

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

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2020

OR

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

OR

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

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number 001-14370

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A.

(Exact name of Registrant as specified in its charter)

BUENAVENTURA MINING COMPANY INC.

(Translation of Registrant's name into English)

REPUBLIC OF PERU

(Jurisdiction of incorporation or organization)

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SANTA CATALINA, LIMA 13, PERU

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
<i>Common shares, nominal (par) value of ten Peruvian Soles per share ("Common Shares")</i>	BVN	New York Stock Exchange Inc.* Lima Stock Exchange
<i>American Depositary Shares ("ADSs") representing one Common Share each</i>	BVN	New York Stock Exchange Inc.*

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

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

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

Common Shares nominal (par) value of \$/10.00 per share 253,715,190

Investment Shares nominal (par) value of \$/10.00 per share 271,677

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by
the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTION</u>	<u>3</u>
<u>PART I</u>	<u>5</u>
ITEM 1. <u>Identity of Directors, Senior Management and Advisers</u>	<u>5</u>
ITEM 2. <u>Offer Statistics and Expected Timetable</u>	<u>5</u>
ITEM 3. <u>Key Information</u>	<u>5</u>
ITEM 4. <u>Information on the Company</u>	<u>25</u>
ITEM 4A. <u>Unresolved Staff Comments</u>	<u>66</u>
ITEM 5. <u>Operating and Financial Review and Prospects</u>	<u>66</u>
ITEM 6. <u>Directors, Senior Management and Employees</u>	<u>103</u>
ITEM 7. <u>Major Shareholders and Related Party Transactions</u>	<u>108</u>
ITEM 8. <u>Financial Information</u>	<u>110</u>
ITEM 9. <u>The Offer and Listing</u>	<u>113</u>
ITEM 10. <u>Additional Information</u>	<u>114</u>
ITEM 11. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>126</u>
ITEM 12. <u>Description of Securities Other Than Equity Securities</u>	<u>127</u>
<u>PART II</u>	<u>129</u>
ITEM 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	<u>129</u>
ITEM 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	<u>129</u>
ITEM 15. <u>Controls and Procedures</u>	<u>129</u>
ITEM 16A. <u>Audit Committee Financial Expert</u>	<u>131</u>
ITEM 16B. <u>Code of Ethics</u>	<u>131</u>
ITEM 16C. <u>Principal Accountant Fees and Services</u>	<u>131</u>
ITEM 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	<u>131</u>
ITEM 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	<u>132</u>
ITEM 16F. <u>Change in Registrant's Certifying Accountant</u>	<u>132</u>
ITEM 16G. <u>Corporate Governance</u>	<u>132</u>
ITEM 16H. <u>Mine Safety Disclosure</u>	<u>132</u>
<u>PART III</u>	<u>133</u>
ITEM 17. <u>Consolidated Financial Statements</u>	<u>133</u>
ITEM 18. <u>Consolidated Financial Statements</u>	<u>133</u>
ITEM 19. <u>Exhibits</u>	<u>133</u>

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” and “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 “S/,” “Sol” or “Soles” are to Peruvian Soles, the legal currency of the Republic of Peru, or “Peru”.

We present our consolidated financial statements (the “Consolidated Financial Statements”) in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Unless otherwise specified, references to a value denominated in “t” or “tons” refer to tons; the terms “g” or “gr” refer to metric grams; the terms “oz.” or “ounces” refer to troy ounces of a fineness of 999.9 parts per 1,000, equal to 31.1035 grams.

Pursuant to the rules of the United States Securities and Exchange Commission (the “SEC”), 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 IFRS as issued by the IASB.

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—Buenaventura—A. Operating Results—General” and Note 2.4(f) to the Consolidated Financial Statements. Our partnership interest in Yanacocha was calculated at 43.65% for the year ended December 31, 2020, 2019 and 2018. As of December 31, 2018, 2019 and 2020, our equity interest in Cerro Verde was 19.58%.

Forward-Looking Statements

This Annual Report contains “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provided for under these sections. Our forward-looking statements are based on management’s assumptions and beliefs in light of the information currently available to it and may include, without limitation:

- our, Yanacocha’s and Cerro Verde’s costs and expenses;
- estimates of future costs applicable to sales;
- estimates of future exploration and production results;
- plans for capital expenditures;
- expected commencement dates of mining or metal production operations; and
- estimates regarding potential cost savings and operating performance.

The words “anticipate,” “may,” “can,” “plan,” “believe,” “estimate,” “expect,” “project,” “intend,” “likely,” “will,” “should,” “to be” and any similar expressions are intended to identify those assertions as forward-looking statements. In making any forward-looking statements, we believe that the expectations are based on reasonable assumptions. We caution readers that those statements are not guarantees of future performance and our actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include:

- our, Yanacocha’s and Cerro Verde’s results of exploration;
- the results of our joint ventures and our share of the production of, and the income received from, such joint ventures;
- commodity prices;
- production rates;

- geological and metallurgical assumptions;
- industry risks;
- timing of receipt of necessary governmental permits or approvals;
- regulatory changes;
- political risks;
- inaccurate estimates of reserves or mineralized material not in reserve;
- anti-mining protests or other potential issues with local community relationships;
- labor relations;
- pandemics, or the future outbreak of any other highly infectious or contagious disease, including the COVID-19 pandemic;
- the effects of a pandemic or epidemic and any subsequent mandatory regulatory restrictions or containment measures environmental risks;
- our ability to finance capital expenditures;
- our ability to replace reserves as they become depleted;
- our ability to maintain positive relationships with the communities in which we operate;
- information technology failures;
- risks relating to tailings dams;
- legal proceedings and their effect on our existing financing agreements;
- any future defaults in respect of our outstanding debt agreements; and
- other factors described in more detail under “Item 3. Key Information—D. Risk Factors.”

Many of the assumptions on which our forward-looking statements are based are likely to change after our forward-looking statements are made, including, for example, commodity prices, which we cannot control, and our, Yanacocha’s and Cerro Verde’s production volumes and costs, some aspects of which we may or may not be able to control. Further, we may make changes to our business plans that could or will affect our results. We do not intend to update our forward-looking statements, notwithstanding any changes in our assumptions, changes in our business plans, our actual experience or other changes, and we undertake no obligation to update any forward-looking statements more frequently than required by applicable securities laws.

