denver District Court for the State of Colorado. These actions seek compensatory damages based on claims associated with the elemental mercury spill incident. The parties in these cases agreed to submit these matters to binding arbitration. In October 2007, the parties to the arbitration entered a court-approved settlement agreement, resolving most of these cases.

Additional lawsuits relating to the Choropampa incident were filed against Yanacocha in the local courts of Cajamarca, Peru, in May 2002 by over 900 Peruvian citizens. A significant number of the plaintiffs in these lawsuits entered into settlement agreements with Yanacocha prior to filing such claims. In April 2008, the Peruvian Supreme Court upheld the validity of these settlement agreements, which should result in the dismissal of all claims brought by previously settled plaintiffs. Yanacocha had also entered into settlement agreements with approximately 350 additional plaintiffs.

The claims asserted by approximately 200 plaintiffs remain. Yanacocha can not reasonably predict the final outcome or estimate the possible loss relating to such claims. It is estimated that the maximum amount of additional expense related to these demands would be US\$1,500,000.

#### Conga -

Yanacocha is involved in a dispute with the Provincial Municipality of Celendin regarding the authority of that governmental body to regulate the development of the Conga project. In 2004, the Municipality of Celendin enacted an ordinance declaring the area around Conga to be a mining-free reserve and naturally protected area. Yanacocha has challenged this ordinance by means of two legal actions, one filed by Yanacocha (as the lease holder of the Conga mining concessions) and one filed by Minera Chaupiloma (as the titleholder of the Conga mining concessions). In August 2007, a Peruvian Court of first instance upheld Chaupiloma's claim, stating that the Municipality of Celendin lacks the authority to create natural protected areas. The Municipality of Celendin has not appealed the ruling. Based on legal precedent established by Peru's Constitutional Tribunal and the foregoing resolution of the Chaupiloma claim, it is reasonable to believe that Yanacocha's mining rights will be upheld.

#### Hacienda Los Negritos-

In October 2002, Yanacocha was sued by Grimaldina Malpica Rojas ("the plaintiff"), seeking: (i) the repossession of the "Los Negritos" property, which is currently held and utilized by Yanacocha, and (ii) a payment for damages of up to US\$65 million. In July 2008 the Court dismissed this claim and the ruling was not appealed by the plaintiff.

#### Raños del Inca -

In September 2006 the Municipality of Baños del Inca issued a declaration designating an area that includes the Carachugo Expansion and San Jose Projects as reserved and protected areas. Based on previous experience and actions taken by the Constitutional Tribunal (Peru Court of Last instance for Constitutional issues) in respect of Cerro Quilish in which it was ruled that such declaration did not affect Yanacocha's mining rights, Yanacocha believes that Baños del Inca's declaration, should not impact Yanacocha's legal rights to exploit these concessions.

In March 2008, Lima Court rejected a Baños del Inca Municipality request which not recognized Lima's Jurisdiction. The legal proceeding is currently pending resolution in Lima's Court of First Instance.

#### San Pablo -

In February 2007 the Municipality of San Pablo issued an ordinance designating an area that includes Las Lagunas and Pozo Seco as reserved and protected areas, where Yanacocha has mining rights. Based on previous experience and actions taken by the Constitutional Tribunal in respect of Cerro Quilish in which it was ruled that such declaration did not affect Yanacocha's mining rights, Yanacocha believes that San Pablo's declaration, should not impact Yanacocha's legal rights to exploit these concessions. Yanacocha has challenged this ordinance on the grounds that, under Peruvian law, local governments lack the authority to create such areas, denying the rights granted by Yanacocha's mining concessions. The Court in the first instance rejected the complaint based on formal grounds. The resolution of the Court was appealed and such appeal is currently pending resolution in Lima's Court of Second Instance.

In November 2008, Lima's Court confirmed the ruling from the First Instance, rejecting the case based on formal ground. A constitution complaint has been submitted to the Constitutional Court and is currently pending resolution.

#### Tax procedures -

As of December 31, 2008, the Tax Authority had audited the tax returns from the period 2004 forward. As a result of these audits, the Tax Authority issued certain assessments, with which Yanacocha and its legal advisers do not agree. For 2004 and 2006, Yanacocha has paid US\$11,500,000 and US\$7,600,000, respectively, with the objective of preventing the accrual of interest and fines generated on the assessments proposed, which are of a timing nature. It should be mentioned that the assessments relate to the timing of certain deductible expenses. Yanacocha has posted a provision for financial purposes for an amount that represents Management's best estimate of the income tax expense resulting from these tax audits. In the opinion of Yanacocha's Management, resolution of the income tax controversy will not have a material effect on the financial statements or on Yanacocha's liquidity.

#### 32. Transactions with affiliates

The Company has carried out the following transactions with affiliates in the years 2008, 2007 and 2006:

### S.M.R.L. Chaupiloma Dos de Cajamarca ("Chaupiloma") -

This company is the owner of the mining claims operated by Yanacocha, in consideration for which it receives royalties of three percent of the sales made by Yanacocha. In 2008, these royalties amounted to US\$48,760,000(US\$34,014,000 and US\$48,475,000 in 2007 and 2006, respectively) and is presented in the *Royalty income* caption in the consolidated statement of income.

# Compañía Minera Condesa S.A. ("Condesa") -

In 2008, Yanacocha granted approximately US\$257,536,000 (US\$43,650,000 and US\$209,520,000 in 2007 and 2006, respectively) in cash dividends to Condesa.

#### Sociedad Minera Cerro Verde S.A.A. ("Cerro Verde") -

In 2008, Buenaventura received the amount of US\$156,067,000 (US\$114,694,000 in the year 2007) in cash dividends from Cerro Verde.

# Buenaventura Ingenieros S.A. ("Bisa") -

Starting from July 2007, Bisa participates in the bidding for the execution of specific work orders for Minera Yanacocha S.R.L..

The income related to these services amounted to approximately US\$1,144,000 in 2008 (US\$4,002,284 and US\$5,163,100 in 2007 and 2006, respectively). These amounts are presented in the *Net sales* caption in the consolidated statement of income.

#### Consorcio Energético de Huancavelica S.A. ("Conenhua") -

In November 2001, Conenhua entered into a contract with Yanacocha for providing electrical energy transmission and works operation services for a term of ten years, for which an annual compensation of US\$3.7 million was set. The income related to this service during the year 2008 amounted to approximately US\$4,788,000 (US\$4,407,000 and US\$3,873,000 in 2007 and 2006, respectively) and is presented in the *Net sales* caption in the consolidated statement of income.

As a result of the transactions indicated above and other minor ones, the Company has the following accounts receivable from affiliates:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Minera Yanacocha S.R.L.	12,118	14,307
Other	993	113
	13,111	14,420

#### 33. Summary of significant differences between accounting principles followed by the Company and U.S. generally accepted accounting principles

#### Differences in preparation

The Company's consolidated financial statements have been prepared in accordance with Peruvian GAAP which differs in certain respects from U.S. GAAP. The effects of these differences are reflected in Note 34 and are principally related to the items discussed in the following paragraphs:

#### Shares in Yanacocha and Cerro Verde

Peruvian GAAP – In the consolidated financial statements, Yanacocha and Cerro Verde are accounted for by the equity method. The consolidated results and shareholders' equity include the participation in Yanacocha and Cerro Verde which are obtained from their financial statements prepared following Peruvian GAAP, modified to recognize the current accounting policies of Buenaventura.

U.S. GAAP – The consolidated results and shareholders' equity under U.S. GAAP include the shares in Yanacocha and Cerro Verde obtained from those entities financial statements prepared in accordance with U.S. GAAP.

#### Deferred Income Tax

Peruvian GAAP – Under paragraph 70 of IAS 1, Presentation of Financial Statements, deferred tax assets and liabilities are always classified as non-current assets or liabilities.

U.S.GAAP – Deferred income tax liabilities and assets shall be classified as current or non-current based on the classification of the related asset or liability for financial reporting purposes.

Under Peruvian GAAP, IAS 12 – Income Taxes, the Company must consider the effect on the deferred income tax and workers' profit sharing generated by maintaining book basis in U.S. dollars and a tax basis in Nuevos Soles (for tax purposes, the functional currency is Nuevos Soles). US GAAP, FAS 109 - Accounting for Income Taxes, prohibits the recognition of a deferred tax liability or asset for differences related to non-monetary assets and liabilities that, under FASB 52 "Foreign Currency Translation", are remeasured from the local currency into the functional currency using historical exchange rates and that result from changes in exchange rates. Therefore, the deferred income tax recorded under Peruvian GAAP has been included as a reconciliation item, see note 34.

#### Workers' profit sharing

Peruvian GAAP – Workers' profit sharing expense (income) is separately presented in the consolidated statements of income in a similar way as income tax expense (income). Also, deferred workers' profit sharing asset (liability) is separately presented in the consolidated balance sheets in a similar way as deferred income tax assets (liabilities).

U.S. GAAP – The practice is to recognize the workers' profit sharing expense (income) as part of operating expense (income). Also, deferred workers' profit sharing assets (liabilities) shall be classified as current or non-current based on the classification of the related assets or liability for financial reporting purposes.

See also discussion on recognition of deferred tax liability or asset arising from remeasurement from the local currency into the functional currency in the section Deferred Income Tax above.

#### Equity accounts translation

Peruvian GAAP – Under Peruvian GAAP, based on IAS 21 - The Effects of Changes in Foreign Exchange Rates, when there is a change in an entity's functional currency, the entity shall apply the translation procedures applicable to the new functional currency prospectively from the date of the change using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost. Therefore, for Peruvian GAAP purposes, the Company has translated equity accounts into U.S. dollars using the exchange rate as of December 31, 2005 when it changed its functional currency from Peruvian Soles to U.S. dollars.

U.S. GAAP – Under U.S. GAAP, based on FAS 52 - Foreign Currency Translation, equity accounts should be translated into U.S. dollars using historical exchange rates. The cumulative translation loss amounts to US\$19,323,000 (US GAAP) and US\$34,075,000 (Peru GAAP) as of December 31, 2008 and 2007. It has no effect on total equity as of December 31, 2008 and 2007.

#### Acquisition of minority interests

Peruvian GAAP – Buenaventura acquired minority interests in its subsidiaries INMINSUR in 2006 and El Brocal in 2008. IFRS 3, Business Combinations, states that the acquisition of a minority interest is not a business combination; therefore, Buenaventura has recorded the difference between the cost of acquisition and the book value of the minority interests acquired as Mining Rights (the "Parent entity extension method"). This is an acceptable method of accounting for acquisition of minority interests.

US GAAP – Under SFAS No. 141, Business Combinations, the acquisition of some or all of the non-controlling interests in a subsidiary is not a business combination. However, paragraph 14 of this Statement specifies that such acquisition - whether acquired by the parent, the subsidiary itself, or another affiliate - shall be accounted for using the purchase method. Any difference between the cost of acquisition and the fair value of the minority interest acquired was recorded as Mining Rights. The difference between the book value and the fair value of the net assets acquired in INMINSUR and El Brocal, are immaterial and are not presented as a reconciliation item between Peruvian GAAP and US GAAP.

#### Impairment of long-term assets

Peruvian GAAP – Under Peruvian GAAP, based on IAS 36 – Impairment loss is calculated by comparing the net carrying amount of the asset to its recoverable amount, which is the higher of its value in use or fair value less costs to sell. Under IAS 36 the provision amounted US\$18,610,000 for the year ended December 31, 2008.

U.S. GAAP – Under U.S. GAAP, FAS 144 – Accounting for the impairment or disposal of long-lived assets, Impairment is considered to exist if total estimated undiscounted cash flows are less than the carrying amount of the asset and an impairment loss is then measured as the amount by which the carrying value of the asset exceeds its fair value. Once recognized, an impairment loss is not reversed. Under FAS 144 the provision amounted US\$15,843,000 as of December 31, 2008.

### Differences in presentation

#### Presentation of minority interests

Under Peruvian GAAP, based on IAS 1 - Presentation of Financial Statements, minority interests should be presented within equity, but separate from the parent shareholders' equity.

Under U.S. GAAP, minority interests shall be presented outside equity, between liabilities and equity. Consequently, minority interest has been included as a reconciliation item, see note 34.

#### Presentation of royalties and unusual item related to net loss from release of commitments in commercial contracts

Peruvian GAAP – Royalties granted to the Peruvian State and third parties amounting to US\$35,694,000, US\$33,978,000 and US\$24,420,000 in 2008, 2007 and 2006, respectively, as well as the unusual item related to net loss from release of commitments in commercial contracts amounting to US\$415,135,000 and US\$185,922,000 in 2008 and 2007, respectively, are presented as part of operating expenses.

US GAAP – The royalties above mentioned must be presented as part of operating costs, affecting the gross margin. The presentation of the loss on the derivative contracts as unusual item is not permitted.

Reconciliation between net income and shareholders' equity determined under Peruvian GAAP and U.S. GAAP
Until December 31, 2005, the Company had designated Peruvian Nuevos Soles as its functional and reporting currency. Effective January 1, 2006, the functional and reporting currency of the Company is U.S. dollar for Peruvian GAAP and U.S. GAAP purposes. The methodology of translation from Nuevos Soles into U.S. dollars and the reasons supporting this change are described in note 2(f) of the consolidated financial statements.

The following is a summary of the adjustments to net income for the years ended December 31, 2008, 2007 and 2006 and to shareholders' equity as of December 31, 2008 and 2007 that would be required if U.S. GAAP had been applied instead of Peruvian GAAP in the consolidated financial statements:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Net Income under Peruvian GAAP	153,283	274,761	428,057
Items increasing (decreasing) reported net income			
Deferred Income tax and workers' profit sharing arising from having a functional currency			
different from the currency used for tax purposes	6,385	(4,968)	(3,381)
Share in investment in affiliate	(1,301)	(44,356)	-
Provision for impairment of long-term assets	2,767	-	-
Other	32	32	32
Deferred Income tax and workers' profit sharing assets, net	(996)	(11)	(11)
Net adjustments	6,887	(49,303)	(3,360)
Net income under U.S. GAAP	160,170	225,458	424,697
Other comprehensive income (loss)			
Investments in shares held at fair value	(40)	61	28
Financial Investments maintained at fair value	-	798	834
Realization of accumulated gain on financial instruments available-for-sale	-	(1,633)	-
Unrealized gain on derivate financial instruments held by subsidiary	14,644	1,518	-
Other	<u> </u>	<u> </u>	374
Total comprehensive income under U.S. CAAD	174 774	226 202	125 022
Total comprehensive income under U.S. GAAP	174,774	226,202	425,933

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)	
cumulated other comprehensive income (loss) under U.S. GAAP				
estments in shares maintained at fair value	118	158	98	
ancial Investments maintained at fair value	-	-	834	
nulative translation loss	(34,075)	(34,075)	(34,075)	
realized gain on derivate financial instruments held by subsidiary	16,162	1,518	-	
er	643	643	643	
al accumulated other comprehensive loss under U.S. GAAP	(17,152)	(31,756)	(32,500)	
sic and diluted income per share under U.S. GAAP	0.63	0.89	1.67	
	<b>2008</b> US\$(000	2007 US\$(0		
Shareholders' equity according to the financial statements under Peruvian GAAP	1,728,	992 1,58	0,216 1,30	00,506
Items increasing (decreasing) reported shareholder's equity				
Minority interest presented within equity under Peruvian GAAP	(197,	391) (16:	5,614)	91,437
Share in investment in affiliate	(45,	657) (4-	4,356)	-
Deferred income tax and worker's profit sharing arising from having a functional curren	ıcy			
different from the currency used for tax purposes	(1,	119) (	8,923)	(3,381)
Provision for impairment of long-term assets, net	(1,2	287)	(527)	(559)
Deferred income tax and workers' profit sharing assets, net		176	188	199
Shareholders' equity according to the financial statements under U.S. GAAP	1,486,	288 1,36	0,984 1,2	05,328

The following is a roll forward of the components of shareholders' equity under U.S. GAAP:

	US\$(000)
Shareholders' equity under U.S. GAAP at January 1, 2006	839,162
Net Income in accordance with U.S. GAAP	424,697
Declared and paid dividends	(59,767)
Other	374
Financial Investments held at fair value	834
Investments in shares held at fair value	28
Characteristics of the LLC CAAD AD	1 205 220
Shareholders' equity under U.S. GAAP at December 31, 2006	1,205,328
Net Income in accordance with U.S. GAAP	225,458
Declared and paid dividends	(69,972)
Financial Investments held at fair value	(835)
Investments in shares held at fair value	61
Unrealized gain on derivate financial instruments held by subsidiary	1,518
Other	(574)
CL LIL / L LUC CLAD AD L 24 4005	1 260 004
Shareholders' equity under U.S. GAAP at December 31, 2007	1,360,984
Net Income in accordance with U.S. GAAP	160,170
Declared and paid dividends	(50,888)
Investments in shares held at fair value	(40)
Unrealized gain on derivate financial instruments held by subsidiary	14,644
Other	1,418
Shareholders' equity under U.S. GAAP at December 31, 2008	1,486,288

1166(000)

FASB Interpretation N° 48, "Accounting for Uncertainty in Income Taxes" (FIN 48)
On January 1, 2007 the Company adopted FASB Interpretation N° 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) an interpretation of FASB Statement N° 109, "Accounting for Income Taxes". FIN 48 clarifies the accounting and reporting for uncertainties in the application of the income tax laws to the Company's operation. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 had no impact on the Company's financial statements.

#### SFAS No. 157, "Fair Value Measurements"

On January 1, 2008 the Company adopted SFAS No. 157, "Fair Value Measurements" which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 does not require any new fair value measurements under U.S. generally accepted accounting principles (GAAP); rather this statement establishes a common definition of fair value, provides a framework for measuring fair value under U.S. GAAP and expands disclosure requirements about fair value measurements.

The Company adopted SFAS No. 157 for financial assets and liabilities recognized at fair value on a recurring basis effective. The following table list the financial assets and liabilities that are recorded at fair value and the valuation method used as of December 31, 2008:

Category	Valuation Method	Balance as of December 31, 2008 asset (liability)
Derivative financial instruments, note 28	Quoted market prices	US\$74,337,000
Embedded derivatives, note 28	Quoted market prices	US\$(9,953,000)

#### 35. Recently Issued Accounting Pronouncements

#### Fair Value Measurements -

In February 2008, FASB issued FASB Staff Position (FSP) No. FAS 157-2, which delays the effective date of SFAS No. 157 for nonfinancial assets or liabilities that are not required or permitted to be measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those years.

#### Business Combinations -

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R) which amends SFAS No. 141, and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any non controlling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (revised 2007) is effective for business combinations for which the acquisition date is January 1, 2009 or later and is to be applied prospectively. Early adoption is prohibited. The adoption of FAS 141R will have on impact on the Company's financial statements depending on whether the Company enters into business combination transaction in the future.

#### Noncontrolling Interests in Consolidated Financial Statements -

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" (SFAS No. 160) – which establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the no controlling interest, changes in a parent's ownership interest, and the valuation of any retained no controlling equity investment when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the no controlling owners. SFAS No. 160 is effective for the Company's fiscal year beginning January 1, 2009 with early adoption prohibited. This statement is required to be adopted prospectively, except for the following provisions, which are expected to be applied retrospectively: (i) the reclassification of noncontrolling interests to equity in the consolidated balance sheets and (ii) the adjustment to consolidated net income to include net income attributable to both the controlling and noncontrolling interests. The adoption of FAS 160 will have on impact on the Company's financial statements depending on whether the Company enters into such transaction in the future.

#### Disclosures about Derivative Instruments and Hedging Activities -

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 amends the disclosure requirements for derivative instruments and hedging activities contained in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under SFAS No. 161, entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS No. 161 encourages, but does not require disclosure for earlier periods presented for comparative purposes at initial adoption. The adoption of SFAS No. 161 will not affect significantly the Company's accounting for derivative financial instruments; however, the Company is currently evaluating the impact on its related disclosures.

# Interim Disclosures about Fair Value of Financial Instruments -

In April 2009, FASB issued FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments", which provides enhanced guidance on an fair value disclosures. FSP No. FAS 107-1 and APB 28-1 requires that an entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by Statement 107. Fair value information disclosed in the notes shall be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position. This rule is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of FSP No. FAS 107-1 and APB 28-1 will not have a material impact on the Company's 2008 financial reporting and disclosures.

#### Recognition and Presentation of Other-Than-Temporary Impairments -

In April 2009, FASB issued FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2, "Recognition and Presentation of Other-Than-Temporary Impairments", which provides enhanced guidance on recognition and presentation. FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2 requires to determine whether the holder of an investment in a debt or equity security for which changes in fair value are not regularly recognized in earnings (such as securities classified as held-to-maturity or available-for-sale) should recognize a loss in earnings when the investment is impaired. An investment is impaired if the fair value of the investment is less than its amortized cost basis.

In addition, an entity shall disclose information for interim and annual periods that enables users of its financial statements to understand the types of available-for-sale and held-to maturity debt and equity securities held, including information about investments in an unrealized loss position for which an other-than-temporary impairment has or has not been recognized. In addition, for interim and annual periods, an entity shall disclose information that enables users of financial statements to understand the reasons that a portion of an other-than-temporary impairment of a debt security was not recognized in earnings and the methodology and significant inputs used to calculate the portion of the total other-than-temporary impairment that was recognized in earnings. This rule is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2 will not have a material impact on the Company's 2008 financial reporting and disclosures but could affect the Company in the future.

# Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly -

On 9 April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4 or the FSP). FSP 157-4 amends FASB Statement No. 157, Fair Value Measurements (Statement 157 or the Statement) to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The FSP also provides additional guidance on circumstances that may indicate that a transaction is not orderly. This rule is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The adoption of FSP No. FAS 157-4 will not have a material impact on the Company's 2008 financial reporting and disclosures but will impact the Company in the future.

# CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2008

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US\$ = Dólares estadounidenses

Dongo-Soria, Gaveglio y Asociados Sociedad Civil Firma Miembro de PricewaterhouseCoopers

### REPORT OF THE INDEPENDENT REGISTERED AND CERTIFIED PUBLIC ACCOUNTING FIRM

February 16, 2009

To the Partners and the Executive Committee of **Minera Yanacocha S.R.L.** 

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in consolidated partners' equity and consolidated cash flows, present fairly, in all material respects, the financial position of **Minera Yanacocha S.R.L.** at December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company charged its method of accounting for uncertain tax position effective January 1, 2007, and charged its method of accounting for stripping costs incurred during the production phase effective January 1, 2006.

Countersigned by

/s/ FERNANDO GAVEGLIO

(partner)

Fernando Gaveglio Peruvian Certified Public Accountant Registration No.01-19847

# CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,						
	2008			2007		2006	
	(dollars in thousands)						
Revenues	\$	1,612,618	\$	1,093,347	\$	1,543,212	
Costs and expenses							
Costs applicable to sales (exclusive of Amortization and Accretion shown separately below)		659,867		506,261		468,027	
Amortization		169,131		159,148		171,730	
Accretion expense		9,919		8,850		7,222	
Exploration and advanced projects		28,151		28,234		32,254	
Other expenses, net (Note 3)		76,673		75,019		107,013	
		943,741		777,512		786,246	
Other income (expense), net							
Other income, net (Note 4)		11,239		15,877		19,202	
Interest expense, net of capitalized interest of \$5,002, \$11,696 and \$4,146, respectively		(7,597)		(3,179)		(12,377)	
		3,642		12,698		6,825	
Income before income tax		672,519		328,533		763,791	
Income tax expense (Note 5)		(196,057)		(107,044)		(238,343)	
Net income	\$	476,462	\$	221,489	\$	525,448	

# CONSOLIDATED BALANCE SHEETS

	At Dec	At December 31,			
	2008		2007		
	(dollars i	n thous	sands)		
ASSETS					
Cash and cash equivalents	\$ 157,526		288,376		
Accounts receivable (Note 6)	45,538		57,506		
Due from related parties (Note 12)	2,142		152		
Inventories (Note 7)	75,328		85,523		
Stockpiles and ore on leach pads (Note 8)	126,191		86,624		
Deferred income tax assets (Note 5)	8,746		8,746		
Other current assets (Note 9)	19,531		14,385		
Current assets	435,002		541,312		
Property, plant and mine development, net (Note 10)	1,293,716		1,182,774		
Long-term ore on leach pads (Note 8)	147,998		165,701		
Other long-term assets	15,247		6,097		
Total assets	\$ 1,891,963		1,895,884		
LIABILITIES					
Current portion of long-term debt (Note 11)	\$ 27,283		22,724		
Accounts payable	77,094		35,234		
Due to related parties (Note 12)	18,215		15,827		
Workers' profit participation (Note 13)	32,839		24,530		
Income tax payable	24,804		4,777		
Other current liabilities (Note 14)	87,496		65,626		
Current liabilities	267,731		168,718		
Long-term debt (Note 11)	178,335		195,387		
Reclamation and remediation liabilities (Note 15)	174,024		146,367		
Deferred workers' profit participation (Note 13)	9,652		9,355		
Deferred income tax liabilities (Note 5)	42,043		44,728		
Other long-term liabilities	7,391		5,004		
Total liabilities	679,176		569,559		
Commitments and contingencies (Note 19)					
PARTNERS' EQUITY					
Partners' contributions	398,216		398,216		
Additional contributions	226		226		
Retained earnings	814,345		927,883		
Total partners' equity (Note 16)	1,212,787		1,326,325		
Total liabilities and partners' equity	\$ 1,891,963	\$	1,895,884		

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,						
	2008			007		2006	
		(d	ollars in	thousands)			
Operating activities:							
Net income	\$	476,462	\$	221,489	\$	525,448	
Adjustments to reconcile net income to net cash provided from operating activities							
Amortization		169,131		159,148		171,730	
Deferred income tax		1,024		(6,173)		(15,263)	
Deferred workers' profit participation		297		(2,061)		(4,944)	
Accretion of reclamation obligations		10,890		9,685		7,918	
Other operating adjustments		2,304		15,510		3,310	
(Increase) decrease in operating assets:							
Inventories, stockpiles and ore on leach pads		(17,707)		(23,139)		(73,261)	
Other assets		15,656		(25,499)		(1,445)	
Increase (decrease) in operating liabilities:							
Accounts payable and other accrued liabilities		93,280		(72,271)		31,821	
Reclamation liabilities		(6,800)		(7,701)		(8,133)	
Net cash provided from operations		744,537		268,988		637,181	
Investing activities:							
Additions to property, plant and mine development		(239,336)		(252,725)		(269,293)	
Funding of long-term investment		(13,000)		-		(=0>,=>5)	
Proceeds from sale of assets		991		2,556		935	
Net cash used in investing activities		(251,345)		(250,169)		(268,358)	
Financing activities:							
Financing activities: Proceeds from debt, net						198,785	
Change in restricted cash		9.174		(21)		,	
Repayments of debt		(24,868)		(10,345)		(36) (3,160)	
		(590,000)		(10,343) $(100,000)$			
Distributions to partners			_			(480,000)	
Net cash used in financing activities		(624,042)		(110,366)		(284,411)	
Net change in cash and cash equivalents		(130,850)		(91,547)		84,412	
Cash and cash equivalents at beginning of the year		288,376		379,923		295,511	
Cash and cash equivalents at end of the year	\$	157,526	\$	288,376	\$	379,923	

See Note 17 for supplemental cash flow information.

# CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' EQUITY

	Partners' contributions		Additional contributions		Restricted earnings		Retained earnings		Total partners' equity	
				(d	lollar	s in thousand	s)			
Balance at January 1, 20060	\$	208,616	\$	226	\$	189,600	\$	758,206	\$	1,156,648
Cumulative effect of adoption EITF 04-06 (Note 2)		-		-		-		(5,687)		(5,687)
Distributions of profits to the partners		-		-		-		(480,000)		(480,000)
Net income		-		-		-		525,448		525,448
Balance at December 31, 2006	\$	208,616	\$	226	\$	189,600	\$	797,967	\$	1,196,409
Cumulative effect of adoption of FIN 48 (Note2)		-		-		-		8,427		8,427
Capitalization of restricted earnings (Note 5)		189,600		-		(189,600)		-		-
Distributions of profits to the partners		-		-		-		(100,000)		(100,000)
Net income		<u>-</u>		<u>-</u>		-		221,489		221,489
Balance at December 31, 2007	\$	398,216	\$	226	\$	-	\$	927,883	\$	1,326,325
Distributions of profits to the partners		-		-		-		(590,000)		(590,000)
Net income		<u>-</u>		<u>-</u>				476,462		476,462
Balance at December 31, 2008	\$	398,216	\$	226	\$		\$	814,345	\$	1,212,787

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

#### BUSINESS ACTIVITIES

Minera Yanacocha S.R.L. (the "Company"), formerly Minera Yanacocha S.A., was incorporated in Peru on January 14, 1992 and commenced operations in 1993. The Company is engaged in the production of and exploration for gold under the mining concessions it owns or that are owned by S.M.R.L. Chaupiloma Dos de Cajamarca ("Chaupiloma").

The Company is owned 51.35% by Newmont Second Capital Corporation, a 100% indirectly owned subsidiary of Newmont Mining Corporation ("Newmont"), 43.65% owned by Compañía Minera Condesa S.A., which is 100% owned by Compañía de Minas Buenaventura S.A.A. ("Buenaventura") and 5% owned by the International Finance Corporation.

The majority Partners of the Company (or their affiliates) also own the majority interest in Chaupiloma. In accordance with a mining lease, amended effective January 1, 1994, the Company pays Chaupiloma a 3% royalty based on quarterly production sold at current market prices, after deducting refinery and transportation costs. The royalty agreement expires in 2012, but can be extended at the Company's option.

Located in the Cajamarca province of Peru, the Company's operation consists of three active open pit mines: Cerro Yanacocha, La Quinua and Chaquicocha. Reclamation and/or backfilling activities at Carachugo, San José and Maqui Maqui are currently underway. Gold-bearing ores are transported to one of four leach pads for gold recovery using conventional heap-leaching cyanidation or milling beginning in April 2008, followed by Merrill-Crowe zinc precipitation and smelting where a final doré product is poured. The doré is then shipped offsite for refining and is sold in worldwide gold markets.

Gold mining requires the use of specialized facilities and technology. The Company relies heavily on such facilities and technology to maintain production levels. Also, the cash flow and profitability of the Company's operations are significantly affected by the market price of gold. Gold prices can fluctuate widely and are affected by numerous factors beyond the Company's control. During 2008, 2007 and 2006, the Company sold 1.84 million, 1.56 million and 2.57 million ounces of gold, respectively.

The Conga project consists of two gold-copper porphyry deposits located northeast of the Yanacocha operating area in the provinces of Celendin, Cajamarca and Hualgayoc. The Conga project has proven and probable reserves of 11.8 million (unaudited) ounces of gold and 3.2 billion (unaudited) pounds of copper at December 31, 2008 and December 31, 2007.

Total proven and probable reserves contained in the three active open pits, other pits to be developed, in process and the Conga project are approximately 24.8 million (unaudited) and 27.6 million (unaudited) ounces of gold at December 31, 2008 and 2007, respectively and 3.2 billion (unaudited) pounds of copper at December 31, 2008 and 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

In November 2008, the company funded the San Jose Reservoir trust ("Trust") to ensure the continuous operation of the San Jose Reservoir after 2018. This Trust is irrevocable and is a separate legal entity. The grantor is the Company, the trustee is the Banco de Crédito del Perú and the beneficiary is the Company, therefore the Company consolidates the Trust in its consolidated financial statements.

#### SIGNIFICANT ACCOUNTING POLICIES

#### **Use of Estimates**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the Company's financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and closure obligations; estimates of recoverable gold and other minerals in stockpile and leach pad inventories; write-downs of inventory to net realizable value; employee benefit liabilities; valuation allowances for deferred tax assets; workers' profit participation; and reserves for contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

#### Currency

The financial statements are stated in U.S. dollars, the Company's functional currency, as most of its transactions are traded, collected and paid in such currency. All amounts are rounded to the nearest thousand (\$000) unless otherwise stated. Transactions in other currencies are recorded in U.S. dollars based on exchange rates prevailing at the time of such transactions. Monetary assets and liabilities denominated in other currencies are translated into the U.S. dollar at exchange rates prevailing at the balance sheet dates, and any resulting gains or losses are reflected in current earnings.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and deposits in banks with an original maturity of three months or less. Because of the short maturity of these balances, the carrying amounts approximate their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

#### Stockpiles, Ore on Leach Pads and Inventories

As described below, costs that are incurred in or benefit the productive process are accumulated as stockpiles, ore on leach pads and inventories. Stockpiles, ore on leach pads and inventories are carried at the lower of average cost or net realizable value. Net realizable value represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Write-downs of stockpiles, ore on leach pads and inventories resulting from net realizable value impairments are reported as a component of *Costs applicable to sales*. The current portion of stockpiles, ore on leach pads and inventories is determined based on the expected amounts to be processed within the next twelve months. Stockpiles, ore on leach pads and inventories not expected to be processed within the next twelve months are classified as long-term. The major classifications are as follows:

#### Stockpiles

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained ounces (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to a stockpile based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at the average cost per recoverable unit.

#### Ore on Leach Pads

The recovery of gold from certain gold oxide ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting gold-bearing solution is further processed in a plant where the gold is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from ore on leach pads as ounces are recovered based on the average cost per recoverable ounce of gold on the leach pad.

The estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, the leach pads recover approximately 50% to 95% of the ultimate recoverable ounces in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on the pads to the quantities of gold actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Historically, the Company's operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

#### In-process Inventory

In-process inventories represent materials that are currently in the process of being converted to a saleable product. The conversion processes vary depending on the nature of the ore and the specific processing facility, but include mill in-circuit and leach in circuit. In-process material is measured based on assays of the material fed into the process and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines, stockpiles and/or leach pads plus the inprocess conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

#### Precious Metals Inventory

Precious metals inventories include gold doré and/or gold bullion. Precious metals that result from the Company's mining and processing activities are valued at the average cost of the respective in-process inventory incurred prior to the refining process, plus applicable refining costs.

#### **Materials and Supplies**

Materials and supplies are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight.

#### Property, Plant and Mine Development

#### Facilities and Equipment

Expenditures for new facilities or equipment and expenditures that extend the useful lives of existing facilities or equipment are capitalized and recorded at cost. The facilities and equipment are depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives, which do not exceed the related estimated mine lives, of such facilities based on proven and probable reserves.

#### Mine Development

Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, and the removal of overburden to initially expose an ore body at open pit surface mines. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as Exploration and Advanced projects expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or converting non-reserve mineralization to proven and probable reserves and the benefit is expected to be realized over a period beyond one year. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of *Costs related to sales*.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

The costs of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as "pre-stripping costs". Pre-stripping costs are capitalized during the development of an open pit mine. Where multiple open pits exist at a mining complex utilizing common processing facilities, pre-stripping costs are capitalized at each pit. The removal and production of de minimis saleable materials may occur during development and are recorded as *Other income*, net of incremental mining and processing costs.

The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in *Costs related to sales* in the same period as the revenue from the sale of inventory.

The Company's definition of a mine and the mine's production phase may differ from that of other companies in the mining industry resulting in incomparable allocations of stripping costs to deferred mine development and production costs. Other mining companies may expense pre-stripping costs associated with subsequent pits within a mining complex.

Mine development costs are amortized using the units-of production ("UOP") method based on estimated recoverable ounces in proven and probable reserves. To the extent that these costs benefit an entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated life of that specific ore block or area.

Interest cost allocable to the cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

#### Mineral Interests

Mineral interests are recorded at fair value at the time of acquisition, in *Property, plant and mine development, net*, and represent mineral use rights regardless of whether the Company owns the related surface rights ("mining concessions"). The Company's mineral interests represent mineral use rights related to production, development or exploration stage properties, and the value of such mineral interests is primarily driven by the nature and amount of mineralized content believed to be contained in such properties. Development stage mineral interests represent interests in properties under development that contain proven and probable reserves. Exploration stage mineral interests represent interests in properties that are believed to potentially contain mineralized material consisting of (i) mineralized material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves; (ii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization but located within the immediate mine area; (iii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area; or (iv) green fields exploration potential that is not associated with any other production, development or exploration stage property, as described above; or (v) any acquired right to explore or extract a potential mineral deposit. The Company's mining concessions are enforceable regardless of whether proven and probable reserves have been established. In addition, these mining concessions provide for both the right to explore and exploit. However, the Company must first obtain the respective exploration and exploitation permits, which are generally granted in due course. The Company may retain mining concessions are freely

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

#### **Asset Impairment**

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total of the assets estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization other than proven and probable and other material that is not part of the measured, indicated or inferred resource base, are included when determining the fair value of mine site reporting units at acquisition and, subsequently, in determining whether the assets are impaired. The term "recoverable minerals" refers to the estimated amount of gold other commodities that will be obtained after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such exploration stage mineral interests are risk adjusted based on management's relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company's estimates of future cash flows are based on numerous assumptions and it is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and operating costs of production and capital are each subject to significant risks and uncertainties.

#### Revenue Recognition

Revenue is recognized from a sale when persuasive evidence of an arrangement exists, the price is determinable, the product has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured. Revenues from silver sales are credited to Costs applicable to sales as a by-product credit.