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

A. Selected Financial Data

Selected Financial Information and Operating Data

This selected financial information should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto appearing elsewhere in this Annual Report. The selected financial information as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 is derived from the consolidated statements of financial position, consolidated statements of profit or loss and consolidated statements of other comprehensive income, included in the Consolidated Financial Statements appearing elsewhere in this Annual Report. The selected financial information as of December 31, 2016, 2017 and 2018 and for the years ended December 31, 2016 and 2017 has been derived from a consolidated statement of financial position, consolidated statements of profit or loss and consolidated statements of other comprehensive income, respectively, which are not included in this Annual Report. The report of Paredes, Burga & Asociados S. Civil de R.L. (a member firm of Ernst & Young Global Limited) on our Consolidated Financial Statements as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 appears elsewhere in this Annual Report. The Consolidated Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB, which differs in certain respects from U.S. GAAP. 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—Buenaventura," the Consolidated 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,				
	2020	2019	2018	2017	2016
	(US\$ in thousands) ⁽¹⁾				
Statements of profit or loss data:					
Continuing operations:					
Operating income:					
Sales of goods	637,619	821,930	1,106,329	1,187,206	1,015,670
Sales of services	20,285	23,661	24,001	29,697	28,782
Royalty income	18,638	22,297	20,385	20,739	24,339
Total operating income	676,542	867,888	1,150,715	1,237,642	1,068,791
Operating costs:					
Cost of sales of goods, excluding depreciation and amortization	(393,888)	(512,874)	(613,381)	(604,650)	(497,812)
Unabsorbed cost due to production stoppage	(27,758)	-	-	-	-
Cost of sales of services, excluding depreciation and amortization	(1,554)	(3,378)	(4,318)	(12,954)	(10,754)
Depreciation and amortization	(189,620)	(226,335)	(238,879)	(210,154)	(192,647)
Exploration in operating units	(28,044)	(44,163)	(89,730)	(89,311)	(96,149)
Mining royalties	(11,749)	(12,832)	(21,388)	(30,884)	(27,611)
Total operating costs	(652,613)	(799,582)	(967,696)	(947,953)	(824,973)
	23,929	68,306	183,019	289,689	243,818
Gross profit					
Operating expenses, net:					
Administrative expenses	(67,185)	(76,297)	(77,099)	(80,666)	(81,692)
Selling expenses	(18,533)	(24,313)	(26,948)	(23,043)	(21,733)
Write-off of stripping activity asset	(11,633)	-	-	(13,573)	-
Exploration in non-operating areas	(8,475)	(11,879)	(36,307)	(18,262)	(26,589)
Reversal (provision) for contingencies and others	(4,150)	2,968	11,248	(13,740)	(565)
Impairment recovery(loss) of long-lived assets	2,083	(2,083)	5,693	(21,620)	-
Other, net	2,690	(14,715)	(1,308)	(13,230)	18,957
Total operating expenses, net	(105,203)	(126,319)	(124,721)	(184,134)	(111,622)
Operating profit (loss)	(81,274)	(58,013)	58,298	105,555	132,196
Other income (expenses), net:					
Finance income	2,411	9,675	9,685	5,517	6,830
Finance costs	(37,822)	(42,173)	(38,422)	(34,551)	(31,580)
Share in the results of associates and joint ventures	(9,517)	47,710	(1,144)	13,207	(365,321)
Net gain (loss) from currency exchange difference	(4,116)	(734)	(1,384)	2,939	2,638
Profit (loss) before income tax	(130,318)	(43,535)	27,033	92,667	(255,237)
Current income tax	(9,924)	(11,911)	(16,882)	(23,713)	(39,444)
Deferred income tax	(15,506)	37,501	(9,997)	5,825	(14,060)
Profit (loss) from continuing operations	(155,748)	(17,945)	154	74,779	(308,741)
Discontinued operations:					
Net profit (Loss) from discontinued operations ⁽²⁾	5,409	(10,514)	(11,808)	(10,344)	(19,073)
Net profit (loss)	(150,339)	(28,459)	(11,654)	64,435	(327,814)
Attributable to equity owners of the parent	(135,718)	(12,208)	(13,445)	60,823	(323,492)
Attributable to non-controlling interest	(14,621)	(16,251)	1,791	3,612	(4,322)
Net profit (loss)	(150,339)	(28,459)	(11,654)	64,435	(327,814)
Basic and diluted profit (loss) per share attributable to equity holders of the parent ⁽³⁾⁽⁴⁾					
	(0.53)	(0.05)	(0.05)	0.24	(1.27)
Basic and diluted profit (loss) per ADS attributable to equity holders of the parent ⁽³⁾⁽⁴⁾					
	(0.53)	(0.05)	(0.05)	0.24	(1.27)
Basic and diluted profit (loss) per share attributable to equity holders of the parent, from continuing operations					
	(0.56)	(0.01)	(0.02)	0.28	(1.20)
Dividends per share	0.00	0.09	0.09	0.09	0.03
Average number of common and investment shares outstanding	253,986,867	253,986,867	253,986,867	253,986,867	253,986,867
Statement of financial position data:					
Total assets	3,979,617	4,107,274	4,217,221	4,332,813	4,266,415
Capital stock	750,497	750,497	750,497	750,497	750,497
Total shareholders' equity	2,799,857	2,968,200	3,029,565	3,063,627	3,047,213
Operating data (unaudited):					
Production ⁽⁵⁾					
Gold (oz.)	134,000	191,281	338,189	405,646	356,367

Silver (oz.)	11,947,919	20,288,743	26,264,109	26,624,431	24,648,761
Proven and probable reserves ⁽⁶⁾					
Gold (oz.)	3,064,110	3,051,511	1,000,266	1,246,255	1,405,489
Silver (oz.)	176,659,433	203,416,773	193,336,266	148,573,934	159,920,310

- (1) Except per share, per ADS, outstanding shares and operating data.
- (2) During 2020, Buenaventura sold its Mallay mining unit which was classified as discontinued in 2019 under IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The sale price was US\$10 million (US\$8.5 million plus VAT) with a related cost of US\$3.6 million net of income from the reversal of a provision for mining unit closure of US\$5.1 million. As of December 31, 2020, Buenaventura has collected US\$2.0 million and the remaining balance will be paid in two installments of US\$4.0 million in November 2021 and in November 2022.
- (3) Profit (loss) per share has been calculated for each year as net profit (loss) divided by average number of shares outstanding during the year. As of December 31, 2019 and 2020, we had 253,715,190 Common Shares outstanding, exclusive of 21,174,734 treasury shares. As of December 31, 2016, 2017, 2018, 2019 and 2020, we had 271,677 of Investment Shares (as defined below) outstanding, exclusive of 472,963 treasury shares as of December 31, 2016, 2017, 2018, 2019 and 2020.
- (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) The amounts in this table reflect the total production of all of our consolidated subsidiaries, including Sociedad Minera El Brocal S.A.A., or “El Brocal,” in which we owned a 61.43% controlling equity interest as of December 31, 2020 and 2019, and Minera La Zanja S.R.L., or “La Zanja,” in which we owned a 53.06% controlling equity interest as of December 31, 2020. The production data in this table reflect 100% of El Brocal’s and La Zanja’s production. For the years ended December 31, 2016 to 2020, El Brocal produced 2.6 million, 4.1 million, 3.9 million, 4.4 million and 3.5 million ounces of silver, respectively, of which our equity share was 1.6 million, 2.5 million, 2.4 million, 2.7 million and 2.2 million ounces of silver per year, respectively, and La Zanja produced 139,724, 127,118, 71,630, 31,500 and 17,228 ounces of gold, respectively, of which our equity share per year was 74,137, 67,449, 38,007, 16,714 and 9,141 ounces of gold, respectively, and 217,292, 280,908, 217,174, 97,204 and 84,641 ounces of silver per year, respectively, of which our equity share was 115,295, 149,050, 115,233, 51,576 and 44,911 ounces of silver per year, respectively. Amounts for 2018, 2019 and 2020 exclude production coming from the operating mines classified as discontinued operations.
- (6) The amounts in this table reflect the reserves of all of our consolidated subsidiaries, including El Brocal and La Zanja, in each case as of December 31, 2020. SRK Consulting Perú S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Uchucchacua, Tambomayo, Orcopampa, El Brocal and La Zanja. Geominería S.A.C, an independent consultant, audited the process used to estimate proven and probable ore reserves for Julcani. Amounts for 2016, 2017 and 2018 exclude reserves coming from the operating mines classified as discontinued operations. The total amount of reserves does not consider ounces from Pads.

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 consolidated financial statements as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020, or the Yanacocha Consolidated Financial Statements. The report of Paredes, Burga & Asociados S. Civil de R.L. (a member of Ernst & Young Global Limited) on the Yanacocha Consolidated Financial Statements as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 appears elsewhere in this Annual Report. The selected financial information for Yanacocha as of December 31, 2016, 2017 and 2018, and for the years ended December 31, 2016 and 2017 has been derived from consolidated statements of financial position, consolidated statements of profit or loss and consolidated statements of other comprehensive income, respectively, which are not included in this Annual Report. Yanacocha's audited consolidated financial statements as of December 31, 2016, 2017, 2018, 2019 and 2020 were audited by Paredes, Burga & Asociados S. Civil de R.L. (a member firm of Ernst & Young Global Limited). The Yanacocha Consolidated Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB. The operating data presented below, which are based on 100% of Yanacocha's production and reserves, are derived from Yanacocha's records and have 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 Consolidated 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,				
	2020	2019	2018	2017	2016
	(US\$ in thousands) ⁽¹⁾				
Statement of comprehensive income:					
Operating income:					
Sales ⁽²⁾	592,394	734,526	635,393	645,176	784,453
Other operating income	27,768	4,776	21,965	21,870	17,713
Total	620,162	739,302	657,358	667,046	802,166
Costs applicable to sales	(666,456)	(692,721)	(596,164)	(746,918)	(799,654)
Other operating costs	(1,247)	(1,160)	(2,217)	(2,062)	(2,951)
Total operating costs	(667,703)	(693,881)	(598,381)	(748,980)	(802,605)
Gross profit (loss)	(47,541)	45,421	58,977	(81,934)	(43)
Operating expenses:					
Operating expenses, net	(34,322)	(35,987)	(76,155)	(63,514)	(71,49)
Administrative expenses	(1,227)	(1,744)	(2,783)	(4,760)	(8,780)
Selling expenses	(1,922)	(1,722)	(2,627)	(3,921)	(3,695)
Impairment loss	-	-	-	-	(889,499)
Operating profit (loss)	(85,012)	5,968	(22,588)	(154,129)	(973,90)
Finance income	8,100	18,430	11,448	5,831	2,132
Finance costs	(36,699)	(57,629)	(39,024)	(23,766)	(15,107)
Net gain (loss) from currency exchange difference	1,180	2,902	(2,056)	3,636	(13,74)
Income (loss) before income tax	(112,431)	(30,329)	(52,220)	(168,428)	(1,000,625)
Income tax expense	(53,018)	(64,928)	(29,297)	(7,026)	(43,127)
Loss for the year	(165,449)	(95,257)	(81,517)	(175,454)	(1,043,752)
Comprehensive income (loss):					
Loss for the year	(165,449)	(95,257)	(81,517)	(175,454)	(1,043,752)
Other comprehensive income (loss) to be reclassified as profit or loss in subsequent periods					
Fair value of financial instruments	123	1,246	(91)	(3,244)	651
Total comprehensive loss for the year	(165,326)	(94,011)	(81,608)	(178,698)	(1,043,101)
Statement of financial position:					
Total assets	2,313,438	2,312,072	2,047,472	2,019,395	2,045,885
Capital stock	378,505	378,505	378,505	398,216	398,216
Total partners' equity	324,386	489,712	583,723	659,115	885,724
Dividends per share	0.000	0.000	0.00	0.00	0.025
U.S. GAAP					
Net income (loss)	(263,543)	3,316	(69,068)	(131,243)	(1,198,139)
Total equity	1,402,962	1,666,382	1,661,800	1,683,047	1,865,445
Operating data (unaudited)					
Gold produced (oz.)	340,052	527,336	514,564	534,692	654,934
Gold proven and probable reserves (Total Yanacocha) (oz.)	6,627	6,938	7,423	3,830	4,362
Gold proven and probable reserves attributable to the Company based on equity participation (oz.) ⁽³⁾	2,893	3,028	3,240	1,760	1,904

(1) Except operating data

(2) Royalties netted to sales

(3) Company's equity participation in Yanacocha was 43.65% for all the years, except for 2017 when such participation was 45.95%.

Cerro Verde Selected Financial Information and Operating Data

The following table presents selected financial information and operating data for Cerro Verde as of the end of 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, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020, or the Cerro Verde Financial Statements. The selected financial information as of December 31, 2016, 2017 and 2018 and for the years ended December 31, 2016 and 2017 have been derived from Cerro Verde's financial statements that are not included in this Annual Report. The report of Paredes, Burga & Asociados S. Civil de R.L. (a member firm of Ernst & Young Global Limited) on Cerro Verde's financial statements appears elsewhere in this Annual Report. The Cerro Verde Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB, which differs in certain respects from U.S. GAAP, as indicated in Note 24 and Note 25 to the Cerro Verde Financial Statements. The operating data presented below, which are based on 100% of Cerro Verde's production and reserves, are derived from Cerro Verde's records and have not been subject to audit. The financial information presented below should be read in conjunction with "Item 5. Operating and Financial Review and Prospects —Cerro Verde," the Cerro Verde 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,				
	2020	2019	2018	2017	2016
	(US\$ in thousands) ⁽¹⁾				
Statement of comprehensive income:					
Sales of goods	2,538,593	2,896,894	3,061,930	3,211,266	2,390,840
Costs of sales of goods	(1,809,255)	(1,961,577)	(2,018,876)	(1,776,573)	(1,559,726)
Gross profit	729,338	935,317	1,043,054	1,434,693	831,114
Operating expenses					
Selling expenses	(97,680)	(109,483)	(137,008)	(141,669)	(131,391)
Other operating (expenses), income net	(32,327)	(37,436)	(68,683)	(258,826)	(24,107)
	(130,007)	(146,919)	(205,691)	(400,495)	(155,498)
Operating profit	599,331	788,398	837,363	1,034,198	675,616
Financial income	2,350	10,356	28,089	5,350	954
Financial expenses	(142,675)	(115,877)	(426,733)	(216,912)	(80,438)
Foreign exchange gain differences, net	52,464	5,574	6,161	13,288	7,857
Profit before income tax	511,470	688,451	444,880	835,924	603,989
Income tax expense	(236,926)	(298,074)	(325,170)	(486,043)	(263,082)
Net Profit for the year	274,544	390,377	119,710	349,881	340,907
Basic and diluted earnings per share	0.784	1.115	0.342	1.000	0.974
Dividends per share	–	0.428503	0.571337	–	–
Weighted average number of shares outstanding	350,056,012	350,056,012	350,056,012	350,056,012	350,056,012
Statement of financial position data:					
Total assets	7,767,459	7,809,424	7,554,712	7,691,007	7,635,623
Capital Stock	990,659	990,659	990,659	990,659	990,659
Total shareholder's equity	5,635,328	5,359,323	5,117,732	5,197,309	5,197,027
U.S. GAAP					
Profit for the year	275,686	319,715	53,280	301,431	345,461
Total shareholder's equity	5,249,727	4,972,580	4,801,651	4,947,658	4,645,212
Operating data (unaudited):					
Production:					
Copper (in thousands of recoverable pounds)	820,101	1,003,776	1,049,430	1,062,210	1,107,810
Proven and probable reserves - Tonnage:					
Copper proven and probable reserves (Total Cerro Verde) (in metric tons)	4,077,480	4,265,232	4,324,461	3,577,276	3,673,229
Copper proven and probable reserves (attributable to the Company based on equity participation) (in metric tons) ⁽²⁾	798,371	835,132	846,729	700,431	719,218

(1) Except per share and operating data.