#### Reclamation and Remediation Costs (Asset Retirement Costs and Obligations)

Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation or abandonment costs. The asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the asset retirement obligation at each mine site in accordance with FAS No. 143, "Accounting for Asset Retirement Obligations".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

#### **Income Tax and Profit Sharing**

The Company accounts for income tax and legally required profit sharing using the liability method, recognizing certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related income tax basis for such liabilities and assets. This method generates a net deferred income tax liability and profit sharing liability or net deferred income tax asset and profit sharing asset for the Company, as measured by the statutory tax and profit sharing rates in effect as enacted. The Company derives its deferred income tax charge or benefit and profit sharing charge or benefit by recording the change in the net deferred income tax liability and profit sharing liability or net deferred income tax asset and profit sharing asset balance for the year, based on Peruvian income tax and profit sharing rates.

The Company's deferred income tax assets include certain future tax benefits. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

#### **Stripping Costs**

Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in *Costs applicable to sales* in the same period as the revenue from the sale of inventory. Capitalization of post-production stripping costs is appropriate only to the extent product inventory exists at the end of a reporting period.

#### Reclassifications

Certain amounts in prior years have been reclassified to conform to year 2008 presentation. The Company reclassified accretion from costs applicable to sales to a separate accretion line item and administrative, community development and external affairs costs that were reclassified from *Costs applicable to sales* to *Other Expense, net*. These changes were reflected in Consolidated Statements of Income for all periods presented.

#### **Recently Adopted Pronouncements**

#### Hierarchy of Generally Accepted Accounting Principles

In May 2008, the FASB issued FASB Statement No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("FAS 162") which identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with U.S. generally accepted accounting principles ("GAAP"). FAS 162 was effective November 15, 2008, which was 60 days following the Security and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with GAAP." The adoption of FAS 162 has had no impact on the Company's consolidated financial position, results of operations or cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

#### Fair Value Accounting

In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 were adopted January 1, 2008. In February 2008, the FASB staff issued FSP No. 157-2 "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP FAS 157-2 are effective for the Company's fiscal year beginning January 1, 2009, and are not expected to have a significant impact on the Company.

In October 2008, the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" ("FSP FAS 157-3"), which clarifies the application of FASB Statement No. 157, "Fair Value Measurements" ("FAS 157") in an inactive market. The intent of this FSP is to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. FSP FAS 157-3 states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. FSP FAS 157-3 was effective upon issuance. The Company has incorporated the principles of FSP FAS 157-3 in determining the fair value of financial assets when the market for those assets is not active, specifically its marketable debt securities.

FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of FAS 159 were adopted January 1, 2008. The Company did not elect the Fair Value Option for any of its financial assets or liabilities, and therefore, the adoption of FAS 159 had no impact on the Company's consolidated financial position, results of operations or cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

#### Income Taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No.48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which clarifies the accounting and reporting for uncertainties in the application of the income tax laws to our operations. The interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax provisions taken or expected to be taken in income tax returns. The cumulative effects of applying this interpretation were recorded as an increase in retained earnings of \$8.4 million, an increase in net deferred tax assets of \$1.8 million, an increase of \$0.9 million in deferred income tax expense, offset, in part, by a decrease of \$5.7 million in the net liability for unrecognized income tax benefits. Refer to Note 5.

#### **Deferred Stripping Costs**

On January 1, 2006, the Company adopted Emerging Issues Task Force Issue No. 04-06 ("EITF 04-06"), "Accounting for Stripping Costs Incurred during Production in the Mining Industry." EITF 04-06 addresses the accounting for stripping costs incurred during the production phase of a mine and refers to these costs as variable production costs that should be included as a component of inventory to be recognized in *Costs applicable to sales* in the same period as the revenue from the sale of inventory. As a result, capitalization of post-production stripping costs is appropriate only to the extent product inventory exists at the end of a reporting period. The guidance required the recognition of a cumulative effect adjustment to opening retained earnings in the period of adoption, with no charge to earnings in the period of adoption for prior periods. The cumulative effect adjustment reduced retained earnings by \$5.7 million (net of tax and minority interests). Adoption of EITF 04-06 had no impact on the Company's cash position or net cash from operations.

#### 3. OTHER EXPENSE NET

	Years Ended December 31,				1,	
		2008		2007		2006
Community development and external affairs	\$	39,251	\$	32,213	\$	31,136
Negotiated payment		18,492		9,683		21,839
Regional administration		14,223		9,816		9,498
World Gold Council dues		3,168		2,928		5,589
Non-producing accretion		971		835		696
Write-down of long-lived assets		442		1,269		1,514
Reclamation and remediation		284		1,916		1,741
Contractor bankruptcy		-		1,956		-
Workers' profit participation (Note 13)		-		1,615		14,900
La Quinua leach pad repair		-		1,000		9,911
Tax contingencies		-		-		2,536
Choropampa mercury spill (Note 19)		(5,941)		8,615		5,110
Other		5,783		3,173		2,543
	\$	76,673	\$	75,019	\$	107,013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

In 2008, the Company reclassified from *Costs related to sales* certain administrative, community development and external affairs costs not directly related to production. This change represents a more appropriate presentation of *Costs related to sales* in the Company's financial statements. The change has resulted in a reclassification from *Costs applicable to sales* to *Other expense net* of \$53.5 million, \$42.0 million and \$40.6 million for the years ended December 31, 2008, 2007 and 2006, respectively.

The 2008 Choropampa mercury spill includes US\$14.4 million reimbursed by insures for legal fees and expenses.

#### **Negotiated Payment**

During 2006, mining companies represented by the Sociedad Nacional de Minería, Petróleo y Energía (SNMPE) agreed to a mining payment equivalent to 3.75% of Peruvian net income after taxes. The funds will be managed by a trust fund or association designated by the Company, Which may be established by the Company. Mining companies are contributing these funds to participate in the Government efforts to eradicate poverty in Peru in the current favorable economic environment.

On December 21, 2006, the Peruvian Government issued a law (Supreme Decree N°071-2006-EM) that regulates the conditions in which the negotiated payment will be paid by Peruvian mining companies. The payment amounts to 3.75% of Peruvian net income after income tax (2.75% to be paid to a Local Mining Fund and 1% to be paid to a Regional Mining Fund), payable for 2006 and the following four years if certain conditions are met.

The Company will be released from paying the negotiated payment if the Company has to undertake major obligations arising from new taxes or from the modification of those existing and specifically imposed taxes related to mining activities; or if the gold price decreases below the average price for the 15 years prior to 2005 (equivalent to \$537 per ounce), according to the London Bullion Market Association (LBMA). The negotiated payment will recommence if prices subsequently rise above the reference price.

#### 4. OTHER INCOME, NET

		Years Ended December 31,					
		2008 2007			2008 2007 200		2006
Interest income	\$	11,636	\$	14,054	\$	16,127	
Gain (loss) on sale of assets		236		(184)		237	
Foreign currency exchange (loss) gain		(1,592)		807		206	
Other		959		1,200		2,632	
	\$	11,239	\$	15,877	\$	19,202	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

#### 5. INCOME TAX

#### **Tax Stabilization Agreements**

The Company has entered into the following tax stability agreements, each with a term of 15 years:

Mine	Effective	Date of the tax agreement	Tax regimes in force
Carachugo/San José	January 1, 1995	May 19, 1994	October 29, 1999
Maqui Maqui	January 1, 1997	September 12, 1994	May 6, 1994
Cerro Yanacocha	January 1, 2000	September 16, 1998	May 22, 1997
La Ouinua	January 1 2004	August 25 2003	August 25 2003

These agreements guarantee the Company's use of the tax regimes shown in the table above and permit maintenance of its accounting records in U.S. dollars

The Company has determined the taxable income according to its understanding, and that of its legal advisors, of the applicable tax legislation. This legislation requires adding to and deducting from accounting income as determined in the consolidated financial statements, those items that the referred legislation recognizes as taxable and non-taxable, respectively.

For the years ended December 31, 2008, 2007 and 2006 the income tax rate was 30% except for the La Quinua mine for which a 29% income tax rate applied.

#### **Reinvestment of Earnings**

Pursuant to Supreme Decree No.027-98-EF, mining companies are allowed to obtain a tax benefit by effectively reinvesting those non-distributed earnings into capital expansion projects that increase the Company's productivity ("Reinvestment Program"). The tax benefit is based on earnings effectively obtained and up to the maximum amount of the Reinvestment Program applied to and approved by the Ministry of Energy and Mines ("MEM"), amount that must be presented as *Restricted earnings*.

On March 4, 2003, the Company received a resolution from the MEM dated February 28, 2003, in which it approved the Reinvestment Program for the years from 2001 to 2004 for an amount of \$189.6 million.

The Company received a subsequent resolution from the MEM dated June 27, 2003, with the following rulings: (a) amended the years to be included in the Reinvestment Program (from 2001 to 2004) and (b) confirmed that the investment that would be part of the program to be executed between 2001 and 2004 amounts to \$189.6 million.

In 2004, the Company transferred \$189.6 million from *Retained earnings* to *Restricted earnings* according with the above Reinvestment Program in prior years. The reinvestment tax benefit reduced income tax expense by \$56.9 million.

On December 26, 2006, the Company received the resolution from the MEM approving the Reinvestment Program for the periods 2001 to 2004. In compliance with article 8° of Supreme Decree No.027-98-EF, the Company capitalized this amount through public deed dated December 20, 2007 and shall not declare dividends from Partners' contributions during the following four fiscal years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

According to article  $4^{\circ}$  of Supreme Decree N°027-98-EF, the Investment Credit taken by the Company was based on \$151.7 million, which represents 80% of the amount approved in the Reinvestment Program. However, in opinion of its legal advisors, the Company could have taken the tax benefit based on 100% of the Investment Credit approved in the Reinvestment Program and not only the 80% already taken.

Based on this new evaluation, the Company has recorded a tax receivable of \$11.4 million in *Other current assets* with a corresponding reduction to *Income tax expense*, related to the 20% remaining tax benefit from its 2001 - 2004 Reinvestment Program as final assessments are compute.

### Peruvian Income Tax and Workers' Profit Participation

The current income tax and workers' profit participation expense (Note 13) was determined as follows:

	Years Ended December 31,			1,		
	2008		2007			2006
Income before workers' profit participation and income tax in accordance with Peruvian GAAP	\$	728,940	\$	393,224	\$	893,027
Plus:	<u> </u>		<u> </u>			
Non-deductible expenses		43,213		32,483		50,370
Reclamation (environmental) reserve liability		22,159		22,558		19,823
Contingencies and commitments' accruals		10,309		1,360		24,577
Capitalized interest amortization		4,761		2,928		3,615
San Jose Reservoir amortization		3,102		-		-
Accounts receivable write-off		2,753		1,472		357
Provision for obsolescence of inventories		2,023		2,777		1,148
Other		3,855		3,648		615
		92,175		67,226		100,505
Less:						
Depreciation of mine development and mineral interests		(30,722)		(9,593)		(30,980)
Kuntur Wasi road construction tax benefit		(13,038)		_		_
Reclamation (environmental) reserve expense		(6,800)		(7,701)		(8,133)
Capitalized interest		(5,002)		(11,696)		(4,146)
Contingencies and commitments' accruals		-		(9,161)		-
Leasing benefit		(2,872)				
Other		_		(2,643)		
		(58,434)		(40,794)		(43,259)
Base to calculate workers' profit participation		762,681		419,656		950,273
Workers' profit participation (8%)		(61,015)		(33,572)		(76,022)
Taxable income	\$	701,666	\$	386,084	\$	874,251
Income tax (30%)	\$	210,500	\$	115,825	\$	262,275
Credit for charitable donations	Ψ	(976)	Ψ	(1,406)	Ψ	(1,553)
Adjustment due to income tax rate applicable to the La Quinua		(1,965)		(1,400)		(4,240)
Current income tax	\$		\$		•	
Current income tax	Þ	207,559	Ф	113,217	\$	256,482

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 $(dollars\ in\ thousands\ unless\ otherwise\ stated)$ 

## Income Tax – Reconciliation from Peru Tax Return to Income Tax Expense and Tax Balance Sheets

The Company's income tax provision consisted of the following:

	Year	Years Ended December 31,				
	2008	2007	2006			
Current Peru tax return	\$ 207,559	\$ 113,217	\$ 256,482			
Income tax prior years adjustments	(12,526)	·	(2,876)			
Current	195,033	113,217	253,606			
Deferred	1,024	(6,173)	(15,263)			
Income tax expense	\$ 196,057	\$ 107,044	\$ 238,343			

Income tax expense differs from the amount computed by applying the statutory Peruvian corporate income tax rate of 30% to pre-tax income as a result of the following:

	Years Ended December 31,									
	2008			2007		2006				
Income before tax provision	\$	672,519	\$	328,533	\$	763,791				
Peruvian statutory rate		30%	30%		30%		30% 30%			30%
Income tax at statutory rate		201,756		98,560		229,137				
Income tax recognized through refilling of tax returns		(11,376)		-		-				
Adjustment due to income tax rate applicable to the La Quinua		(1,965)		(1,202)		(4,240)				
Income tax from tax disputes		-		-		230				
Negotiated payment		5,548		2,905		6,551				
Donations		4,587		5,295		3,728				
Other (non-deductible expenses and tax credits)		(2,493)		1,486		2,937				
Total income tax expense	\$	196,057	\$	107,044	\$	238,343				

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

Components of deferred income tax liabilities and assets were as follows:

		At Decei	: <b>31</b> ,			
		2008		2008		2007
Deferred tax assets:						
Reclamation and remediation costs	\$	22,354	\$	34,138		
Accounts receivable		152		11,795		
Accounts payable and accrued expenses		6,567		10,550		
Deferred workers' profit participation		2,895		2,806		
Other		5,597		-		
		37,565		59,289		
Deferred tax liabilities:						
Property, plant and mine development costs		(66,165)		(77,463)		
Inventories		(3,970)		(9,929)		
Accrued liabilities		(483)		(2,870)		
Debt issuance costs		(289)		(336)		
Other		-		(2,825)		
		(70,862)		(93,423)		
Net deferred tax liability	\$	(33,297)	\$	(34,134)		
Current deferred tax assets	\$	8,746	\$	8,746		
Non-current deferred tax assets		-		1,848		
Less:						
Non-current deferred tax liabilities		(42,043)		(44,728)		
Net deferred tax liability	\$	(33,297)	\$	(34,134)		

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") an interpretation of FASB Statement No. 109, "Accounting for Income Taxes" on January 1, 2007. FIN 48 clarifies the accounting and reporting for uncertainties in the application of the income tax laws to the Company's operations. The interpretation prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Company is no longer subject to examinations by taxing authorities for years through 2005.

As of December 31, 2007, the total amount of gross unrecognized tax benefits was \$1.8 million. In 2008, the ending balance of gross unrecognized tax benefits as of December 31, 2008 amounts to \$5.5 million as result of the addition of prior year tax positions in the current year.

In addition, as is customary, the tax returns of the Company are subject to review by the various Peruvian taxing authorities. At present, the income tax authorities have reviewed the Company's tax filings up to year 2005. In connection with this review, the tax authorities have identified certain adjustments with which the Company and its advisors do not agree. In the third quarter of 2006 and the fourth quarter of 2004, payments of \$7.6 million and \$11.5 million, respectively, were made to the tax authorities principally to avoid the accruing of interest and penalties on the proposed adjustments that are related to the timing of the deductions. The Company has accrued a liability for financial reporting purposes in an amount that represents the Company's best estimate concerning the amount that is required to be included in its income tax expense as a result of the current tax review. In the opinion of management, the resolution of the income tax controversy will not have a material impact on the financial condition or liquidity of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

## ACCOUNTS RECEIVABLE

	At Dece	mber 31,
	2008	2007
Value added tax credit	\$ 39,027	\$ 53,048
Employee receivables	508	237
Other	6,003	4,221
	\$ 45,538	\$ 57,506

## 7. INVENTORIES

6.

		At December 31,				
		2008		2008 2		2007
Leach in-process	\$	4,231	\$	17,592		
Mill in circuit		1,462		-		
Precious metals		6,668		16,170		
Materials and supplies		62,967		51,761		
	\$	75,328	\$	85,523		

## 8. STOCKPILES AND ORE ON LEACH PADS

	At Decen	aber 31,
	2008	2007
Current:		
Stockpiles	\$ 9,768	\$ 7,902
Ore on leach pads	116,423	78,722
	\$ 126,191	\$ 86,624
Non-current:		
Ore on leach pads	<u>\$ 147,998</u>	\$ 165,701

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

## 9. OTHER CURRENT ASSETS

	At December 31,			
	2008			2007
Income tax credit (Note 5)	\$	11,041	\$	3,298
Claims for tax refunds		4,038		2,821
Prepayments to suppliers and contractors		824		245
Restricted cash		168		2,036
Prepaid expenses and other		3,460		5,985
	\$	19,531	\$	14,385

## 10. PROPERTY, PLANT AND MINE DEVELOPMENT, NET

	At December 3	1, 2008		At December 31, 2007			
	Cost	Accumulated Depreciation, Depletion and Amortization	Net Book Value	Cost	Accumulated Depreciation, Depletion and Amortization	Net Book Value	
Land	35,845	-	35,845	30,121	-	30,121	
Facilities and equipment	2,012,655	(1,232,509)	780,146	1,705,196	(1,097,628)	607,568	
Mine development	377,175	(153,527)	223,648	352,798	(137,413)	215,385	
Mineral interests	66,731	(6,726)	60,005	45,680	(5,917)	39,763	
Asset retirement cost	147,439	(85,100)	62,339	121,680	(73,830)	47,850	
Construction-in-progress	131,733		131,733	242,087	<u> </u>	242,087	
	2,771,578	1,477,862	1,293,716	2,497,562	(1,314,788)	1,182,774	
Leased assets included above in facilities and equipment	75,295	(35,549)	39,746	59,073	(30,770)	28,303	

The Yanacocha Mill Project was completed in April 2008 at a cost of \$227 million. The company reclassified \$207.2 million from *Construction in Progress* to Facilities *and Equipment*. The remaining balance pertains to an additional circuit which will come in line in 2009.