(2) BVN's equity participation in Cerro Verde was 19.58% for all the years shown.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Factors Relating to the Company

We have incurred losses in the past and may incur losses in the future.

For the years ended December 31, 2020, 2019 and 2018, our net profit (loss) was \$(150.3) million, \$(28.5) million and \$(11.7) million. We may incur losses in the future and there can be no assurance that we will be able to operate profitably during future periods. If we are unable to operate profitably during future periods, and are not successful in obtaining additional financing, we could be forced to cease certain exploration and evaluation programs and mine development activities as a result of insufficient cash resources.

Our financial performance is highly dependent on the performance of our partners under our mining exploration and operating agreements.

Our participation in joint venture mining exploration projects and mining operations with other experienced mining companies is an integral part of our business strategy. Our partners, co-venturers and other shareholders in these projects generally contribute capital to cover the expenses of the joint venture or provide critical technological, management and organizational expertise. The results of these projects can be highly dependent upon the efforts of our joint venture partners and we rely on them to fulfill their obligations under our agreements. For example, our Yanacocha joint venture with Newmont Mining Corporation, a Delaware corporation, or “Newmont Mining,” depends on Newmont Peru Limited, Peruvian Branch, or “Newmont Peru,” to provide management and other expertise to the Yanacocha project. If our counterparts do not carry out their obligations to us or to third parties, or any disputes arise with respect to the parties’ respective rights and obligations, the value of our investment in the applicable project could be adversely affected and we could incur significant expenses in enforcing our rights or pursuing remedies. We cannot assure you that our current or future partners will fulfill their obligations under our agreements with them. In addition, we may be unable to exert control over strategic decisions made with respect to such projects. See “Item 4. Information on the Company—Yanacocha” and “Item 4. Information on the Company—Buenaventura—B. Business Overview—Exploration.”

Our financial performance is highly dependent on the prices of gold, silver, copper and other metals.

The results of our operations are significantly affected by the market price of specific metals, which are cyclical and subject to substantial price fluctuations. Our revenues and the revenues of Yanacocha, in which we have a material equity investment, are derived primarily from the sale of gold and silver and the revenues of Cerro Verde, in which we have a material equity investment, are derived primarily from copper sales. The prices that we, Yanacocha and Cerro Verde obtain for gold, silver, copper and ore concentrates containing such metals, as applicable, 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 (i) the overall demand for and worldwide supply of gold, silver, copper and other metals; (ii) levels of supply and demand for a broad range of industrial products; (iii) the availability and price of competing commodities; (iv) international economic and political trends; (v) currency exchange fluctuations (specifically, the U.S. Dollar relative to other currencies); (vi) expectations with respect to the rate of inflation; (vii) interest rates; (viii) actions of commodity markets participants; and (ix) global or regional political or economic crises.

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; however, we and our wholly-owned subsidiaries no longer hedge the price at which our gold and silver will be sold. In addition, neither Yanacocha nor Cerro Verde engages in hedging activities. As a result, the prices at which we, Yanacocha and Cerro Verde sell gold, silver, copper and ore concentrates, as applicable, are fully exposed to the effects of changes in prevailing market prices. See “Item 11. Quantitative and Qualitative Disclosures About Market Risk” and Note 33 to the Consolidated Financial Statements. For information on gold and silver prices for each of the years in the five-year period ended December 31, 2019, see “Item 4. Information on the Company—Buenaventura—B. Business Overview—Sales of Metal Concentrates.”

On December 31, 2020 and March 31, 2021, the morning fixing price for gold on the London Bullion Market was US\$1,891.1 per ounce and US\$1,685.4 per ounce, respectively. On December 31, 2020 and March 31, 2021, the afternoon fixing spot price of silver on the London market, or “London Spot,” was US\$26.485 per ounce and US\$24.000 per ounce, respectively. On December 31, 2020 and March 31, 2021, the London Metal Exchange Settlement Price for copper was US\$7,741.5 per ton and US\$8,850.5 per ton, respectively.

The world market prices of gold, silver and copper have historically fluctuated widely. We cannot predict whether metal prices will rise or fall in the future. A continued 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 meet our financial obligations. If prices of gold, silver and/or copper should decline below our cash costs of production and remain at such levels for any sustained period, we could determine that it is not economically feasible to continue production at any or all of our mines. We may also curtail or suspend some or all of our exploration activities, which may result in our depleted reserves not being replenished. This could further reduce revenues by reducing or eliminating the profit that we currently expect from reserves. Such declines in price and/or reductions in operations could cause significant volatility in our financial performance and adversely affect the trading prices of our Common Shares and ADSs.

The COVID-19 pandemic has and may continue to adversely impact our business, financial condition, and results of our operations, the global economy, and the demand for and prices of oil and natural gas. The unprecedented nature of the current situation makes it impossible for us to identify all potential risks related to the pandemic or estimate the ultimate adverse impact that the pandemic may have on our business.

The COVID-19 pandemic and the actions taken by third parties, including, but not limited to, governmental authorities, businesses and consumers, in response to the pandemic have adversely impacted the global economy and created significant volatility in the global financial markets. Business closures, restrictions on travel, “stay-at-home” or “shelter-in-place” orders, and other restrictions on movement within and among communities have significantly reduced demand for and the prices of oil and natural gas. As of the date of this annual report, efforts to contain COVID-19 have not been successful in many regions, vaccination programs have encountered delays, and the global pandemic remains ongoing. A continued prolonged period of such reduced demand, the failure to timely distribute or the ineffectiveness of any vaccines, the failure to develop adequate treatments, and other adverse impacts from the pandemic may materially adversely affect our business, financial condition, cash flows, and results of operations.

Our operations rely on our workforce being able to access our mines, structures and facilities located upon or used in connection with our mining activities. Additionally, because we have implemented remote working procedures for a significant portion of our workforce for health and safety reasons and/or to comply with applicable national, state, and/or local government requirements, we rely on such persons having sufficient access to our information technology systems, including through telecommunication hardware, software and networks. If a significant portion of our workforce cannot effectively perform their responsibilities, whether resulting from a lack of physical or virtual access, quarantines, illnesses, governmental actions or restrictions, information technology or telecommunication failures, or other restrictions or adverse impacts resulting from the pandemic, our business, financial condition, cash flows, and results of operations may be materially adversely affected.

The unprecedented nature of the current situation resulting from the COVID-19 pandemic makes it impossible for us to identify all potential risks related to the pandemic or estimate the ultimate adverse impact that the pandemic may have on our business, financial condition, cash flows, or results of operations. Such results will depend on future events, which we cannot predict, including the scope, duration and potential reoccurrence of the COVID-19 pandemic or any other localized epidemic or global pandemic, the distribution and effectiveness of vaccines and treatments and the actions taken by third parties, including, but not limited to, governmental authorities, customers, contractors and suppliers, in response to the COVID-19 pandemic or any other epidemics or pandemics. The COVID-19 pandemic and its unprecedented consequences have amplified, and may continue to amplify, the other risks identified in this annual report.

Economic, mining and other regulatory policies of the Peruvian government, as well as political, regulatory and economic developments in Peru, may have an adverse impact on our, Yanacocha’s and Cerro Verde’s businesses.

Our, Yanacocha’s and Cerro Verde’s activities in Peru require us to obtain mining concessions or provisional permits for exploration and processing concessions for the treatment of mining ores from the Peruvian Ministry of Energy and Mines (the “MEM”). Under Peru’s current legal and regulatory regime, these mining and processing 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. Although we are, and Yanacocha and Cerro Verde have informed us that they are, current in the payment of all amounts due in respect of mining and processing concessions, failure to pay such concession fees, processing fees or related fines for two consecutive years could result in the loss of one or more mining rights and processing concessions, as the case may be.

Mining companies are also required to pay the Peruvian government mining royalties and/or mining taxes. See “Item 4. Information on the Company—Buenaventura—B. Business Overview—Regulatory Framework—Mining Royalties and Taxes.” We cannot assure you that the Peruvian government will not impose additional mining royalties or taxes in the future or that such mining royalties or taxes will not have an adverse effect on our, Yanacocha’s or Cerro Verde’s results of operations or financial condition. In addition, future regulatory changes, changes in the interpretation of existing regulations or stricter enforcement of such regulations, including changes to our concession agreements, may increase our compliance costs and could potentially require us to alter our operations. We cannot assure you that future regulatory changes will not adversely affect our business, financial condition or results of operations.

Environmental and other laws and regulations may increase our costs of doing business, restrict our operations or result in operational delays.

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 that we are substantially in compliance, and Yanacocha and Cerro Verde have advised us that they are substantially in compliance, with all applicable environmental regulations, we cannot assure you 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—Buenaventura—B. Business Overview—Regulatory Framework—Environmental Matters" and "—Permits" and "Item 4. Information on the Company—Yanacocha—B. Business Overview—Environmental Matters."

Our and Yanacocha's ability to successfully obtain key permits and approvals to explore for, develop and successfully operate mines will likely depend on our and Yanacocha's ability to do so in a manner that is consistent with the creation of social and economic benefits in the surrounding communities. Our and Yanacocha's ability to obtain permits and approvals and to successfully operate in particular communities or to obtain financing may be adversely impacted by real or perceived detrimental events associated with our and Yanacocha's activities or those of other mining companies affecting the environment, human health and safety or the surrounding communities. Delays in obtaining or failure to obtain government permits and approvals may adversely affect our and Yanacocha's operations, including our and Yanacocha's ability to explore or develop properties, commence production or continue operations.

Our metals exploration efforts are highly speculative in nature and may not be successful.

Precious metals exploration, particularly gold exploration, is highly speculative in nature, involves many risks and is frequently unsuccessful. We cannot assure you 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, we cannot assure you that our or Yanacocha's exploration programs will result in the expansion or replacement of current production with new proven and probable ore reserves.

We base our estimates of proven and probable ore reserves and estimates of future cash operating costs largely on the interpretation of geologic data obtained from drill holes and other sampling techniques and feasibility studies. 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, 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. See "Item 4. Information on the Company—Yanacocha—C. Property, Plants and Equipment—Our Properties—Reserves," "—Yanacocha—C. Property, Plants and Equipment—Yanacocha's Properties—Reserves" and "Item 5. Operating and Financial Review and Prospects—Cerro Verde—A. Operating Results" for the price per ounce used by us, Yanacocha and Cerro Verde, respectively, to calculate our respective proven and probable reserves.

Increased operating costs could affect our 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 and electricity, as well as by the price of 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.

Our business is capital-intensive and we may not be able to finance necessary capital expenditures required to execute our business plans.

Precious metals exploration requires substantial capital expenditures for the exploration, extraction, production and processing stages and for machinery, equipment and experienced personnel. Our estimates of the capital required for our projects may be preliminary or based on assumptions we have made about the mineral deposits, equipment, labor, permits and other factors required to complete our projects. If any of these estimates or assumptions change, the actual timing and amount of capital required may vary significantly from our current anticipated costs. In addition, we may require additional funds in the event of unforeseen delays, cost overruns, design changes or other unanticipated expenses. We may also incur debt in future periods or reduce our holdings of cash and cash equivalents in connection with funding future acquisitions, existing operations, capital expenditures or in pursuing other business opportunities. Our ability to meet our payment obligations will depend on our future financial performance, which will be affected by financial, business, economic and other factors, many of which we are unable to control. There can be no assurance that we or Yanacocha will generate sufficient cash flow 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 past or that we will be able to obtain additional financing, if necessary, on a timely basis and on commercially acceptable terms.

Estimates of proven and probable reserves are subject to uncertainties and the volume and grade of ore actually recovered may vary from our 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 estimated levels of recovery of gold, silver, copper and certain other metals will be realized. Such estimates depend on geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis, which may prove to be materially inaccurate. Actual mineralization or formations may be different from those predicted. As a result, reserve estimates may require revision based on further exploration, development activity or actual production experience, which could materially and adversely affect such estimates. No assurance can be given that our, Yanacocha's or Cerro Verde's mineral resources constitute or will be converted into reserves. 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—Yanacocha—C. Property, Plants and Equipment—Our Properties—Reserves" and "Item 4. Information on the Company—Yanacocha—C. Property, Plants and Equipment—Yanacocha's Properties—Reserves."

We and Yanacocha may be unable to replace reserves as they become depleted by production.

As we and Yanacocha produce gold, silver, zinc and other metals, we and Yanacocha deplete our respective ore reserves for such metals. To maintain production levels, we and Yanacocha must replace depleted reserves by exploiting known ore bodies and locating new deposits. Exploration for gold, silver and the other metals produced is highly speculative in nature. Our and Yanacocha's exploration projects involve significant risks and are often unsuccessful. Once a site is discovered with mineralization, we and Yanacocha may require several years between initial drilling and mineral production, and the economic feasibility of production may change during such period. Substantial expenditures are required to establish proven and probable reserves and to construct mining and processing facilities. There can be no assurance that current or future exploration projects will be successful and there is a risk that our depletion of reserves will not be offset by new discoveries. See "Item 4. Information on the Company—Buenaventura—B. Business Overview—Exploration," "—Yanacocha—B. Business Overview—Environmental Matters," "—Yanacocha—C. Property, Plants and Equipment—Our Properties," "—Yanacocha—C. Property, Plants and Equipment—Yanacocha's Properties," "—Yanacocha—C. Property, Plants and Equipment—Reserves," and "Item 5. Operating and Financial Review and Prospects—Cerro Verde—A. Operating Results" for a summary of our, Yanacocha's and Cerro Verde's estimated proven and probable reserves as of December 31, 2020.

Our operations are subject to risks, many of which are not insurable.

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, unavailability of materials and equipment, unusual or unexpected geological conditions, changes in the regulatory environment, environmental hazards and weather and other natural phenomena such as earthquakes, most of which are beyond our control. 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, Yanacocha and Cerro Verde believe to be adequate but which may not provide adequate coverage in certain circumstances. No assurance can be given that such insurance will continue to be available at economically feasible premiums or at all. 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 to other companies within the industry.

Legal proceedings could have a material adverse effect on our business.

We are involved in legal proceedings against the Peruvian National Customs and Tax Administration Superintendence (“SUNAT”) in connection with ongoing tax disputes relating to an audit in respect of the Company’s income tax payments for the years 2007 and 2008 (and the tax consequences in respect of the years 2009 and 2010), in which SUNAT refused to recognize the Company’s deductions in respect of contracts for physical deliveries and certain contractual payments made by the Company on the basis that such payments would, according to SUNAT, correspond to an early settlement of financial derivative contracts in situations where the Company did not establish the purpose or risks covered by such instruments.