Additions to leased assets in 2008 correspond to the acquisition of six haul trucks for \$17.5 million (Note 11).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

	Estimated Useful Lives of	Years
Facilities and equipment	Facilities	12 to 25
	Leach pads	5
	Equipment	7 to 10.5
	All remaining assets	5
Mine development	UOP based on ounces mined	8 to 21
Mineral interests	UOP for producing property	12
Asset retirement cost	Related asset	5 to 15
Lesser of asset		5

	 At December 31, 2008				<b>At December 31, 2007</b>						
	Gross arrying Value		cumulated nortization		Net Book Value		Gross Carrying Value		ecumulated mortization		Net Book Value
Mineral interests:											
Production stage	\$ 29,202	\$	(6,367)	\$	22,835	\$	8,551	\$	(5,558)	\$	2,993
Development stage	20,298		(174)		20,124		20,298		(174)		20,124
Exploration stage	17,231		(185)		17,046		16,831		(185)		16,646
Total	\$ 66,731	\$	(6,726)	\$	60,005	\$	45,680	\$	(5,917)	\$	39,763

During the fourth quarter of 2008, the Company paid \$20.7 million to three communities surrounding the Quinua leach pad (Quishuar, Encajón - Collotán and La Shacsha) in order to obtain the water rights of the irrigation channels crossing the Quinua pit. These payments have been recorded in *Mineral interests – Production stage* at December 31, 2008.

### 11. LONG-TERM DEBT

	 At December 31,			
	 2008		2007	
Credit facility	\$ 75,862	\$	89,655	
Bonds:				
Floating rate	42,000		42,000	
Fixed rate	58,000		58,000	
Truck leases	 29,756		28,456	
	 205,618		218,111	
Less current portion	 (27,283)		(22,724)	
	\$ 178,335	\$	195,387	

During 2008, the Company made four quarterly installments payments of the credit facility for a total amount of \$13,8 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

Scheduled minimum debt repayments are \$27.3 million in 2009, \$36.1 in 2010, \$31,7 in 2011, \$29.8 in 2012, \$29.8 in 2013 and \$50.9 million thereafter.

#### **Credit Facility**

During the year 2006, the Company entered into an uncollateralized \$100 million bank financing with a syndicate of Peruvian commercial banks. Quarterly repayments of \$3.4 million started in May 2007 with final maturity May 2014. Borrowings under the facility bear interest at a rate of LIBOR plus 1.875%.

#### Bonds

During the year 2006, the Company issued \$100 million of bonds into the Peruvian capital markets under a \$200 million bond program. The issuance is comprised of \$42 million of floating interest rate bonds bearing interest at a rate of LIBOR plus 1.4375% and \$58 million of fixed rate bonds bearing an annual interest of 7.0%. Quarterly repayments of \$4 million will begin in July 2010 for six years. The bonds are uncollateralized.

#### Leasing

#### Truck leases

Banco de Credito del Peru -

In September 2007, the Company entered into a leasing contract with Banco de Credito del Peru related to the acquisition of mine haul trucks, for a total of \$24.5 million, with a purchase option, and were delivered in 2007. The lease period is three years bearing annual interest at a rate of 6.10%. Monthly repayments began in January 2008.

#### Scotiabank -

In December 2007, the Company entered into a leasing contract with Scotiabank related to the acquisition of six haul trucks for a total of \$16.3 million, with a purchase option. One truck was delivered in 2007, while the remaining five trucks were delivered in 2008. The lease period is three years bearing annual interest rate at a rate of 6.00%. Monthly repayments began in May 2008.

#### **Compliance with Covenants**

The financing agreements oblige the Company to comply with certain financial covenants including debt coverage ratios. In addition, there are covenants addressing the extent to which, the Company can incur additional indebtedness and distributions of earnings to the Partners. At December 31, 2008 the Company was in compliance with these covenants.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

### 12. DUE TO/FROM RELATED PARTIES

The Company has the amounts due from end:

	At December 31,			: 31,
		2008		2007
Due from related parties:			_	
Newmont Santa Fe Pacific Chile	\$	1,620	\$	_
Newmont Peru S.R.L.		506		12
Empresa Minera Inti Raymi S.A.		16		140
	\$	2,142	\$	152
Due to related parties:				
S.M.R.L. Chaupiloma Dos de Cajamarca	\$	10,028	\$	11,687
Newmont Peru S.R.L.		2,825		2,437
Newmont USA		2,775		683
Newmont Technologies Limited		2,508		386
Newmont Santa Fe Pacific Chile		73		19
Empresa Minera Inti Raymi S.A.		6		-
Consorcio Energético Huancavelica S.A.		-		323
Buenaventura Ingenieros S.A.				292
	\$	18,215	\$	15,827

Management, exploration, mine development, engineering and employment services are provided pursuant to contracts with affiliates. The corresponding charges totaled \$51.3 million, \$46.5 million and \$40.0 million in 2008, 2007 and 2006, respectively.

As described in Note 1, the Company pays to Chaupiloma a 3% royalty based on quarterly production sold at current market prices, after deducting refinery and transportation costs. Royalty expense totaled \$48.6 million, \$34.0 million and \$48.5 million in 2008, 2007 and 2006, respectively and is included in *Costs applicable to sales*.

### 13. WORKERS' PROFIT PARTICIPATION

In accordance with Peruvian legislation, the Company maintains an employee profit sharing plan equal to 8% of annual taxable income. Distributions to employees under the plan are based 50% on the number of days that each employee worked during the preceding year and 50% on proportionate annual salary levels.

In 2008, 2007 and 2006, the current expense portion of workers' profit participation amounted to \$61.0 million, \$33.6 million and \$76.0 million, respectively, which was included in *Costs applicable to sales*.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

Peruvian law limits payments of annual profit sharing per employee to eighteen months salary but continues to base total profit sharing on 8% of taxable income, notwithstanding the per employee limitation. Supreme Decree N°009-98-TR, published on August 6, 1998, provides that the excess of total profit sharing for the year over aggregate profit sharing payable to all employees be paid to the Fondo Nacional de Capacitación Laboral y de Promoción del Empleo - FONDOEMPLEO. Law 28464 published in January 2005, which modified art.3 of Law Decree 892, provides that the excess of total profit sharing for the year over aggregate profit sharing payable to all employees be applied to training of employees and construction of public facilities. Supreme Decree N° 002-2005-TR, published in May 6, 2005, establishes a limit of 2,200 UIT (inflation measurement unit, equivalent to \$2.5 million at December 31, 2008) in the contributions to FONDOEMPLEO indicating that the difference goes to the Regional Government.

In 1998, the Peruvian Government issued additional regulations regarding the calculation of the workers' profit participation, which limited to 18 monthly salaries the total amount each employee is entitled to. However, there is a difference between the Law and its regulations. The law establishes that the 18 months limit should be based upon 18 times the remuneration earned by the employee in December of the respective year. However the regulation established an average approach for the calculation, by means of which, the total of the compensation earned by the employee during the year divided by the number of months worked provides the monthly salary cap on which the limit of 18 salaries is then calculated (including any bonus paid).

The Company followed the criteria established by the Law in determining the amount to be paid to its employees since 1998. At December 31, 2006, the Company recorded a charge of \$14.9 million, included in *Other expenses, net*, to cover any payment derived from the different criteria established to make these payments by both the law and the regulation.

In August 2007, the Court enacted an arbitration decision confirming that the Company had paid in excess to FONDOEMPLEO and the Regional Government. This decision is considered the last instance and it cannot be appealed, however it is not binding to the Regional Government. In this regard, the Company based on its best estimate, believed that the highest amount to be recovered from FONDOEMPLEO was only \$3.9 million of the \$5.3 million paid in excess. The remaining balance was charged to Other expense, net. As of December 2008, the Company has recovered \$2.3 million from FONDOEMPLEO.

In September 2007, the Company proceeded to pay the balance owed to the employees of \$21.8 million (including interest), which exceeded the original amount accrued of \$6.9 million. The additional amount mostly relates to interest paid by Company to the employees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

### 14. OTHER CURRENT LIABILITIES

	 At December 31,		
	 2008		2007
Operating costs	\$ 20,387	\$	13,273
Negotiated payment (Note 3)	18,492		9,683
Capital projects	14,610		18,045
Taxes other than income tax	8,183		2,097
Reclamation and remediation (Note 15)	7,074		4,599
Payroll and other benefits	6,659		6,159
Guarantee fund retention	4,472		6,578
Withholding income tax	2,814		2,210
Deferred revenues	2,439		-
Interest payable	1,556		2,081
Other	 810		901
	\$ 87,496	\$	65,626

#### 15. RECLAMATION AND REMEDIATION LIABILITIES (ASSET RETIREMENT OBLIGATIONS)

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect the public health and environment and believes its operations are in compliance with all applicable laws and regulations in all material respects. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

The liability corresponds primarily to activities to be performed in the reclamation and remediation of mining activities once the gold extraction process has been finished. These activities include reclamation of the mine sites, operating water treatment plants, revegetation and earthworks.

The following is a reconciliation of the total liability for reclamation and remediation:

Balance at December 31, 2006	\$ 140,832
Additions, change in estimates and other, net	8,150
Liabilities settled	(7,701)
Accretion	9,685
Balance at December 31, 2007	\$ 150,966
Additions, change in estimates and other, net	26,042
Liabilities settled	(6,800)
Accretion	10,890
Balance at December 31, 2008	\$ 181,098

The current portion of *Reclamation and remediation liabilities* of \$7.1 million and \$4.6 million at December 31, 2008 and 2007, respectively, are included in *Other current liabilities*.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

Increases in the asset retirement obligation in 2008 relate primarily to the expanded mining operations and the San Jose Reservoir at Carachugo (in 2007 relate primarily to the expanded mining operations and new facilities at Yanacocha), and the related projected reclamation and remediation costs for this expansion.

#### 16. PARTNERS' EOUITY

#### Partners' Contributions

Partners' contributions represent 1,278,451,304 common partnership interests with a par value of one Peruvian Nuevo sol each, fully subscribed and paid. Such partnership interest includes 720,407,310 that are owned by foreign investors.

Under current Peruvian regulations, there is no restriction on remittance of dividends or repatriation of foreign investment, except as discussed in sections below.

The legal structure of the Company is that of a Limited Liability Partnership. The main characteristics of such structure are: (i) the number of Partners cannot exceed 20, (ii) the capital is represented by partnership interests, and (iii) there is no obligation to create a legal reserve.

#### **Restricted Earnings**

As explained in Note 5, the Company capitalized \$189.6 million as decided on the Partners' meeting carried out on December 10, 2007, resulting in an increase of *Partners' contributions* from \$208.6 million to \$398.2 million at December 31, 2007.

#### Retained Earnings

17.

Effective January 1, 2003, distribution of earnings for Partners other than legal entities domiciled in Peru is subject to a withholding tax of 4.1%.

#### SUPPLEMENTAL CASH FLOW INFORMATION

Net cash provided from operations includes the following cash payments:

	 Years Ended December 31,					
	 2008		2007		2006	
Income tax paid	\$ 184,234	\$	139,213	\$	277,993	
Interest paid, net of capitalized interest	\$ 7,963	\$	3,042	\$	9,873	

#### Non-cash Investing Activities and Financing Activities

The Company entered into mining equipment lease agreement that resulted in non-cash increases to Property, plant and mine development, net and long-term debt of \$17.5 million in 2008 and \$28.5 million in 2007.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands unless otherwise stated)

#### 18. MAJOR CUSTOMERS AND EXPORT SALES

The Company is not economically dependent on a limited number of customers for the sale of its product because gold can be sold through various commodity market traders worldwide. In 2008, sales to one customer accounted for \$1,210 million which represented 75% of total annual sales. In 2007, sales to one customer accounted for \$700 million which represented 63% of total annual sales. In 2006, sales to one customer accounted for \$1,290 million which represented 81% of total annual sales. All gold sales were made outside Peru.

#### 19. COMMITMENTS AND CONTINGENCIES

#### **Tax Contingencies**

Tax contingencies are provided for under FIN 48 (see Notes 2 and 5).

#### **Peruvian Mining Royalty**

During the second quarter of 2004, the Peruvian Government enacted legislation to establish a sliding scale mining royalty of up to 3% based on the volume of mine production. The royalty is calculated on revenue from sales of product less certain refining and transportation expenses. While the Peruvian royalty became effective during the second quarter of 2004, it does not apply to those projects that had stabilization agreements prior to the adoption of the royalty law. The Company's current production is derived from projects that were stabilized prior to the enactment of the royalty legislation. Future production from non-stabilized projects could be burdened by this royalty.

#### Reinvestment Program

At June 30, 2004, the Company completed all of its investments under the Reinvestment Program from 2001 to 2004. At December 31, 2006, after completing the MEM's audit, the Company received the resolution of approval. The amount of \$189.6 million that had been booked as *Restricted earnings* was capitalized in December 2007, as stated by law. The Company shall not declare dividends from *Partners' contributions* during the following four fiscal years.

#### **Unitization of Properties**

In December 2000, as a result of the unitization plan carried out by the Partners, the Company signed several asset transfer and mining lease agreements with related entities. The main conditions are:

• The Company must pay to Chaupiloma, S.M. Coshuro R.L. and Buenaventura 3% of the quarterly net sales proceeds of mineral extracted from the transferred and leased concessions. These properties are currently under exploration, except for a lime concession.

The Company must pay to Los Tapados S.A. 3% on quarterly net sales proceeds of mineral extracted from the transferred and leased concessions of Los Tapados S.A. The transferred and leased concessions of Los Tapados S.A. are also subject to a previously existing royalty on the minerals. The properties are currently not being exploited by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

#### Legal Proceedings

#### Choropampa (mercury spill)

In June 2000, a transport contractor of Yanacocha spilled approximately 151 kilograms of elemental mercury near the town of Choropampa, Peru, which is located 53 miles (85 kilometers) southwest of the Yanacocha mine. Elemental mercury is not used in Yanacocha's operations but is a byproduct of gold mining and was sold to a Lima firm for use in medical instruments and industrial applications. A comprehensive health and environmental remediation program was undertaken by Yanacocha in response to the incident. In August 2000, Yanacocha paid under protest a fine of 1,740,000 Peruvian soles (approximately \$0.5 million) to the Peruvian government. Yanacocha has entered into settlement agreements with a number of individuals impacted by the incident. As compensation for the disruption and inconvenience caused by the incident, Yanacocha entered into agreements with and provided a variety of public works in the three communities impacted by this incident. Yanacocha cannot predict the likelihood of additional expenditures related to this matter.

Yanacocha, and other defendants have been named in lawsuits filed by approximately 1,100 Peruvian citizens in Denver District Court for the State of Colorado. These actions seek compensatory damages based on claims associated with the elemental mercury spill incident. The parties in these cases agreed to submit these matters to binding arbitration. In October 2007, the parties to the arbitration entered a court-approved settlement agreement, resolving most of these cases.

Additional lawsuits relating to the Choropampa incident were filed against Yanacocha in the local courts of Cajamarca, Peru, in May 2002 by over 900 Peruvian citizens. A significant number of the plaintiffs in these lawsuits entered into settlement agreements with Yanacocha prior to filing such claims. In April 2008, the Peruvian Supreme Court upheld the validity of these settlement agreements, which should result in the dismissal of all claims brought by previously settled plaintiffs. Yanacocha has also entered into settlement agreements with approximately 350 additional plaintiffs.

The claims asserted by approximately 200 plaintiffs remain. Yanacocha can not reasonably predict the final outcome or estimate the possible loss relating to such claims.

#### Conga

The Company is involved in a dispute with the Provincial Municipality of Celendin regarding the authority of that governmental body to regulate the development of the Conga project. In 2004, the Municipality of Celendin enacted an ordinance declaring the area around Conga to be a mining-free reserve and naturally protected area. The Company has challenged this ordinance by means of two legal actions, one filed by the Company (as the lease holder of the Conga mining concessions) and one filed by Minera Chaupiloma (as the titleholder of the Conga mining concessions). In August 2007, a Peruvian Court of first instance upheld Chaupiloma's claim, stating that the Municipality of Celendin lacks the authority to create natural protected areas. The Municipality of Celendin has not appealed the ruling. Based on legal precedent established by Peru's Constitutional Tribunal and the foregoing resolution of the Chaupiloma claim, it is reasonable to believe that Yanacocha's mining rights will be upheld.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (dollars in thousands unless otherwise stated)

### Hacienda Los Negritos

In October 2002, the Company was sued by Grimaldina Malpica Rojas ("the plaintiff"), seeking: (i) the repossession of the "Los Negritos" property, which is currently held and utilized by the Company, and (ii) a payment for damages of up to \$65 million. In July, 2008 the Court dismissed this claim and the ruling was not appealed by the plaintiff.

#### Baños del Inca

In September 2006 the Municipality of Baños del Inca issued a declaration designating an area that includes the Carachugo Expansion and San Jose Projects as reserved and protected areas. Based on previous experience and actions taken by the Constitutional Tribunal (Peru Court of Last instance for Constitutional issues) in respect of Cerro Quilish in which it was ruled that such declaration did not affect the Company's mining rights, the Company believes that Baños del Inca's declaration, should not impact the Company's legal rights to exploit these concessions.

In March 2008, Lima Court rejected a Baños del Inca Municipality request which not recognized Lima's Jurisdiction. The legal proceeding is currently pending resolution in Lima's Court of First Instance.

#### San Pablo

In February 2007 the Municipality of San Pablo issued an ordinance designating an area that includes Las Lagunas and Pozo Seco as reserved and protected areas, where the company has mining rights. Based on previous experience and actions taken by the Constitutional Tribunal in respect of Cerro Quilish in which it was ruled that such declaration did not affect the Company's mining rights, the Company believes that San Pablo's declaration, should not impact the Company's legal rights to exploit these concessions. The Company has challenged this ordinance on the grounds that, under Peruvian law, local governments lack the authority to create such areas, denying the rights granted by the Company's mining concessions. The Court in the first instance rejected the complaint based on formal grounds. The resolution of the Court was appealed and such appeal is currently pending resolution in Lima's Court of Second Instance.

In November 2008, Lima's Court confirmed the ruling from the First Instance, rejecting the case based on formal ground. A constitution complaint has been submitted to the Constitutional Court and is currently pending resolution.

 $Financial\ Statements\ as\ of\ December\ 31,\ 2008,\ 2007\ and\ 2006\ together\ with\ the\ Report\ of\ Independent\ Registered\ Public\ Accounting\ Firm$ 

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#### **ERNST & YOUNG**

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Sociedad Minera Cerro Verde S.A.A.

We have audited the accompanying balance sheets of **Sociedad Minera Cerro Verde S.A.A.** (a Peruvian company, subsidiary of Freeport McMoRan Copper & Gold Inc., the "Company") as of December 31, 2008 and 2007, and the related statements of income, shareholders' equity and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Sociedad Minera Cerro Verde S.A.A. as of and for the year ended December 31, 2006 were audited by other auditors whose report dated February 9, 2007 expressed on unqualified opinion on such financial statements.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Sociedad Minera Cerro Verde S.A.A.** as of December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the two years then ended, in conformity with generally accepted accounting principles in Peru, which differ in certain respects from U.S. generally accepted accounting principles (see notes 26 and 27 to the financial statements).