On November 26, 2020, following the intervening tax court’s decision to dismiss the Company’s appeal against certain Administrative Resolutions issued by SUNAT in connection with the above-referenced matter, SUNAT began collection proceedings in an aggregate amount of 2,107.5 million soles (approximately US\$585.4 million), comprised of the original claim of 373.3 million soles (approximately US\$103.7 million) plus penalties and accrued interest according to SUNAT’s estimations. On December 30, 2020, we entered into a deferral and payment plan in respect of the amounts claimed by SUNAT as described in “—In the past, we have defaulted on certain obligations under our existing Syndicated Term Loan for which we have obtained a waiver; however, we cannot assure you that we will be able to obtain additional waivers in the event of future defaults” below. As a result of our entering into such arrangements, on April 13, 2021, Fitch downgraded our credit rating to “BB” from “BB+”.

We will continue to pursue appeals on this matter in Peruvian courts. These legal proceedings may be costly and time consuming and there can be no guarantee in respect of the final outcome of these proceedings or that SUNAT will not bring future claims against us.

In the past, we have defaulted on certain obligations under our existing Syndicated Term Loan for which we have obtained a waiver; however, we cannot assure you that we will be able to obtain additional waivers in the event of future defaults.

Following the commencement of collection proceedings by SUNAT described in “—Legal proceedings could have a material adverse effect on our business,” the Company filed a request for deferral and payment plan of the amounts claimed by SUNAT in order to make such tax payments over a 67 month term, in addition to making interest payments in connection with such payments. The requested payment plan consists of an initial payment in an amount equal to 14% of the amount claimed by SUNAT and 66 equal installments for the remaining amounts. In order to finalize the deferral and payment agreement with SUNAT, the Company was required to deliver Letters of Credit in an amount equal to the aggregate claimed amount in accordance with applicable law. To satisfy this requirement, on December 30, 2020, the Company entered into a syndicated letters of credit agreement (the “Syndicated L/C Agreement”) with a group of financial entities and following delivery of the Letters of Credit, SUNAT approved the Company’s payment plan.

The collection proceedings, the incurrence of debt under the Syndicated L/C Agreement and the granting of certain liens described below constituted an event of default under an outstanding syndicated loan facility (as amended from time to time, the “Syndicated Term Loan”), in the amount of US\$275 million among us, as borrower, Compañía Minera Condesa S.A. (“Condesa”), Inversiones Colquijirca S.A. (“Colquijirca”) and Consorcio Energético Huancavelica S.A. (“Conenhua”), as guarantors, Banco de Crédito del Perú, as administrative agent, and the lenders party thereto. As such, prior to the execution of the Syndicated L/C Agreement, on December 29, 2020, Buenaventura entered into a forbearance agreement (as amended from time to time, the “Forbearance Agreement”) with a majority of the lenders and the administrative agent under the Syndicated Term Loan, pursuant to which such creditors agreed, among other matters, not to exercise any acceleration rights under the Syndicated Term Loan in connection with any potential non-compliance with the incurrence of debt, negative pledge, consolidated interest coverage ratio or consolidated net leverage ratio as a result of our incurrence of debt (and the granting of certain collateral) pursuant to the Syndicated Letters of Credit, through April 28, 2021.

Additionally, as a requirement to the execution of the Syndicated L/C Agreement and the Forbearance Agreement, the lenders party to such agreements required Buenaventura to (1) enter into a temporary intercreditor agreement (Acuerdo Transitorio entre Acreedores) (the “Temporary Intercreditor Agreement”) which regulates the relationship between the letter of credit providers under the Syndicated L/C Agreement, a majority of the lenders and the administrative agent under the Syndicated Term Loan, certain hedge providers and the Company; and (2) grant a first lien in respect of the shares or quotas, as applicable, owned by (a) Buenaventura in Empresa de Generación Huanza S.A., Yanacocha, Sociedad Minera El Brocal S.A.A and Sociedad Minera Cerro Verde S.A.A. and (b) Condesa in Buenaventura, as collateral for the secured obligations under the Temporary Intercreditor Agreement, the Syndicated Term Loan and the company’s outstanding hedge agreements.

On April 28, 2021, we entered into an amendment and waiver to the Syndicated Term Loan which superseded the Forbearance Agreement, pursuant to which the lenders under the Syndicated Term Loan agreed to amend certain terms of the Syndicated Term Loan and to cure any and all past defaults triggered by the collection proceedings, the incurrence of debt and the granting of collateral relating to the Syndicated Letters of Credit.

We cannot assure you that we will not breach the covenants under these or other of our debt instruments in the future and, in such event, that we would be able to obtain the required waivers from our creditors. Failure to successfully obtain waivers could force us to precipitate the sale of assets, including on unfavorable terms, to repay these debt instruments. Moreover, if we are not able to renegotiate the terms of these debt instruments or repay them promptly, our ability to obtain financings could be impaired, which may have a material adverse effect on our business, financial condition and results of operations.

Increases in equipment costs, energy costs and other production costs, disruptions in energy supply and shortages in equipment and skilled labor may adversely affect our results of operations.

In recent years, there has been a significant increase in mining activity worldwide in response to increased demand and significant increases in the prices of natural resources. The opening of new mines and the expansion of existing ones have 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 and natural gas. An inability to procure sufficient energy at reasonable prices or disruptions in energy supply 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 or disruptions in energy supply could make our operations less profitable, even in an environment of relatively high copper, gold or silver prices. Increases in the costs of commodities that we consume or use may also significantly affect the capital costs of new projects.

We may be adversely affected by labor disputes.

Our ability to achieve our goals and objectives is dependent, in part, on maintaining good relations with our employees. A prolonged labor disruption at any of our material properties could have a material adverse impact on our results of operations. We, Compañía Minera Coimolache S.A., or “Coimolache,” Yanacocha and Cerro Verde have all experienced strikes or other labor-related work stoppages in the past.

As of December 31, 2020, unions represented approximately 24% of our and our subsidiaries’ employees, including Coimolache’s employees and contractors. Although we consider our relationship with our employees to be positive, 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.

Our, Yanacocha’s and Cerro Verde’s operations are subject to political and social risks.

Our, Yanacocha’s and Cerro Verde’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. In recent years, certain areas in the south and northern highlands of Peru with significant mining developments have experienced strikes and protests related to the environmental impact of mining activities. Such strikes and protests have resulted in commercial disruptions and a climate of uncertainty with respect to future mining projects. As a result of local political and community protests, construction and development activities at the Conga project were largely suspended in November 2011. The results of the Peruvian Central Government’s Environmental Impact Assessment (“EIA”) independent review were reported on April 20, 2012. The review indicated the project’s EIA met Peruvian and international standards. The review made recommendations to provide additional water capacity and social funds, which Yanacocha has largely accepted. Yanacocha announced the decision to advance the project on a “water-first” basis on June 22, 2012. In the first half of 2014, a Conga restart study was completed to identify and test alternatives to advancing development of the project. Following this assessment, a new plan was developed to reduce spending by focusing only on the most critical work (protecting people and assets, engaging with communities and maintaining existing project infrastructure), while maintaining optionality. Newmont Mining will not proceed with the full development of the Conga project without social acceptance, solid economic projections and, potentially, another partner to help defray costs and risk. It is difficult to predict when or whether such events may occur. Under the current social and political environment, we do not anticipate being able to develop the Conga project in the foreseeable future. The continued delay and evaluation of other alternatives may result in a potential accounting impairment or further reclassification of mineralized material.