Lima, Peru, May 21, 2009

Countersigned by:

/s/ VICTOR BURGA

Víctor Burga C.P.C. Register No.14859

**Balance Sheets** 

As of December 31, 2008 and 2007

	Note	2008	2007
		US\$(000)	US\$(000)
Assets			
Current Assets			
Cash and cash equivalents	4	481,744	630,360
Trade accounts receivable from third parties		8,712	40,156
Trade accounts receivable from affiliates	5	89,043	206,513
Value added tax credit		11,614	5,855
Other accounts receivable		6,977	1,000
Inventories, net	6	175,832	93,735
Prepaid expenses		6,764	3,038
Total current assets		780,686	980,657
Other assets	18(d)	48,752	-
Long-term inventories	6	73,346	40,187
Property, plant and equipment, net	7	1,068,499	1,014,732
Intangible, net	18(c)	12,289	<u>-</u>
Total assets		1,983,572	2,035,576
Liabilities and shareholders' equity, net			
Current liabilities			
Trade accounts payable	8	91,661	50,394
Trade accounts payable to affiliates	19(d)	6,397	8,092
Embedded derivative related to price of copper	21	255,035	49,766
Income tax payable		91,822	138,006
Workers' profit sharing payable		91,981	99,649
Other accounts payable	9	45,521	98,529
Current portion of financial obligations	10	-	11,250
Total current liabilities		582,417	455,686
		,	,
Long-term financial obligations	10	-	62,514
Provision for remediation and mine closure	18(a)	16,944	15,634
Deferred income tax and workers' profit sharing, net	11(a)	1,376	55,697
Other accounts payable, long-term	9	58,600	-
Deferred income		60	303
Total liabilities		659,397	589,834
Shareholders' equity, net	12		
Capital stock		189,030	189,030
Additional paid-in capital		375,660	375,660
Legal reserve		37,845	37,845
Restricted earnings		800,030	800,030
(Accumulated deficit )Retained earnings		(78,390)	43,177
Total shareholders' equity, net		1,324,175	1,445,742
Total liabilities and shareholders' equity, net		1,983,572	2,035,576

The accompanying notes are an integral part of the balance sheet.

## Statements of Income

For the years ended December 31, 2008, 2007 and 2006

	Note	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Net sales	14	1,835,911	1,794,559	667,671
Cost of sales	15	(596,741)	(418,108)	(140,423)
Gross revenue		1,239,170	1,376,451	527,248
Operating Expenses				
Selling expenses	16	(78,190)	(54,405)	(3,538)
Voluntary contribution	18(b)	(29,496)	(48,674)	-
Other operating expenses	18(d)	(29,956)	(2,432)	(48,100)
Operating income		1,101,528	1,270,940	475,610
Other income (expenses):				
Financial expenses	17	(7,853)	(23,346)	(2,984)
Financial income	17	20,278	33,168	10,899
Other, net		(2,366)	(426)	(550)
Profit before workers' profit sharing and income tax		1,111,587	1,280,336	482,975
Workers' profit sharing				
Current	13(b)	(100,556)	(105,851)	(41,825)
Deferred	11(a)	12,207	(995)	(980)
Income tax		,		
Current	13(b)	(346,919)	(267,138)	(49,381)
Deferred	11(a)	42,114	(101,667)	53,832
Net Income		718,433	804,685	444,621
Basic and diluted earnings per share (stated in U.S dollars)	20	2.05	2.30	1.27
Weighted average number of share outstanding	20	350,056,012	350,056,012	350,056,012

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

Statement of Changes in Shareholders' Equity For the years ended December 31, 2008, 2007 and 2006

	Capital stock US\$(000)	Additional paid- in capital US\$(000)	Legal Reserve US\$(000)	Restricted Earnings US\$(000)	Retained Earnings US\$(000)	Total US\$(000)
Balances at January 1, 2006	189,030	375,660	17,822	152,911	81,013	816,436
Transfer to the legal reserve Net income Transfer to restricted earnings, note 12(d) Balances at December 31, 2006	189,030	375,660	20,023	317,068 469,979	(20,023) 444,621 (317,068) 188,543	444,621 - 1,261,057
Dividend distributions, note 12(f) Net income Transfer to restricted earnings, note 12(d)	-	-	-	330,051	(620,000) 804,685 (330,051)	(620,000) 804,685
Balances at December 31, 2007	189,030	375,660	37,845	800,030	43,177	1,445,742
Dividend distributions, note 12(f) Net income					(840,000) 718,433	(840,000) 718,433
Balances at December 31, 2008	189,030	375,660	37,845	800,030	(78,390)	1,324,175

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

## Statement of Cash Flows

For the years ended December 31, 2008, 2007 and 2006

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Operating Activities			
Net income	718,433	804,685	444,621
Adjustments to net income that do not affect net cash flow from operating activities:			
Depreciation	79,035	76,696	25,627
Amortization of debt issuance costs	4,986	13,347	2,819
Amortization of intangible	1,711	-	-
Accretion expense due to mine closure accrual	1,310	716	447
Gain on sale of plant and equipment	-	(69)	(72)
Provision for obsolescence of materials and supplies	(71)	197	277
Deferred income tax and workers' profit sharing	(54,321)	102,435	(52,852)
Amortization of mine development costs	-	13,672	1,277
Amortization of deferred income	(243)	(244)	(242)
Net changes in assets and liabilities accounts:			
Decrease (increase) in operating assets:			
Trade accounts receivable from third parties	31,444	(40,156)	99
Trade accounts receivable from affiliates	117,470	(156,410)	(19,959)
Value added tax credit	(5,759)	32,931	(10,643)
Other accounts receivable	(5,977)	865	1,369
Inventories (current and long-term portion)	(115,185)	(36,993)	(29,500)
Prepaid expenses	(3,726)	1,291	5,558
Other assets	(48,752)	-	-
Increase (decrease) in operating liabilities:			
Trade accounts payable	41,267	5,964	29,442
Trade accounts payable to affiliates	(1,695)	7,353	(467)
Embedded derivative related to price of copper	205,269	46,006	(3,058)
Income tax payable	(46,184)	129,625	8,069
Workers' profit sharing payable	(7,668)	60,157	21,483
Other accounts payable	(7,473)	56,528	43,239
Net cash and cash equivalents provided by operating activities	903,871	1,118,596	467,534

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Investing activities			
Purchase of property, plant and equipment	(133,779)	(99,961)	(560,095)
Proceeds from sales of plant and equipment	42	113	148
Net cash and cash equivalents (used in) provided by investing activities	(133,737)	(99,848)	(559,947)
Financing activities			
Proceeds from financial obligations	-	-	182,000
Payments of financial obligations	(78,750)	(123,250)	-
Payment of dividends	(840,000)	(620,000)	<u>-</u>
Net cash and cash equivalents (used in) provided by financing activities	(918,750)	(743,250)	182,000
	(1.40.616)	275 400	00.505
(Net decrease) Net increase in cash and cash during the year	(148,616)	275,498	89,587
Cash and cash equivalents at beginning of year	630,360	354,862	265,275
Cash and cash equivalents at year-end	481,744	630,360	354,862
Additional information:			
Income tax payments	267,849	138,900	32,735
Payments of financial expenses	7,853	23,346	33,168

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements As of December 31, 2008, 2007 and 2006

#### Identification and business activity

Identification -

Sociedad Minera Cerro Verde S.A.A. (hereinafter the Company) was incorporated in Peru on August 20, 1993 as a result of the privatization process carried out by the Peruvian state in that year. The Company has listed its shares on the Lima Stock Exchange since November 14, 2000.

On March 19, 2007, Freeport-McMoRan Copper and Gold Inc. ("Freeport") completed the acquisition process of Phelps Dodge Corporation ("Phelps Dodge"). Phelps Dodge, through its subsidiary Cyprus Climax Metals Company, owns 53.56% of the voting shares of the Company. Additionally, SMM Cerro Verde Netherlands B.V. (a subsidiary of Sumitomo Metal Mining Company), Compañía de Minas Buenaventura S.A.A. and the minority stakeholders own 21%, 19.05% and 6.39% of the voting shares of the Company, respectively.

The Company's legal address is Asiento Minero Cerro Verde S/N Uchumayo - Arequipa. The ore deposits are located southwest of the city of

(b) Business activity -

The Company's activities are regulated by the Peruvian General Mining Law and comprise the extraction, production and sale of copper cathodes and concentrates.

(c)

Approval of financial statements - The financial statements as of December 31, 2008 and 2007 were approved at the General Shareholders Meeting held on March 30, 2009.

#### 2. Significant accounting principles and policies

In the preparation and presentation of the financial statements, Management has followed International Financial Reporting Standards (IFRS) effective in Peru as of December 31, 2008, 2007 and 2006, which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). A description of these differences and their effects on net income and shareholders' equity is set forth in Notes 26 and 27. The financial statements derive from the statutory financial statement presentation and include certain additional disclosures in order to conform more closely to the form and content of financial statements required by the Securities and Exchange Commission of the United States of America (the "SEC").

The principal accounting principles and practices used in accounting for the transactions and in preparing the financial statement are:

#### (a) Basis of presentation -

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Peru. The accounting principles in Peru correspond to the International Financial Reporting Standards – IFRS approved by the Peruvian Accounting Interpretation Standards Board, and are consistent with the ones used in the previous year, except for the following International Financial Reporting Interpretations Committee (IFRIC) adopted effective January 1, 2008.

#### IFRIC 1, "Changes in Existing Decommissioning, Restoration and Similar Liabilities"

IFRIC 1 contains guidance on accounting for changes in decommissioning, restoration and similar liabilities that have previously been recognized both as part of the cost of an item of property, plant and equipment under IAS 16 and as a liability under IAS 37. The interpretation addresses subsequent changes to the amount of the liability that may arise from (a) a revision in the timing or amount of the estimated decommissioning or restoration costs or from (b) a change in the current market-based discount rate. The adoption of the IFRIC, during 2008, did not have a material effect on the Company's Financial Statements.

#### IFRIC 9 "Reassessment of embedded derivatives"

IFRIC 9 requires the Company, when it first becomes a party to a hybrid contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as if they were stand-alone derivatives. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The adoption of this interpretations did not result in a change to the 2008 financial statements.

As of December 31, 2008, the Peruvian Accounting Standards Board has approved the application of the IFRS 1 to 6, IAS 1 to 41, SICs 7 to 32 and IFRICs 1 to 12.

#### (b) Use of estimates and assumptions -

The preparation of financial statements in conformity with generally accepted accounting principles in Peru requires management to make estimates and assumptions in order to determine the amounts of the assets and liabilities, the disclosure of contingent assets and liabilities and the amounts of revenues and expenses to be reported for the years ended December 31, 2008, 2007 and 2006

The most significant estimates considered in the preparation of the accompanying financial statements refers to: (i)the copper cathode and concentrate provisional sales prices which are initially recorded according to the terms of sales contracts (embedded derivative), (ii)the expected copper recovery rates used to estimate copper contained in the in-process inventories, (iii)the provision for obsolescence of materials and supplies, (iv)the useful life and the recoverable amount of property, plant and equipment, (v)the determination of ore reserves and the provision for mine closure costs and estimation of contingencies. Any difference between the estimated and actual amounts will be recorded in the year of occurrence.

#### (c) Foreign currency translation -

Functional and presentation currency -

Financial statements are presented in US dollars, which is the Company's functional and presentation currency.

## Transactions and balances in foreign currency -

Transactions that are not originated in the functional currency are considered foreign currency transactions. Initially, transactions in foreign currency are recorded at the exchange rate in effect on the transaction dates. Later, at each balance sheet date: (a) monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate on that date, and (b) non-monetary items denominated in foreign currencies, that are measured in terms of historical cost, are translated using the exchange rates in effect on the dates of the original transactions.

Exchange differences resulting from the settlement of monetary items or from the translation of monetary items at exchange rates different from those originally used are recognized as gains and losses of the current period.

#### (d) Financial assets -

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification at every balance sheet date.

#### Financial assets at fair value through profit or loss-

This category has two sub-categories: held-for-trading financial assets and those designated at fair value through profit or loss at the time of acquisition. A financial asset is classified in this category if acquired principally for the purpose of its sale in the short term or if so designated by management. Derivatives financial instruments also are classified as trading, unless they are designated as hedge. Assets in this category are classified as current assets if they are either held for trading or are expected to be traded within 12 months of the balance sheet date.

#### Loans and receivables -

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment.

If there is objective evidence that an impairment loss on assets has been incurred (such as the probability of insolvency or significant financial difficulties of the debtor), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate or interest rate applicable to a similar transaction. The carrying amount of the receivable is reduced through an allowance account. The amount of the loss is recognized in the statements of income. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss. Impaired receivables are expensed when they are assessed as uncollectible.

#### Held-to-maturity investments-

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. The Company does not maintain any financial assets in this category as of December 31, 2008 and 2007.

#### Available-for-sale financial assets -

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity, net of tax. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the statements of income. The Company did not maintain any financial assets in this category as of December 31, 2008 and 2007.

#### (e) Cash and cash equivalents -

Cash and cash equivalents comprise cash at banks and on hand. For the purpose of the statements of cash flows, cash and cash equivalents also include short-term deposits with an original maturity of three months or less. Restricted cash deposit is shown separately in the balance sheet as other assets

#### (f) Inventories -

Inventories are stated at the lower of cost or net realizable value. Cost of finished products and work in progress is determined by using the first-in, first-out (FIFO) method. Cost of materials and supplies is determined by using the weighted average method and the cost of in-transit inventories is determined under the specific identification method. Net realizable value is the estimated selling price in the normal course of business, less estimated cost of production to complete the process and variable selling expenses.

The accrual for materials and supplies obsolescence is based on an item-by-item analysis completed by the Company's management, and the related amount is charged to expense in the period in which the obsolescence is deemed to have occurred.

### (g) Property, plant and equipment -

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The cost comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimation of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repair and maintenance costs are charged to the cost of production during the period in which they are incurred

Land is not depreciated. Depreciation on items of property, plant and equipment directly related to the useful life of the mine is calculated by using the units-of-production method, based on the proven and probable reserves. Other fixed assets are depreciated by using the straight-line method based on the following estimated useful lives:

Years

Buildings and other construction Machinery and equipment Transportation units Furniture and fixtures Other equipment Between 12 and 30 Between 5 and 10 3 7 Between 3 and 12

The assets' useful lives and depreciation methods are reviewed at year-end, to ensure that they are consistent with the economic benefit of the property, plant and equipment items.

An item of property, plant and equipment is disposed of when no future economic benefits are expected from its later use. Any gain or loss arising on disposal of the asset is included in current profit or loss statement in the year in which the asset is disposal.

#### (h) Intangibles -

The intangible assets acquired are recorded at cost less accumulated depreciation. As indicated in note 18 (c), the Company has recognized an intangible asset related to the contractual rights to the purchase of electrical energy at a fixed price. The related cost is amortized based on the life of the contract (9 years).

#### (i) Impairment of non-financial assets -

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The revised valuation cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revaluated amount, in which case the reversal is treated as a revaluation increase.

#### (j) Borrowings -

All loans and borrowings are initially recognized at the fair value of the cash received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

#### (k) Provisions -

General

A provision is recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that resources of the Company will be required to settle the obligation, and the related amount can be fairly estimated. The expense relating to any provision is presented in the statements of income. Provisions are discounted using a current rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

#### Mine closure costs

The Company records a provision for mine closure when a legally enforceable obligation arises, independently of the full depletion of the reserves. The Company estimates the present value of its future obligations for remediation and mine closure (asset retirement obligation or "ARO") and increases the carrying amount of the related asset (asset retirement cost or "ARC") to be retired in the future, which is included in the property, plant and equipment account in the balance sheet. Subsequently, ARC is amortized to expense during the useful life of the related assets. Any difference in the settlement of the liability will be recorded in the results of the period in which such settlement occurs. The changes in the fair value of the obligation or useful life of the related assets that occur from the revision of the initial estimates are recorded as an increase or decrease in the book value of the obligation and the related asset.

#### (l) Contingencies -

Contingent liabilities are recorded in the financial statements when occurrence is probable and they can be reasonably estimated. In other cases, they 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 such contingent assets will be realized.

#### (m) Revenue recognition -

Revenue comprises the fair value of the sale of goods, net of the related general sales tax.

The Company recognizes revenues when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered reliably measurable until all contingencies relating to the sale have been resolved.

## Sales of copper cathodes and copper concentrate -

Local sales of copper cathodes are recognized when the Company has delivered the goods to the shipping company designated by the client. Foreign sales of copper cathodes and concentrates are recognized when the products are delivered to the shipping port.

Regarding revenue measurement, copper sales are recorded based on a provisional sales price in accordance with the terms specified in the relevant sales contracts. Sales based on a provisional sales price contain an embedded derivative which is required to be bifurcated from the host contract. The embedded derivative does not qualify for hedge accounting. Therefore, the embedded derivative on these provisional sales is adjusted to the fair value through the income statement in the net sales caption. At period end, the provisional sales are adjusted based on an estimated price for the quotation period agreed in the contract. The provisional sales adjustment is recorded as an increase or decrease of the net sales.

Interest income -

Interest income is recognized as interest accrues using the effective interest rate.

#### (n) Tax credits for reinvestment programs -

The tax benefit from the reinvestment programs, note 13(c), is recognized in the year in which investments related to the reinvestment programs are made. Any temporary difference between the tax benefit applied in the year and the income tax payable is considered as a deferred income tax.

## (o) Income tax and workers' profit sharing -

Current income tax and workers' profit sharing

Income tax and workers' profit sharing for the current period are measured at the amounts expected to be paid to the tax authorities and workers, respectively. The Company calculates the income tax expense and liability, as explained in note 13. The current workers' profit sharing expense and liability is computed using a rate of 8 percent over the taxable income.

#### Deferred income tax and workers' profit sharing

Deferred income tax and workers' profit sharing are recorded using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax and workers' profit sharing liabilities are recognized for all taxable temporary differences. Deferred income tax and workers' profit sharing assets are recognized for all deductible temporary differences and tax loss carry-forwards, to the extent that is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of the deferred income tax and workers' profit sharing assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred asset to be utilized. Unrecognized deferred assets are reassessed at each balance sheet date.

- (p) Borrowing costs -
  - Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recorded as expense when incurred.
- (q) Basic and diluted earnings per share -

Basic and diluted earnings per share are calculated by dividing basic earnings per share by the weighted average common shares outstanding during the period, excluding treasury shares. The shares issued as a result of capitalization of profits are adjusted retrospectively. As of December 31, 2008 and 2007, the Company did not maintain financial instruments with dilutive effects; as a result, the basic and diluted earnings per share are the same for 2008 and 2007.

- (r) International Financial Reporting Standards (IFRS) not yet mandatory in Peru –
  There are several IFRS and IFRICs which have been issued internationally and approved by the local Accounting Standards Board (CNC) to be applied in Peru effective from January 1, 2009. The standards that could affect the Company are the following:
  - IFRS 7 "Financial Instruments Disclosures," effective internationally for periods that begin on or after January 1, 2007. The objective of this IFRS is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, to understand the nature and extent of the risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
  - IFRS 8 "Operating Segments," effective internationally for periods that begin on or after January 1, 2009. This IFRS replaces International Accounting Standard (IAS) 14, "Segment Reporting" and establishes that reporting by segments must be done in accordance with "Management's focus", meaning using the internal reporting formats used by Management for decision-making purposes.

The Company does not expect the adoption of this IFRS to have a material effect on the Company's financial statements.

The following standards, issued internationally as of December 31, 2008, could affect the Company but have not yet been approved by the CNC:

IFRS 1 "First-time Adoption of the International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" (revised), effective for periods that begin on or after January 1, 2009. This change in IFRS 1 allows an entity to determine the cost of investment in subsidiaries, jointly-controlled entities, and associates in its first financial statements under the IFRS as of the date of transition to IFRS, using the cost determined in accordance with IAS 27, or considering the previous GAAP carrying amount as cost at the date of the transition to IFRS, or at the fair value in accordance with IAS 39. These changes will have no effect on the financial statements of the Company.

- IAS 23 "Borrowing Costs" (revised) applies to borrowing costs incurred on qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. This standard removes the option of expensing all borrowing and requires capitalization of the borrowing costs that are directly attributable to the acquisition, construction or production of qualified assets.
- IFRS 3 "Business Combinations (Revised)" IFRS 3R and IAS 27 "Consolidated and Separate Financial Statements (Revised) IAS 27R. The revised standards were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R required that a change in the ownership interest of a subsidiary (without loss of control) be accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 27 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchanges Rates, IAS 28 Investment in Associates and IAS 31 Interest in Joint Ventures. The changes in IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interest. The standards may be early adopted in Perú.
- IAS 1 "Presentation of Financial Statements (Revised)", effective for periods that begin on or after January 1, 2009. When this standard is first applied, the disclosures must be made for all comparative periods presented. This standard requires the grouping of information in the financial statements based on common characteristics and the presentation of a comprehensive income statement. This standard allows presentation of the income and expense captions, as also comprehensive other income in a comprehensive income statement or, alternatively, presenting two separate statements (a statement of income and a comprehensive income statement). The names of some financial statements have been changed to clarify their purpose.
- IAS 32 "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)," effective for periods that begin on or after January 1, 2009. This amendment establishes a series of changes with respect to the classification of certain financial instruments as equity or liability, and increase the disclosure requirements for these instruments. In addition, it requires additional disclosures for negotiable instruments classified as equity.
- IAS 39 "Financial instruments: Recognition and Measurement Eligible Hedged Items (Amendment),," effective for periods that begin on or after July 1, 2009. This amendment addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. This standard clarifies that an entity may designate the changes in fair value or cash flows related to a one-sided risk as the hedged item in an effective relationship. The standard further clarifies that an inflationary element can be designated as a separable risk, if it is a contractually specified cash flow.

As of this date, the Company's management is analyzing the impact that those standards and interpretations not yet approved by the CNC will have on its operations when such standards are approved for application in Peru.

(s) Financial statements as of December 31 st, 2007 -

In order to make comparable the figures of 2007 with the corresponding figures of 2008, the Company reclassified in the balance sheet US\$49,766,000 from the "Trade account receivable" and "Trade account receivable to affiliates" captions to the "Embedded derivative related to the price of copper" caption.

#### 3. Foreign currency transactions

Translations to foreign currency (Nuevos Soles) are completed using exchange rates published by the Superintendencia de Banca y Seguros y AFP. As of December 31, 2008, the exchange rates published by this Institution were S/3.137 for buying and S/3.142 for selling U.S. dollars (S/2.995 for buying and S/2.997 for selling as of December 31, 2007) and have been applied to the respective assets and liabilities accounts.

As of December 31, 2008 the Company had deposit in guarantee, amounting to S/150,000,000 (equivalent to US\$48,752,000 as of December 31, 2008), see note 18(d). As of December 31, 2008 and 2007, the Company does not maintain additional significant assets or liabilities denominated in Nuevos Soles.

#### 4. Cash and Cash equivalents

(a) The cash and cash equivalents are made up as follows:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Cash and banks	21,571	3,013
Cash equivalents (b)	460,173	627,347
	481,744	630,360

(b) As of December 31, 2008 and 2007 this caption comprises a portfolio of investments in foreign money market fund securities (primarily short term US governments obligations, T-bills, with less than 3 months maturity) which yield variable returns, and are classified as highly liquid current assets because they are highly liquid and since management plans to use them for its short-term cash needs. The carrying amount of these investments corresponds to their fair value at the date of the financial statements. Changes in the fair value of these investments are recognized as financial income in the statements of income, see note 17.

#### 5. Trade accounts receivable from affiliate

(a) This item is made up as follows:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Freeport – McMoRan Corporation (b)	59,952	94,097
Sumitomo Metal Mining Company, Ltd. (c)	23,311	105,350
Climax Molybdenum Marketing Corporation (d)	5,780	7,066
	89,043	206,513

Trade accounts receivable are denominated in U.S. dollars, have current maturity, do not bear interest and have no specific guarantees.

- (b) On October 15<sup>th</sup>, 2006, the Company signed a contract with Phelps Dodge Corporation (now Freeport-McMoRan Corporation) through which it committed itself to sell 20% of the production of copper concentrate. The contract has a one-year term and is renewable until one of the parties notifies the decision to terminate it. In the year 2008, the sales of concentrate copper to Freeport McMoRan Corporation amounted to US\$554,262,000 (US\$324,714,000 in 2007).
  - Additionally, during 2008, the Company sold copper cathodes to Freeport McMoRan Corporation amounting to US\$17,119,000 (US\$536,816,000 in 2007). The sales were made based on to the availability of the copper cathodes and the conditions were agreed upon for each shipment. The sales from related parties are made at normal market prices.
- (c) On June 1, 2005, the Company signed an agreement with Sumitomo Metal Mining Company Ltd., by means of which it committed to sell 50% of its annual copper concentrate production at the market price prevailing at the date of the delivery, until December 31, 2016. As of December 31, 2008, the sales to Sumitomo Metal Mining Company Ltd. amounted to US\$520,866,000 (US\$600,673,000 in 2007).
- (d) On October 1, 2006, the Company signed an agreement with Climax Molybdenum Marketing Corporation (a subsidiary of Freeport McMoRan Corporation) by means of which it committed to sell 100% of its annual molybdenum concentrate, at the market price prevailing at the date of the delivery. This contract is valid for one year, and is renewable until one of the parties expresses its desire to terminate it. In 2008 the sales to Climax Molybdenum Corporation amounted to US\$55,384,000 (US\$22,142,000 in 2007).
- (e) In 2007, the Company sold copper concentrate to its affiliate, Compañía Contractual Minera Candelaria, for US\$53,390,000. As of December 31, 2008 and 2007, the Company did not maintain trade accounts receivable with this affiliate.

#### 6. Inventories, net

(a) This item is made up as follows:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Copper cathodes	5,532	1,846
Copper concentrate	5,085	12,428
Molybdenum concentrate	887	76
Inventory in process	98,938	64,587
Materials and supplies	135,668	47,672
Inventories in transit	5,337	9,653
	251,447	136,262
Provision for obsolescence of materials and supplies (b)	(2,269)	(2,340)
	249,178	133,922
Long-term inventory in process (c)	(73,346)	(40,187)
	175,832	93,735

- (b) In Management's opinion, the provision for obsolescence of materials and supplies is sufficient to cover the risks of obsolescence as of the date of financial statements.
- (c) This item corresponds principally to low grade sulfide material mined placed on the stockpiles and ready to be processed in the concentrator. Additionally, it includes the copper pounds contained in leach pads, for which recovery is achieved through its exposure to acidic solutions and subsequent transfer to the electrowinning plant to produce copper cathodes. The expected recovery of copper pounds contained in leachpad is estimated based upon metallurgical assays performed on the material.

## 7. Property, plant and equipment, net

(a) The table below presents the movement in cost and accumulated depreciation during year 2008:

	Opening balance US\$(000)	Additions US\$(000)	Adjustments US\$(000)	Transfers US\$(000)	Closing balance US\$(000)
Cost					
Land	1,465	-	-	32	1,497
Buildings and other constructions	77,495	-	(9)	8,001	85,487
Machinery and equipment	1,151,112	-	(35)	54,772	1,205,849
Transportation units	6,566	-	-	2,087	8,653
Furniture and fixtures	692	-	-	94	786
Other equipment	7,143	-	(42)	2,365	9,466
Work in progress and transit units	43,903	133,658	(965)	(67,351)	109,245
Mine closure costs	12,468	121	<u>-</u>		12,589
	1,300,844	133,779	(1,051)	_	1,433,572
Accumulated depreciation					
Buildings and other constructions	17,229	3,332	(13)	-	20,548
Machinery and equipment	256,504	73,752	(50)	-	330,206
Transportation units	5,517	456	-	-	5,973
Furniture and fixtures	243	99	-	-	342
Other equipment	4,956	884	(11)	-	5,829
Mine closure costs	1,663	512	-	-	2,175
	286,112	79,035	(74)		365,073
Net cost	1,014,732				1,068,499

- (b) Fully depreciated assets as of December 31, 2008 and 2007 amount to US\$40,163,000 and US\$39,140,000 respectively. Currently, these assets are being used by the Company and are primarily machinery and equipment.
- (c) As of December 31, 2008, the work in progress and transit units correspond primarily to the purchase of haulage trucks and two electric shovels, as well as to the extension of the drainage, filtering and development system of the leach pad number one.
- (d) As of December 31, 2008, under the application of the IAS 36 "Impairment of Assets," the Company's Management performed an evaluation of the value of its fixed assets. The recoverable amount was based on value in use and was determined at the cash generating unit level. In Management's opinion, it is not required to record a loss due to impairment of the long-term assets.

#### 8. Trade accounts payable

Trade accounts payable are mainly purchases of materials, supplies and spare parts for the mining activities of the Company. These obligations are primarily denominated in U.S. dollars, have current maturities and do not accrue interest. No guarantees have been granted.

Other accounts payable
This item is made up of the following:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Voluntary contribution, note 18(b)	27,991	48,674
Water plant, note 18(d)	65,800	40,000
Other accounts payable	10,330	9,855
	104,121	98,529
Water plant, long-term portion	(58,600)	
	45,521	98,529

#### 10. Financial obligations

This item is made up of the following:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Corporate bonds	-	78,750
Less – current portion	<u>-</u>	(11,250)
		67,500
Debt issuance costs	<u>-</u>	(4,986)
Non-current portion	<u> </u>	62,514

During the year 2008, the Company executed the rights of redemption of bonds and pre-paid the total outstanding amount as of September 20, 2008 including capital and interest, totaling US\$74,581,102.

The corporate bonds accrued annual interest payments calculated using the Libor rate plus 1.6%.

Deferred income tax and profit sharing

(a) The Company recognizes the effect of temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The composition of this item is made up as follows:

	As of 01.01.07 US\$(000)	Debit (credit) to the statement of Income US\$(000)	As of 12.31.07 US\$(000)	Debit (credit) to the statement of Income US\$(000)	As of 12.31.08 US\$(000)
Deferred income tax asset					
Income tax credit due to reinvestment benefit, note 13(c)	99,015	(99,015)			
Deferred income tax and worker's profit sharing liability, net					
Deductible temporary differences					
Price adjustment of copper cathodes and concentrates	2,215	15,382	17,597	73,196	90,793
Provision for Bamputañe dam, net	-	-	-	24,312	24,312
Difference in valuation of inventories	-	3,614	3,614	(3,387)	227
Provision for remediation and mine closure	1,880	250	2,130	194	2,324
Deferred stripping costs	-	1,203	1,203	(121)	1,082
Other provisions	949	(527)	422	1,187	1,609
	5,044	19,922	24,966	95,381	120,347
					,
Taxable temporary differences					
Difference in depreciation method	45,444	35,219	80,663	41,060	121,723
Asset in valuation method of inventories	543	(543)	-	-	-
Difference in valuation of inventories	7,784	(7,784)	-	-	-
Deferred stripping costs	3,550	(3,550)	-	-	-
	57,321	23,342	80,663	41,060	121,723
Deferred liabilities, net	52,277	3,420	55,697	(54,321)	1,376
Total debit (credit) to the statement of income		102,435		(54,321)	

The reconciliation of the legal combined rate with the effective rate of income tax for the years 2008 and 2007 is shown below:

	<b>2008</b> US\$	<b>2007</b> US\$	<b>2006</b> US\$
Income before workers' profit sharing and Income tax	1,111,587	1,280,336	482,975
Income tax rate	30%	30%	30%
Expected income tax expense	333,476	384,101	144,893
Workers' profit sharing	(26,504)	(32,054)	(12,842)
	306,972	352,047	132,051
Not-deductible expenses	7,669	16,173	15,627
Provision for water plant	(12,000)	-	-
Reinvestment of earnings	-	(1,231)	(152,334)
Others	2,164	1,816	205
Current and deferred income tax expense (benefit)	304,805	368,805	(4,451)

#### 12.

Shareholders' equity, net

(a) Capital stock As of December 31, 2008 and 2007 the authorized, subscribed and paid-up capital in accordance with the Company's by-laws and its related modifications was 350,056,012 common shares. According to the shareholders agreement of July 11, 2003, the nominal value of the shares was denominated in US dollars and amounts to US\$0.54 each.

As of December 31, 2008 the quoted price of these shares is US\$9.25 per share in active trading on the Lima Stock Exchange.

As of December 31, 2008 the Company's capital stock structure is as follows:

Percentage of individual interest in capital	Number of shareholders	Total percentage interest
Up to 1.00	4,370	6.39
From 1.01 to 20.00	1	19.05
From 20.01 to 30.00	1	21.00
From 30.01 to 60.00	1	53.56
	4,373	100.00

#### (b) Additional paid-in capital -

As of December 31, 2008 and 2007 this account comprises the difference between the conversion of the par value equity shares into U.S. dollars, as well as the issue premium resulting from the capital increase on April 18, 2005.

#### (c) Legal reserve

In accordance with the Peruvian Companies Act, this reserve is created through the transfer of 10% of the earnings for the year up to a maximum of 20% of the paid-in capital. The legal reserve must be used to compensate for losses in the absence of non-distributed earnings or non-restricted reserves, and transfers made to compensate for losses must be replaced with future earnings. This reserve may also be used to increase capital stock but the balance must be restored from future earnings.

#### (d) Restricted earnings -

Pursuant to Supreme Decree N°07-94-EM, mining companies may obtain a tax benefit (reinvestment credit) by effectively reinvesting non-distributed earnings into capital expansion projects that increase productivity, see Note 13(c). According to such Supreme Decree, the restricted earnings of the Company were transferred to a restricted earnings equity account and will be transferred to capital stock once the Ministry of Energy and Mines approves the investment. As of December 31, 2008 and 2007 this balance includes a cumulative amount of US\$800,030,000.

#### (e) Retained earnings -

In accordance with the mining stability agreement entered into with the Peruvian Government, note 13(a), the Company is authorized to distribute, without any restrictions, all capital invested and dividends, except for the restricted earnings resulting from the reinvestment of profits mentioned in paragraph (d) above. In addition, dividends and any other form of capital distribution are tax exempt.

Since 2003, dividends on behalf of shareholders, other than domiciled legal entities, are subject to a 4.1% income tax which is withheld and paid by the Company.

#### (f) Dividend distribution -

At the Directors' meeting held on May 28, 2008, it was agreed to pay a special dividend of US\$380,000,000 (US\$1.085 per common share). From this amount, US\$43,177,000 corresponded to the accumulated retained earnings as of December 31, 2007 and US\$336,823,000 corresponded to dividend advances of 2008. Additionally, at the Directors' meeting held on September 1, 2008, it was agreed to pay a special dividend of US\$460,000,000 from the earnings of 2008 (US\$1.314 per common share). The 2008 distributions have been executed under the requirements of the article 230° of the General Business Law.

The General Shareholders' Meeting held on November 27, 2007 agreed the distribution of a special dividend of a total of US\$620,000,000 (US\$1.771 per common share), an amount that was applied, at first instance, against the retained earnings of the Company as of December 31, 2006. The resulting differential was applied against the retained earnings existing as of September 30, 2007. This dividend had the characteristic of a prepayment. Subsequently, it has been distributed under the requirements of the article 230° from the General Business Law.

#### 13. Tax situation

- (a) On February 13, 1998, the Company signed an Agreement of Guarantees and Measures to Promote Investments with the Government of Peru, under the Peruvian General Mining Law. Upon approval of the agreement, the Company is subject to the tax regulations in force at May 6, 1996. In addition, the Company has tax stability for a period of fifteen years beginning January 1, 1999.
- (b) The income tax rate applicable to the Company is 30%. In addition, the Company is subject to a minimum income tax equivalent to 2% of total assets, net of accumulated depreciation and amortization. The tax charged against earnings is the higher of the income tax under the tax stability agreements and the minimum income tax. In years 2008 and 2007, income tax was calculated under the general tax rules using the 30% rate.

For the year 2008 and 2007 the taxable income and the income tax calculations are as follow:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Profit before workers' profit sharing and income tax	1,111,587	1,280,336	482,975
Plus:	, ,	, ,	,
Adjustment of prices of copper cathodes and concentrate	255,035	49,428	3,761
Water plant and voluntary contribution	57,789	51,106	50,004
Not – deductible expenses	3,825	2,099	10,083
Amortization of others assets	1,361	14,426	934
Adjustment of inventory in process and finished goods	-	37,203	4,118
Others additions	3,893	1,491	
	321,903	155,753	68,900
Less:			
Depreciation at an annual rate of 20%	(117,592)	(109,671)	(15,328)
Reversal of adjustment of prior year related to the prices of copper cathodes and			
concentrates	(49,428)	(4,727)	(13,735)
Adjustment of inventory in process and finished goods	(9,515)		
	(176,535)	(114,398)	(29,063)
Sub-total	1,256,955	1,321,691	522,812
Workers' profit sharing (8%)	(100,556)	(105,735)	(41,825)
	1,156,399	1,215,956	480,987
Reinvestment earnings	-	(334,154)	(317,068)
Taxable income	1,156,399	881,802	163,919
Income tax (30%)	346,919	264,541	49,176
Prior years income taxes	-	2,597	205
		,	
Total charged to results	346,919	267,138	49,381

<sup>(</sup>c) Pursuant to Supreme Decree No.07-94-EM, the Company can obtain a tax benefit ("Investment Credit") by effectively reinvesting non-distributed earnings into capital expansion projects that increase the Company's productivity. The investment program must be reviewed and approved by the Ministry of Energy and Mines.