During 2020, the Peruvian Central Government continued to support responsible mining as a vehicle for the growth and future development of Peru. However, we are unable to predict whether the Peruvian Central Government will continue to take similar positions in the future. The regional government of Cajamarca and other political parties have actively opposed the Conga project in the past. We cannot predict future positions of either the Peruvian Central Government or regional governments towards foreign investment, mining concessions, land tenure or other regulation, or the impact that these positions or changes in law may have on Yanacocha or Conga. Such changes may include increased labor regulations, environmental and other regulatory requirements, and additional taxes and royalties. We may also be exposed to protests, community demands and road blockages. Any change in government positions or laws on these issues could adversely affect the assets and operations of Yanacocha or Conga, which could have a material adverse effect on our results of operations and financial position. Additionally, the inability to develop Conga or operate at Yanacocha could have an adverse impact on our growth and production in the region.

We cannot assure you that these types of incidents will not continue or that similar incidents will not occur in areas in which we and Yanacocha operate, or that the continuation or intensification of community protests will not adversely affect our or Yanacocha's exploration and production activities or our or Yanacocha's results of operations or financial condition.

In addition, during 2011, Peru enacted Law No. 29785, the Law of Prior Consultation for Indigenous and Native Communities (*Ley del Derecho a la Consulta Previa a los Pueblos Indígenas y Originarios, Reconocido en el Convenio 169 de la Organización Internacional del Trabajo*). Implementing regulations thereunder were approved by Supreme Decree No. 001-2012-MC, which became effective on April 2, 2012. This law establishes a prior consultation procedure that the Peruvian government must undertake in concert with any local indigenous communities whose collective rights may be directly affected by new legislative or administrative measures, including the granting of new mining concessions. The implementing regulations specify the form and circumstances of the required consultation and the manner in which agreements will be formalized, and cap the consultation process at 120 calendar days. Under the law, the Peruvian governmental body responsible for issuing or approving the administrative measure or decree in question, rather than the affected local indigenous community, retains the right to approve or reject the relevant legislative or administrative matter following such consultation. However, to the extent that any future projects operated by us, Yanacocha or Cerro Verde require legislative or administrative measures that impact local indigenous communities, the required prior consultation procedure may result in delays, additional expenses or failure to obtain approval for such new project.

We could face geotechnical challenges, which could adversely impact our production and profitability.

No assurances can be given that unanticipated adverse geotechnical and hydrological conditions, such as landslides and pit wall failures, will not occur in the future or that such events will be detected in advance. Geotechnical instabilities can be difficult to predict and are often affected by risks and hazards outside of our control, such as severe weather and considerable rainfall, which may lead to periodic floods, mudslides, wall instability and seismic activity, which may result in slippage of material.

Geotechnical failures could result in limited or restricted access to mine sites, suspension of operations, government investigations, increased monitoring costs, remediation costs, loss of ore and other impacts, which could cause one or more of our projects to be less profitable than currently anticipated and could result in a material adverse effect on our results of operations and financial position.

We rely on contractors to conduct a significant portion of our operations and mine development projects.

A significant portion of our operations and mine development projects are currently conducted by contractors. As a result, our operations are subject to a number of risks, some of which are outside our control, including:

- failure of a contractor to perform under its agreement;
- interruption of operations or increased costs if a contractor ceases its business due to insolvency or other unforeseen events;
- failure of a contractor to comply with applicable legal and regulatory requirements, to the extent it is responsible for such compliance; and
- problems of a contractor with managing its workforce, labor unrest or other employment issues.

In addition, we may incur liability to third parties as a result of the actions of our contractors. The occurrence of one or more of these risks could adversely affect our results of operations and financial position.

We are exposed to behaviors incompatible with our, Yanacocha and Cerro Verde's ethics and compliance standards.

Given the large number of contracts that we are a party to with our suppliers and partners in Yanacocha and Cerro Verde, the geographic distribution of our operations and the great variety of parties that we interact with in the course of our business, we are subject to the risk that our employees, contractors and other persons having relations with us may misappropriate our assets, manipulate our assets or information or engage in money laundering or the financing of terrorism, for such person's personal or business advantage. Our systems for identifying and monitoring these risks may not be effective to fully mitigate them in all circumstances. Such acts may result in material financial losses or reputational harm to us.

We are not, and do not intend to become, regulated as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), and if we were deemed an "investment company" under the Investment Company Act, applicable restrictions could make it impractical for us to operate as contemplated.

As of December 31, 2020, we owned a 43.65% partnership interest in Yanacocha and a 19.58% equity interest in Cerro Verde. These interests may constitute "investment securities" for purposes of 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% 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 Securities and Exchange Commission (the "SEC") 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 SEC 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 SEC 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 SEC, 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.

Our or Yanacocha's inability to maintain positive relationships with the communities in which we operate may affect our or Yanacocha's reputation and financial condition.

Our and Yanacocha's relationships with the communities in which we operate are critical to ensuring the future success of our existing operations and the construction and development of our projects. Adverse publicity generated by non-governmental organizations or local communities related to extractive industries generally, or our or Yanacocha's operations specifically, could have an adverse effect on our reputations or financial condition and may impact our relationships with the communities in which we operate. In addition, following the enactment of Law No. 29785, the Law of Prior Consultation for Indigenous and Native Communities in 2011, the Peruvian government must undertake a prior consultation procedure in concert with local indigenous communities whose collective rights may be directly affected by new legislative or administrative measures, including the granting of new mining concessions. Implementing regulations under Law No. 29785 were approved by Supreme Decree No. 001-2012-MC, which became effective on April 2, 2012. The implementing regulations specify the form and circumstances of the required consultation and the manner in which agreements will be formalized, and cap the consultation process at 120 calendar days. Our and Yanacocha's national reputation for maintaining positive relationships with the communities in which we operate may affect the outcome of any such prior consultation process involving approvals that we or Yanacocha seek for new projects. While we and Yanacocha are committed to operating in a socially responsible manner, there is no guarantee that our efforts in this regard will mitigate this potential risk. We and Yanacocha have implemented extensive community relations and security and safety initiatives to anticipate and manage social issues that may arise at our operations. See "Item 4. Information on the Company—Yanacocha—B. Business Overview."

The Conga project is located within close proximity of existing operations at Yanacocha. Due to local political and community protests, construction and development activities at the Conga project were largely suspended in November 2011. The results of the Peruvian Central Government-initiated EIA, independent review, announced on April 20, 2012, confirmed that Yanacocha's initial EIA met Peruvian and international standards. The review made recommendations to provide additional water capacity and social funds, which Yanacocha has largely accepted. Yanacocha announced its decision to move the project forward on a "water first" basis on June 22, 2012, which consists of building the originally planned community water reservoirs before resuming any mine development. As a result, during 2013 the project was focused on building water reservoirs, completing the remaining engineering activities, and accepting delivery of the main equipment purchases. In 2013, the Chailhuagon reservoir was completed. There can be no assurance that Yanacocha will be able to continue to develop the Conga project. Should Yanacocha be unable to continue with the current development plan at the Conga project, we or our mining partners in this project may reprioritize and reallocate capital to development alternatives, which may result in a potential accounting impairment. See "Item 4. Information on the Company—Yanacocha—B. Business Overview—Environmental Matters.

Deterioration in our financial position or a downgrade of our ratings by a credit rating agency could increase our borrowing costs and our business relationships could be adversely affected.