On September 3 and October 25, 2004 the Company submitted for approval by the Ministry of Energy and Mines (MEM) a Reinvestment Program in the amount of US\$800,030,000 related to the construction of a sulfide processing facility to be executed in the period between October 2004 and February 2007. On December 9, 2004 through the Ministerial Resolution No.510-2004-MEM/DM, the MEM approved the Company's reinvestment program application.

Under the terms of the Reinvestment Program, the Company reinvested the earnings obtained in the years 2005, 2006 and 2007, a total of US\$800,000,000 approximately, which resulted in lower expenses for income tax of approximately US\$240,000,000 during those years. According to the requirement of Article N°7 of the Supreme Decree N°07-94-EM, the Company has supported before the Ministry of Energy and Mines the execution of the Reinvestment Program. To date, the information presented to the Ministry of Energy and Mines is currently under evaluation and the Company's Management expects it to be approved during the first semester of 2009, after which in accordance to what is required by the laws in force, the restricted earnings as of December 31, 2008 will be capitalized.

(d) Peruvian Tax Authorities have the right to examine, and, if necessary, amend the income tax as determined by the Company during the last four years, calculated from the year following that in which the tax returns are filed. The income tax filings for the years 2002 through 2008 are open to examination by the tax authorities. For value added tax the period open for examination is from January 2004 to December 2008. Tax authorities began the examination of income taxes and value added tax for the year 2003 in 2004 and both examinations were concluded in 2007. During 2008, tax authorities began the review of income tax and value added tax obligations for the fiscal years of 2004 and 2005.

Due to the various possible interpretations of current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Company. In the event that additional taxes are payable, including interest and surcharges, as a result of the Tax Authority reviews, they will be charged to expense in the period assessed and paid. However, in Management's and legal advisors' opinion, any additional tax assessment would not be material to the financial statements as of December 31, 2008 and 2007.

#### 14. Net sales

(a) This item is made up of the following:

	2008		2007		2006	
	Pounds		Pounds		Pounds	
	(000)	US\$(000)	(000)	US\$(000)	(000)	US\$(000)
Copper concentrates	517,359	1,175,739	376,541	1,085,735	5,184	13,083
Copper cathodes	189,462	581,164	209,299	686,282	208,810	654,193
Others	-	79,008	-	22,542	-	395
		1,835,911		1,794,559		667,671

Sales include negative provisional adjustments made to original invoicing which represent the changes in the fair value of the embedded derivative amounting to US\$255,035,000, US\$49,766,000 and US\$3,761,000 for the years 2008, 2007 and 2006, respectively.

(b) The following table shows net sales by geographic region:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Asia	1,071,574	1,071,478	13,083
North America	174,661	559,095	530,673
Peru	296,085	149,819	123,915
Europe	282,481	14,167	-
South America	11,110		
	1,835,911	1,794,559	667,671

#### 15.

**Cost of sales**This item is made up of the following:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Opening balance of finished goods	14,350	10,135	3,314
Add			
Materials and supplies	262,129	174,090	73,197
Depreciation and amortization	80,746	90,368	26,904
Energy	51,773	45,269	15,610
Labor	68,091	40,297	22,608
Third parties services	105,843	28,267	8,761
Other costs	59,664	46,116	14,293
Less			
Variation of inventories in process	(34,351)	(2,084)	(14,129)
Ending balance of finished goods	(11,504)	(14,350)	(10,135)
	596,741	418,108	140,423
	370,741	710,100	140,423

#### 16.

**Selling Expenses**This item is made up of the following:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Freight	67,004	45,070	1,909
Uploading/ handling	6,934	5,670	288
Commissions and other sale expenses	3,721	3,057	724
Cathode's freight	531	608	617
	78,190	54,405	3,538

#### 17. Financial income and expense

This item is made up of the following:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Financial expenses			
Amortization of debt issuance costs	(4,986)	(12,038)	(2,819)
Interest on corporate bonds	(2,685)	(5,840)	(4,301)
Interest on bank loans	_	(5,242)	(4,184)
Capitalization of borrowing costs	-	-	8,472
Other financial expenses	(182)	(226)	(152)
	(7,853)	(23,346)	(2,984)
Financial income			
Financial income on cash equivalents, note 4(b)	18,825	33,003	10,608
Other financial income	1,453	165	291
	20,278	33,168	10,899

#### 18. Commitments and contingencies

#### (a) Environmental matters -

The Company's mining and exploration activities are subject to environmental protection standards. In order to comply with these standards, the Company has obtained the approval for the Environment Adequacy Program ("PAMA") and of the Environmental Impact Studies (EIA), required for the operation of Cerro Verde's production unit.

On October 14, 2003 law N°28090 was enacted, which regulates the commitments and procedures that entities involved in mining activities must follow in order to prepare, file and implement a mine site closing plan, as well as the respective environmental guarantees that assure compliance with the plan in accordance with protection, conservation and restoration of the environment. On August 15, 2005 the regulations regarding this law were approved.

During year 2006, in compliance with the mentioned law, the Company completed the closing plans for its mine site. Up to the date of this report, the mine site closing plans are pending of approval by the Ministry of Energy and Mines.

The estimate of remediation and mine closing costs is based on studies prepared by independent consultants, who comply with the current environmental regulations. This provision corresponds mainly to the activities to be performed in order to restore the areas affected by mining activities. The main tasks to be performed include ground removal, reforestation labor and dismantling of plant and equipment.

The table below presents the movement of the provision for closure of mining unit:

	US\$(000)
Balance as of January 1, 2006	4,730
Additions and changes in estimates	9,741
Accretion expense	447
Balance as of January 1, 2007	14,918
Accretion expense	716
Balance as of December 31, 2007	15,634
Accretion expense	1,310
Balance as of December 31, 2008	16,944

The fair value of the provision for closure of mining unit was estimated based on projected cash flow which has been discounted using the adjusted annual risk free rate of 10 percent. The Company considers that this provision is sufficient to comply with the environmental laws and regulations in force in Peru.

#### (b) Voluntary contribution of 3.75% on profits -

In 2006 Peruvian mining companies, represented by the National Society of Mining, Oil and Energy (SNMPE), started a negotiation process with the Peruvian Government to define the terms and conditions for a voluntary contribution of 3.75% of net income, which would be deducted, when applicable from the payment of mining royalties. The objective of the mining companies is to contribute to the Peruvian Government's efforts in eradicating poverty in Peru and generate a favorable economic environment.

On December 21, 2006 the Peruvian Government enacted Supreme Decree 071-2006-EM regulating the terms and conditions under which the voluntary contribution would be paid by mining companies in Peru. Under this regulation, the Peruvian government established the requirements for the agreements that would be negotiated individually by the mining companies. This regulation establishes that the contribution:

- (i) Will be equivalent to 3.75% of net income under Peruvian GAAP,
- (ii) Will be paid for 2006 and the four subsequent years, dependent on the level of international metal prices, and
- (iii) Will not be tax deductible.

The rate of the voluntary contribution is broken down as follows:

- 2.75% for the Local Mining Fund
- 1.00% for the Regional Mining Fund

On November 8, 2007 the Company signed with the Peruvian State the contract of voluntary contribution, complying with the requirements described previously. An expense of US\$48,674,000 was recorded in the year 2007 (US\$16,673,000 and US\$32,001,000 corresponding to the contributions in the years 2006 and 2007, respectively). An expense of US\$29,496,000 was recorded in the year 2008. These are recorded in the voluntary contribution caption in the statements of Income. From these amounts, US\$27,991,000 and US\$48,674,000 were payable as of December 31, 2008 and 2007, respectively (Note9).

#### (c) Construction of Bamputañe Dam -

On December 29<sup>th</sup>, 2004 the Company signed a contract with "Empresa de Generación Eléctrica de Arequipa S.A." (EGASA) to meet the needs of electricity supply of its mining operations. According to the contract, EGASA is committed to supply electricity for the period starting January 1, 2007 and ending December 31, 2015 and the Company is committed to construct the Bamputañe Dam, which will be located in the Santa Lucía district, in the province of Lampa, in the department of Puno. At that date, the construction budget was estimated at US\$5,000,000. On June 11, 2008, EGASA and the Company signed an addendum to the contract for the construction of the Bamputañe Dam, in which the parties recognize and declare that the Bamputañe Dam construction budget is significantly higher than the one estimated initially. According to the prior feasibility studies performed by the Company, it was estimated that the new construction cost would amount to approximately US\$ 14,000,000. Currently, the Company is negotiating the final cost of the construction with EGASA. The contract signed by the Company will allow it to rely on the electrical energy at a fixed rate during a period of nine years. The Company recognized an intangible asset ascending to US\$14,000,000. The intangible asset is being amortized over the life of the contract (9 years).

#### (d) Water treatment plant –

On August 2, 2006 the Company and the Committee for the Defense of the Interest of Arequipa (hereinafter, the Committee) signed an agreement by means of which the Company agreed to finance and implement all the technical requirements for the construction of a drinking water plant in Alto Cayma and a waste water treatment plant. In the agreement establishes that the costs to be incurred in the construction of the drinking water treatment plant will be assumed by the Company and those of the waste water treatment plant by the municipalities of the province of Arequipa, and if any difference arises between the costs required by both plants a compensation will be applied in order to grant that 50% of the total cost of both plants will be assumed by each party.

As of December 31, 2008, based on the Basic Engineering report on the Feasibility Study of the Water Treatment Plants, the Company estimates a total cost of approximately US\$162,000,000, an amount that will be incurred in the next four years, of which the Company will be in charge of 50% of the total cost, ascending to US\$81,000,000. The fair value of this amount as of December 31, 2008 is approximately US\$65,800,000 (US\$40,000,000 were recognized as part of other operating expenses in 2006, and US\$25,800,000 in 2008).

As part of the obligations assumed with the Committee and as a way to guarantee the construction of the Water Plant, the Company established a guaranteed deposit in a local bank for an amount of S/150,000,000 (equivalent to approximately US\$50,000,000 as of the deposit date). This amount, which is equivalent to US\$48,752,000 as of December 31, 2008, has been deposited at this bank in advance to a trust agreement to be signed in 2009 and is presented as other non-current assets in the balance sheet as of December 31, 2008.

#### 19. Transactions with affiliates

- (a) Nature of relationship
  - Shareholders See note 1 to the financial statements
  - Management Minera Phelps Dodge del Perú S.A.C., a subsidiary of Freeport-McMoRan Corporation
- (b) During the years 2008,2007 and 2006 the Company engaged in the following transactions with its affiliates:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)	<b>2006</b> US\$(000)
Revenues / (expenses)			
Copper cathode sales, note 5	17,119	536,816	530,674
Copper concentrate sales, note 5	554,262	978,777	13,083
Molybdenum sales, note 5	55,384	22,142	6,217
Management services (c)	20,130	17,075	3,409

- (c) On June 1, 2005, the Company and Minera Phelps Dodge del Perú S.A.C. signed an agreement whereby Minera Phelps Dodge del Perú S.A.C. was appointed as the general manager (which includes the top management) of the Company.
- (d) As a result of these transactions, the Company has accounts receivable as described in Note 5 and has the following liabilities as of December 31, 2008 and 2007:

	<b>2008</b> US\$(000)	<b>2007</b> US\$(000)
Accounts payable		
Minera Phelps Dodge del Perú S.A.C.	4,744	6,513
Freeport McMoRan Sales Company [previously named Phelps Dodge Sales Company (PDSC)]	1,500	1,455
Freeport McMoRan Corporation	153	39
Sociedad Contractual Minera El Abra	-	45
Phelps Dodge Mining Services, Inc.	<u>-</u>	40
	6,397	8,092

#### 20.

**Earnings per share**Basic and diluted earnings per common share have been determined as follows:

	2008	2007	2006
Net income	US\$718,433,000	US\$ 804,685,000	US\$ 444,621,000
Weighted average number of share outstanding	350,056,012	350,056,012	350,056,012
Basic and diluted earnings per share	US\$ 2.05	US\$ 2.30	US\$ 1.27

Basic and diluted earnings per share are calculated by dividing earnings by the weighted-average number of outstanding shares as of the date of the

#### Embedded derivative related to price of copper 21.

As is indicated in the note 2(m), the exposure to the risk of changes in the market prices of copper and molybdenum, is considered as an embedded derivative and it is related to market contracts signed with the customers.

As of December 31, 2008 and 2007, the provisional estimated liquidations (in copper and molybdenum pounds) were as follow:

			As of Decemb		
Metal	Pounds payable (000)	Maturity 2009	Provisional pricing US\$	Forward pricing US\$	Fair value US\$(000)
Copper					
Concentrate	230,739	January to May	Between 1.34 and 3.84	Between 1.38 and 1.40	247,590
Cathode	15,659	January	1.40	1.38	322
Molybdenum	1,293	January to February	Between 12.013 and 28.38	9.50	7,123
					255,035

			As of Decem		
Metal	Pounds payable (000)	Maturity 2008	Provisional pricing US\$	Forward pricing US\$	Fair value US\$(000)
Copper					`
Concentrate	202,593	January to April	Between 3.01 and 3.63	Between 3.01 and 3.63	50,246
Cathode	11,950	January	2.965	2.99	(480)
					49,766

The final pricing that the Company estimated as of December 31, 2008 was based on London Metal Exchange information.

#### 22. Financial risk management

The Company's activities are exposed to different financial risks: market risk (including, foreign currency risk and the risk arising from changes in market prices of minerals), credit risk and liquidity risk. The Company's financial risk management program focuses on mitigating potential adverse effects on its financial performance.

The Company's Management understand the conditions prevailing in the market and based on its knowledge and experience, manages the risks related to foreign currency, credit and liquidity. The most important aspects for the management of these risks are summarized below:

- (a) Liquidity risk -
  - Liquidity risk arises from situations in which cash might not be available to pay obligations at maturity date and at a reasonable cost. The Company maintains adequate liquidity by properly managing the maturities of assets and liabilities to satisfy unexpected liquidity requirements.
- (b) Currency Risk -
  - The Company buys, sells its products, obtains working capital facilities and makes investments denominated in U.S. dollars. The assets and liabilities maintained in currencies different from the U.S. dollar (Nuevos Soles) are not significant. Management estimates that the future exchange rate fluctuations of Peruvian currency versus the U.S dollar will not significantly affect the results of the Company's future operations.
- (c) Credit Risk -
  - The Company's exposure to credit risk arises from counterparty's inability to fully pay committed amounts at maturity. The financial assets of the Company that are exposed to potential credit risk mainly are comprised of balances deposited in banks, restricted cash for the water plant, marketable securities and accounts receivable. The balances of these items held as of December 31, 2008 and 2007 represent the maximum exposure to credit risk.

#### (d) Price Risk -

The Company is exposed to the risk of changes in the market prices of minerals. The Company has decided to accept the risk of changes in the market prices of minerals, and has not hedged its exposure to price fluctuation.

#### 23. Fair value of financial instruments

Current assets and liabilities approximate their fair value due to the short-term maturities of these financial instruments. No additional long-term financial instruments were maintained by the Company.

#### 24. Mineral reserves (unaudited)

As of December 31, 2008 and 2007, the Company's proven mineral reserves are:

	MT (0	MT (000)		e
	2008	2007	2008	2007
Mineral for leaching	287,751	309,402	0.46	0.44
Mineral for milling	2,734,830	1,456,232	0.37	0.44
Production in thousands of pounds was as follows:				
			2008	2007
Cathodes			194,531	203,595
Concentrate			499,955	390,632
Average London Metals Exchange price per metric ton:				
			2008	2007
			US\$	US\$
Copper			6,952	7,126

#### 25. Subsequent event

On January 27, 2009, the Company announced that due to the current market conditions, molybdenum production will be curtailed beginning in the second quarter of 2009.

- 26. Summary of significant differences between accounting principles followed by the Company and U.S. generally accepted accounting principles

  The Company's financial statements have been prepared in accordance with Peruvian GAAP which differs in certain respects from U.S. GAAP. The

  effects of these differences are reflected in Note 27 and are principally related to the items discussed in the following paragraphs:
  - (a) Accounting differences -

#### Income tax

Peruvian GAAP – Under IAS I, Presentation of Financial Statements, deferred tax assets and liabilities are always classified as non-current assets or liabilities.

Additionally, under local GAAP, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits and thus the income tax consequences of dividends are recognized when a liability to pay the dividend is recognized.

U.S.GAAP-Deferred income tax assets and liabilities are classified in accordance with the classification of the underlying items which generated such assets and liabilities.

The Company measures current and deferred tax assets and liabilities at the applicable tax rate. With respect to the income tax consequences of basis differences of undistributed earnings, the Company recognizes deferred tax liabilities at the applicable tax rate based on its tax planning strategies. Due to the change in controlling shareholder in 2007, the Company reassessed certain of its tax planning strategies and, as a result, the Company recorded deferred income tax liabilities related to certain undistributed earnings.

Effective January 1, 2007, the Company adopted FIN 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASBS statement No. 109, "Accounting for Income Taxes." FIN 48 clarifies the accounting and reporting for uncertainties in the application of the income tax laws to the Company's operation. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 did not have a significant impact on the Company's financial statements.

#### Workers' profit sharing

Peruvian GAAP – Workers' profit sharing expense (income) is separately presented in the statements of income in a similar way as income tax expense (income). Also, deferred workers' profit sharing asset (liability) is separately presented in the balance sheets in a similar way as deferred income tax assets (liabilities).

U.S. GAAP – In accordance with Peruvian law, workers' profit sharing is limited to 18 times an employee's monthly average salary. The excess of calculated statutory workers' profit sharing is paid to the Peruvian government and is treated as an additional tax. The Company's practice is to recognize the workers' profit sharing to employees as part of operating cost and the excess profit sharing is recognized as part of current income tax. Also, deferred workers' profit sharing assets (liabilities) shall be classified as current or non–current based on the classification of the related asset or liability for financial reporting purposes.

#### Mine development cost

Peruvian GAAP – Stripping costs incurred in mine preparation through December 31, 1999 are included as mine development cost in the balance sheet and are amortized based on the mineral extracted until 2006. The balance of these deferred costs was written off in 2007. Stripping costs incurred in the operation phase as from 2000 are charged to the cost of production.

U.S. GAAP - Stripping costs incurred in the operation phase are charged to the cost of production as incurred.

#### (b) Differences in presentation -

#### Presentation of voluntary contributions

Peruvian GAAP – Voluntary contribution amounting to US\$48,674,000 is presented as part of operating expenses.

U.S. GAAP - Voluntary contribution amounting to US\$48,674,000 must be presented as part of cost of sales in the income statement.

#### Presentation of debt issuance costs

Peruvian GAAP – Debt issuance costs amounting to US\$18,333,000 as of December 31, 2006 are shown net from related debt.

U.S. GAAP – Debt issuance costs amounting to US\$18,333,000 as of December 31, 2006 are shown as part of the current assets.

#### . Reconciliation between net income and shareholders' equity determined under Peruvian GAAP and U.S. GAAP

The following is a summary of the adjustments to net income for the years ended December 31, 2008, 2007 and 2006 and to shareholders' equity as of December 31, 2007 and 2006 that would be required if U.S. GAAP had been applied instead of Peruvian GAAP in the financial statements:

	2008	2007	2006
	US\$(000)	US\$(000)	US\$(000)
Net income under Peruvian GAAP	718,433	804,685	444,621
Items increasing (decreasing) reported net income			
Deferred income tax	-	(239,764)	-
Amortization of mine development cost	-	13,672	1,277
Deferred income tax and workers' profit sharing	<u> </u>	(4,867)	(455)
Net adjustments		(230,959)	822
Net income under U.S. GAAP	718,433	573,726	445,443
Basic and diluted income per share under U.S. GAAP	2.05	1.64	1.27
	2008	2007	2006
	US\$(000)	US\$(000)	US\$(000)
Shareholders' equity according to the financial statements under Peruvian GAAP	1,324,175	1,445,742	1,261,057
Items increasing (decreasing) reported shareholder's equity			
Deferred income tax	(239,764)	(239,764)	-
Amortization of mine development cost	-	-	(13,672)
Deferred income tax and workers' profit sharing			4,867
Shareholders' equity according to the financial statements under U.S. GAAP	1,084,411	1,205,978	1,252,252

The following is a roll forward of the components of shareholders' equity under U.S.GAAP:

	US\$(000)
Shareholders' equity under U.S. GAAP at January 31, 2006	806,809
Net income in accordance with U.S. GAAP	445,443
Shareholders' equity under U.S. GAAP at December 31, 2006	1,252,252
Paid dividends	(620,000)
Net income in accordance with U.S. GAAP	573,726
Shareholders' equity under U.S. GAAP at December 31, 2007	1,205,978
Paid dividends	(840,000)
Net income in accordance with U.S. GAAP	718,433
Shareholders' equity under U.S. GAAP at December 31, 2008	1,084,411

SFAS No. 157, "Fair Value Measurements
On January 1, 2008 the Company adopted SFAS No. 157, "Fair Value Measurements FASB issued SFAS No. 157, "Fair Value Measurements," which provides enhanced guidance for using fair value to measure assets and liabilities. SFAS No. 157 does not require any new fair value measurements under U.S. generally accepted accounting principles (GAAP); rather this statement establishes a common definition of fair value, provides a framework for measuring fair value under U.S. GAAP and expands disclosure requirements about fair value measurements.

The Company adopted SFAS No. 157 for financial assets and liabilities recognized at fair value on a recurring basis effective. The following table list the financial assets and liabilities that are recorded at fair value, the valuation method used and the balance as of December 31, 2008:

Category	Valuation Method		December 31, 2008 set/(liability)
Money marked funds, see note 4(b) Embedded derivatives, see note 21	Quoted market prices Quoted market prices	US\$ US\$	460,173,000 (255,035,000)
	F-160		

#### 28. Recently Issued Accounting Pronouncements

#### Fair Value Measurements-

In February 2008, FASB issued FASB Staff Position (FSP) No. FAS 157-2, which delays the effective date of SFAS No. 157 for nonfinancial assets or liabilities that are not required or permitted to be measured at fair value on a recurring basis to fiscal years beginning after November 15, 2008, and interim periods within those years. The Company does not expect the impact of this new pronouncement to be significant.

#### **Business Combinations** -

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (revised 2007), "Business Combinations" (SFAS No. 141R) which amends SFAS No. 141, and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any no controlling interest in the acquire. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of SFAS No. 141 (revised 2007) is effective for business combinations for which the acquisition date is January 1, 2009 or later and is to be applied prospectively. Early adoption is prohibited.

Noncontrolling Interests in Consolidated Financial Statements —
In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51" (SFAS No. 160) - which establishes accounting and reporting standards pertaining to ownership interests in subsidiaries held by parties other than the parent, the amount of net income attributable to the parent and to the no controlling interest, changes in a parent's ownership interest, and the valuation of any retained no controlling equity investment when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the no controlling owners. SFAS No. 160 is effective for the Company's fiscal year beginning January 1, 2009 with early adoption prohibited. This statement is required to be adopted prospectively, except for the following provisions, which are expected to be applied retrospectively: (i) the reclassification of noncontrolling interests to equity in the consolidated balance sheets and (ii) the adjustment to consolidated net income to include net income attributable to both the controlling and noncontrolling interests.

#### Disclosures about Derivative Instruments and Hedging Activities -

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." SFAS No. 161 amends the disclosure requirements for derivative instruments and hedging activities contained in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." Under SFAS No. 161, entities are required to provide enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and related interpretations and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS No. 161 encourages, but does not require disclosure for earlier periods presented for comparative purposes at initial adoption. The adoption of SFAS No. 161 will not affect significantly the Company's accounting for derivative financial instruments; however, the Company is currently evaluating the impact on its related disclosures.

#### Recognition and Presentation of Other-Than-Temporary Impairments -

In April 2009, FASB issued FSP No. FAS 115-2, FAS 124-2 and EITF 99-20-2, "Recognition and Presentation of Other-Than-Temporary Impairments", which provides enhanced guidance on recognition and presentation. This FSP substantially changed accounting requirements for how to determine whether there has been an other-than-temporary-impairment (OTTI) and how to present impairment loss it in the statement of income and comprehensive income. This FSP is effective for interim and annual periods ending after June 15, 2009. The Company has not evaluated the impact, if any, of this new pronouncement.

Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly -

On 9 April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4 or the FSP). FSP 157-4 amends FASB Statement No. 157, Fair Value Measurements (Statement 157 or the Statement) to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to normal market activity for the asset or liability. The FSP also provides additional guidance on circumstances that may indicate that a transaction is not orderly. This rule is effective for interim and annual periods ending after June 15, 2009. The Company has not evaluated the impact, if any, of this new pronouncement.

#### **Exhibit Index**

#### **Exhibit No. Document Description**

- 1.1 By-Laws (Estatutos) of Compañía de Minas Buenaventura S.A.A., as amended April 30, 2002 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).
- By-Laws (Estatutos) of Minera Yanacocha S. R. L., as amended October 18, 1999 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).
- 4.1 Shareholders Agreement among SMM Cerro Verde Netherlands B.V., Sumitomo Metal Mining Co., Ltd., Sumitomo Corporation, Summit Global Management B.V., Compañía de Minas Buenaventura S.A.A., Cyprus Climax Metals Company, Phelps Dodge Corporation and Sociedad Minera Cerno Verde S.A.A. dated June 1, 2005 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2005, filed on June 6, 2006).
- 4.2 Term Loan Agreement, dated as of May 21, 2008, among Compañía de Minas Buenaventura S.A.A., as borrower, Compañía de Minera Condesa S.A., as guarantor, Banco de Credito del Peru, as administrative agent, Banco de Credito del Peru, as collateral agent, and each lender party thereto (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2007, filed on July 15, 2008).
- 4.3 Consent and Amendment, dated as of January 23, 2009 by and among Compañía de Minas Buenaventura S.A.A., as borrower, Compañía de Minera Condesa S.A., as guarantor, Banco de Credito del Peru, as administrative agent, Banco de Credito del Peru, as collateral agent, and each lender party thereto. †
- 11 Code of Conduct and Ethics (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).
- 12.1 Certification of Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
- 12.2 Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
- 13.1 Certification of Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
- Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †

† Filed herewith.

#### CONSENT AND AMENDMENT

CONSENT AND AMENDMENT (this "Consent and Amendment"), dated as of January 23, 2009 by and among COMPAÑÍA DE MINAS BUENAVENTURA S.A.A., a sociedad anónima abierta duly organized and existing under the laws of the Republic of Peru, as borrower (the "Borrower"), COMPAÑÍA MINERA CONDESA S.A., a sociedad anónima duly organized and existing under the laws of the Republic of Peru, as guarantor (the "Guarantor"), BANCO DE CRÉDITO DEL PERU as administrative agent on behalf of the Lenders (the "Administrative Agent"), BANCO DE CRÉDITO DEL PERU as collateral agent (the "Collateral Agent") and each lender party hereto (collectively, the "Lenders" and each individually, a "Lender").

#### WITNESSETH:

WHEREAS, the Borrower has entered into that certain \$450,000,000 term loan agreement dated as of May 21, 2008 (as amended, supplemented or modified from time to time, the "Term Loan Agreement"), entered into among the Borrower, the Guarantor, the lenders party thereto, the Administrative Agent and the Collateral Agent.

WHEREAS, the Guarantor and the Collateral Agent have entered into that certain pledge agreement dated as of May 21, 2008 (as amended, supplemented or modified from time to time, the "Pledge Agreement"), pursuant to which the Guarantor granted to the Collateral Agent (for the benefit of the Lenders), amongst other things, a pledge over certain American Depository Shares owned by the Guarantor and related rights, in order to secure payment and performance of the Obligations.

WHEREAS, the Borrower has requested that the Lenders consent to (i) the release of the American Depository Shares and related collateral, (ii) a non-ratable pre-payment in full of the Loan owing to certain of the Lenders, and (iii) certain related amendments to the Term Loan Agreement.

WHEREAS, the Lenders are willing, subject to the terms of this Consent and Amendment, to grant such consents and agree to such amendments.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

Section 1. <u>Defined Terms</u>. Terms defined in the Term Loan Agreement and not otherwise defined herein shall be used as defined in the Term Loan Agreement.

Section 2. <u>Consent</u>. The Lenders consent to the following:

(a) the Pledge Agreement is hereby terminated and the Collateral is hereby released and the Guarantor, as pledger has no further liability or obligation under the Pledge Agreement (except for liabilities and obligations described in the Pledge Agreement and, as the case may be, any Loan Document that are expressly stated to survive any termination of the Pledge Agreement); and

(b) Section 2.12 of the Term Loan Agreement notwithstanding (and each Lender hereby waives its rights under such section for purposes of this clause), the non-ratable prepayment in full of the Loan owing to certain lenders such that, after giving effect to such prepayment, Schedule 2.01 of the Term Loan Agreement shall be amended and restated in its entirety as set forth on Schedule A hereto.

#### Section 3. <u>Amendments</u>.

- (a) References in the Term Loan Agreement and the other Loan Documents So the Pledge Agreement and delivery or return of collateral security shall have no further force or effect;
  - (b) Schedule 2.01 of the Term Loan Agreement shall be deleted in its entirety and replaced with Schedule A attached hereto; and
  - (c) Schedule 2.06 of the Term Loan Agreement shall be deleted in its entirety and replaced with Schedule B attached hereto.

#### Section 4. <u>Redelivery of Collateral</u>. The Collateral Agent will:

- (a) promptly after the date hereof, return any Delivered Securities and Delivered Cash and other documents constituting Collateral delivered or held pursuant to the Pledge Agreement to the Guarantor; and
- (b) promptly after the date hereof, take such other actions as may be reasonably requested by the Guarantor or the Borrower, including providing any UCC termination statements or at the expense of the Borrower, other documents reasonably requested by the Guarantor or the Borrower, in order to effectuate the intent of this Consent and Amendment and authorize the Guarantor or the Borrower or any designee to file any termination statements in connection with the release of Collateral described above.
  - Section 5. <u>Conditions to Effectiveness.</u> This Consent and Amendment shall become effective as of the date hereof when:
    - (a) the Administrative Agent shall have received counterparts of this Consent and Amendment executed by all parties hereto; and
- (b) all tees and expenses owing to the Administrative Agent under the Loan Documents (including, without limitation, all fees and expenses incurred in connection with the preparation, execution and delivery of this Consent and Amendment) shall have been paid.
- Section 6. <u>Representations of Borrower</u>. The Borrower represents and warrants to the Lenders and the Administrative Agent that at the date hereof, (i) the representations and warranties of the Borrower contained in the Term Loan Agreement are true and accurate and remain correct in all respects, and (ii) no Default has occurred or is continuing.
- Section 7. <u>Counterparts</u>. This Consent and Amendment may be executed in several counterparts and by the different parties hereto on separate counterparts, all of which when taken together shall constitute but one and the same Consent, and Amendment. Delivery of an executed counterpart of a signature page of this Consent and Amendment by telecopy shall be effective as delivery of a manually executed counterpart of this Consent and Amendment.

# Section 8. Governing Law. THIS CONSENT AND AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

- Section 9. <u>Term Loan Agreement Remains In Effect.</u> Except as provided herein, all provisions, terms and conditions of the Term Loan Agreement shall remain in full force and effect. As amended hereby, the Term Loan Agreement is ratified and confirmed in all respects. Whenever the "<u>Term Loan Agreement</u>" is referred to in the Term Loan Agreement, any other Loan Document or any of the Exhibits thereto or any other instrument or document executed in connection therewith, it shall be deemed to mean the Term Loan Agreement as amended hereby.
- Section 10. No Waiver. The execution, delivery and effect of this Consent and Amendment shall be limited precisely as written and shall not be deemed to (i) be a consent to any waiver of any term or condition, or to any amendment or modification of any term or condition (except as specifically provided herein) of the Term Loan Agreement or any other Loan Document (ii) prejudice any right, power or remedy which the Administrative Agent or any Lender now has or may have in the future under or in connection with the Term Loan Agreement or any other Loan Document or (iii) constitute a novation of any of the obligations under the Term Loan Agreement and the other Loan Documents.
- Section 11. No Other Agreements. This Consent and Amendment sets forth the entire agreement among the parties with respect to the subject matter hereof, and supercedes any prior agreements, written or oral, relating thereto.
- Section 12. <u>Headings</u>. Section headings in this Consent and Amendment are included herein for convenience of reference only and shall not constitute a part of this Consent, and Amendment for any other purpose.

IN WITNESS WHEREOF, the parties hereto have caused this Consent and Amendment to be executed of the date first above written

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A. as Borrower
By:
Name:
Title:
COMPAÑÍA MINERA CONDESA S.A. as Guarantor
By:
Name:
Title:

<b>BANCO DE CRÉDITO DEL PERÚ</b> , as Administrative Agent and as Collateral Agent
By:
By:

Name: Mario Rosas Arrunátegui Title: Trust Officer

# BANCO DE CRÉDITO DEL PERÚ –SUCURSAL DE PANAMÁ as a Lender

By: Name:		
Name:		
Title:		
By: Name:		
Name:		
Title:		

BANCO DE CRÉDITO E INVERSIONES - MIA as a Lender	MI BRANCH,
By: Name: Title:	
By:Name: Title:	

SCOTIABANK PERÚ S.A.A., as a Lender
By:
Name:
Title:
By:
Name:
Title:

NATIXIS, as a Lender
By:
Name:
Title:

# BANCO BILBAO VIZCAYA ARGENTARIA S.A., GRAND CAYMAN BRANCH,

as a Lender

By:
Name:
Title:

By:
Name:
Title:

ATLANTIC SECURITY BANK, as a Lender
By:
Name:
Title:
By:Name:
Name:
Title:

SOCIÉTÉ GÉNÉRALE, as a Lender
By:Name:
Title:

## SCHEDULE A

## RESTATED SCHEDULE 2.01 OF THE TERM LOAN AGREEMENT

#### COMMITMENTS AND APPLICABLE PERCENTAGES

Lender	Commitment	<b>Applicable Percentage</b>
Banco de Credito del Perú - Sucursal de Panama	\$86,400,000	32.73%
Scotiabank Perú S.A.A.	\$57,600,000	21.82%
Natixis	\$50,400,000	19.09%
Banco Bilbao Vizcaya Argentaria S.A., Grand Cayman Branch	\$32,400,000	12.27%
Banco de Crédito e Inversiones — Miami Branch	\$30,000,000	11.36%
Atlantic Security Bank	\$7,200,000	2.73%
Total:	\$264,000,000	100.00%

Sch. A-1

#### SCHEDULE B

## RESTATED SCHEDULE 2.06 OF THE TERM LOAN AGREEMENT

#### PAYMENT DATES

Payment Date	Amount	(US\$ thousands)
February 27, 2009	\$	14,666.667
May 27, 2009	\$	14,666.667
August 27, 2009	\$	14,666.667
November 27, 2009	\$	14,666.667
March 1, 2010	\$	14,666.667
May 27, 2010	\$	14,666.667
August 27, 2010	\$	14,666.667
November 29, 2010	\$	14,666.667
February 28, 2011	\$	14,666.667
May 27, 2011	\$	14,666.667
August 29, 2011	\$	14,666.667
November 28, 2011	\$	14,666.667
February 27, 2012	\$	14,666.667
May 28, 2012	\$	14,666.667
August 27, 2012	\$	14,666.667
November 27, 2012	\$	14,666.667
February 27, 2013	\$	14,666.667
May 27, 2013	\$	14,666.667

#### Compañía de Minas Buenaventura S.A.A. Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

#### I, Roque Benavides Ganoza, certify that:

- 1. I have reviewed this annual report on Form 20-F of Compañía de Minas Buenaventura S.A.A.;
- Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- 4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
- 5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: June 5, 2009

## /S/ ROQUE BENAVIDES GANOZA

Roque Benavides Ganoza Chief Executive Officer

#### Compañía de Minas Buenaventura S.A.A. Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

#### I, Carlos E. Gálvez Pinillos, certify that:

- 1. I have reviewed this annual report on Form 20-F of Compañía de Minas Buenaventura S.A.A.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
- 4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
- 5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: June 5, 2009

## /S/ CARLOS E. GÁLVEZ PINILLOS

Carlos E. Gálvez Pinillos Chief Financial Officer

#### Compañía de Minas Buenaventura S.A.A. Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

- 1. I am the Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. (the "Company").
- 2. (A) The Company's Annual Report on Form 20-F for the year ended December 31, 2008 accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) of the United States Securities Exchange Act of 1934 (the "Exchange Act"); and
  - (B) The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 5, 2009

#### /S/ ROQUE BENAVIDES GANOZA

Roque Benavides Ganoza Chief Executive Officer

#### Compañía de Minas Buenaventura S.A.A. Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies a follows:

- 1. I am the Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. (the "Company").
- 2. (A) The Company's Annual Report on Form 20-F for the year ended December 31, 2008 accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) of the United States Securities Exchange Act of 1934 (the "Exchange Act"); and
  - (B) The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 5, 2009

/S/ CARLOS E. GÁLVEZ PINILLOS

Carlos E. Gálvez Pinillos Chief Financial Officer