Credit rating agencies could downgrade our ratings either due to factors specific to Buenaventura, a prolonged cyclical downturn in the precious metals mining industries, macroeconomic trends (such as global or regional recessions) or trends in credit and capital markets more generally. For instance, on April 3, 2020, Moody's Investors Service downgraded our unsecured corporate rating from "Ba2" to "B1" due to the deterioration of the commodities markets and a downturn in the precious metals mining sector, as well as concerns about our liquidity. On April 13, 2021, Fitch downgraded our credit rating to "BB" from "BB+" as a result of our entering into a deferral and payment plan in respect of the amounts claimed by SUNAT as described in "—In the past, we have defaulted on certain obligations under our existing Syndicated Term Loan for which we have obtained a waiver; however, we cannot assure you that we will be able to obtain additional waivers in the event of future defaults."

A deterioration of our financial position or a further downgrade of any of our credit ratings for any reason could increase our borrowing costs and have an adverse effect on our business relationships with customers and suppliers. A subsequent downgrade could adversely affect our existing financings, limit access to the capital or credit markets, or otherwise adversely affect the availability of other new financing on favorable terms, if at all, result in more restrictive covenants in agreements governing the terms of any future indebtedness that we incur, increase our borrowing costs, or otherwise impair our business, financial condition and operating results.

Our tailings dams are subject to significant environmental, safety and engineering challenges and risks that could adversely affect our business.

The rupture of a tailings dam or similar structure may cause severe damages. Currently, the Company owns 18 tailings dams, consisting of seven active and 11 inactive (those in the process of being closed or remediated) tailing dams, and other geotechnical structures. All seven active and one of the inactive tailings dams were built using the "downstream" raising method or were raised with filtered/compacted tailings. The remaining inactive tailings dams were built using the "upstream" raising method, which could present stability risks, especially related to liquefaction.

Management of these facilities is regulated in the jurisdiction where we operate and our programs are designed to comply with applicable national laws, permits and approved environmental impact studies.

The failure of tailings dams could cause loss of life and severe personal, property and environmental damages, which could further have an adverse effect on our business, results of operations and reputation.

We could be subject to information technology system failures, network disruptions, and breaches in data security which could negatively affect our business, financial position, results of operations, and cash flows.

As dependence on digital technologies is expanding, cyber incidents, including deliberate attacks or unintentional events have been increasing worldwide. Computers and telecommunication systems are used to conduct our exploration, development and production activities and have become an integral part of our business. We use these systems to analyze and store financial and operating data, as well as to support our internal communications and interactions with business partners. Cyber-attacks could compromise our computer and telecommunications systems and result in additional costs as well as disruptions to our business operations or the loss of our data.

A cyber-attack involving our information systems and related infrastructure, or those of our business partners, could disrupt our business and negatively impact our operations in a variety of ways, such as, among others:

- an attack on the computers which control our mining operations could cause a temporary interruption of our production while contingency manual systems are brought online;
- a cyber-attack on our accounting or accounts payable systems could expose us to liability to employees and third parties if their sensitive personal information is obtained;
- possible loss of material information, which in turn could delay productive processes and selling efforts, causing economic losses; or
- a cyber-attack on a service provider could result in supply chain disruptions, which could delay or halt our major development projects.

The laws of Peru related to anti-bribery and anti-corruption are still developing and could be less stringent than those of other jurisdictions, and our risk management and internal controls may not be successful in preventing or detecting all violations of law or of company-wide policies.

Our business is subject to a significant number of laws, rules and regulations, including those relating to anti-bribery and anti-corruption. However, the Peruvian regulatory regime related to anti-bribery and anti-corruption legislation is still developing and could be less stringent than anti-bribery and anti-corruption legislation which has been implemented in other jurisdictions.

In addition, our existing compliance processes and internal control systems may not be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our employees, contractors, agents, officers or any other persons who conduct business with or on behalf of us. We may in the future discover instances in which we have failed to comply with applicable laws and regulations or internal controls. If any of our employees, contractors, agents, officers or other persons with whom we conduct business engage in fraudulent, corrupt or other improper or unethical business practices or otherwise violate applicable laws, regulations or our own internal compliance systems, we could become subject to one or more enforcement actions by Peruvian or foreign authorities (including the U.S. Department of Justice) or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

The climatic phenomenon El Niño and other natural phenomena such as earthquakes and floods may have a material and adverse effect on us.

Peru has experienced natural phenomena in the past such as earthquakes, other geologic events and flooding. A major earthquake could damage the infrastructure necessary for our operations. In addition, increased rainfall from the weather phenomenon known as “El Niño,” which typically occurs every two to seven years, can contribute to flooding and mudslides, which could damage roads and highways providing access to our facilities. Peru has also experienced droughts caused by low rainfall. If such events occur in the future, we may suffer damage to, or destruction of, properties and equipment, or losses not covered by our insurance policies, as well as temporary disruptions to our services, which may materially and adversely affect us. If a significant number of our employees were affected by a natural disaster, our ability to conduct business could be impaired.

Factors Relating to Peru

Peruvian political conditions may have an adverse impact on our, Yanacocha’s and Cerro Verde’s business.

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.

Peru has experienced political instability from time to time, spanning a succession of regimes with differing economic policies and programs. Although Peru has been widely considered a stable democracy in recent years, more recently in 2019 the country slid into a protracted political crisis when the then-President of the country (Mr. Vizcarra) took executive action to dissolve the Peruvian Congress and called for a new election of congressional members. After such actions, the now-former members of the legislative body voted to suspend the President for twelve months, and appointed the Vice President as interim president, who resigned from the position the following day. In January 2020, the Peruvian Constitutional Court ruled that the President’s closing of Congress was constitutional and legally valid, and new congressional elections were held that resulted in a highly fragmented Congress. Following these elections, the Peruvian executive and legislative branches have been at odds over several important economic and social measures, including initiatives to address the economic and social impact of the COVID-19 pandemic on Peru. In October 2020, a group of congressmen introduced a motion to hold impeachment proceedings against the then-standing President, as a result of allegations that he received illicit payments from construction companies when he was the governor of Moquegua between 2011 and 2014. In November 2020, Congress approved the impeachment of the then-standing President and, because Peru did not have any designated Vice President at such time, the then-President of Congress assumed the role of acting President. Following multiple protests across the country, the then-President of Congress resigned his role of acting President, and Congress elected congressman Francisco Rafael Sagasti Hochhausler as president of Congress, and therefore as acting President.

Peru's general elections to elect the president of the republic, two vice-presidents and all 130 members of congress for 2021-2026, were held on April 11, 2021. As a result, the candidates for president, Mr. Jose Pedro Castillo Terrones and Mrs. Keiko Sofia Fujimori Higuchi obtained the highest number of votes but no outright majority, giving place to a ballottage presidential run-off scheduled to be held on June 6, 2021. We cannot be certain whether the new Peruvian government to be elected in June 2021 will continue to pursue business-friendly and open-market economic policies that stimulate economic growth and stability.

The new government will need to reach consensus with Congress as no political party has achieved clear majority and, otherwise, will be fragmented, with at least ten political parties holding minority representations in Congress.

Confrontations between the different branches of government and the political landscape in Peru could materially and adversely affect us.

In 2020, the political situation in Peru was unstable, and there were several confrontations between the different branches of government. As result of such confrontations, the former president Martin Vizcarra was removed from office and the congress appointed Manuel Merino as his successor in November 2020. Manuel Merino resigned due to social unrest and Francisco Sagasti was appointed by the congress (following the Constitutional process) as the new President through July 2021. Peru's general elections to elect the president of the republic, two vice-presidents and all 130 members of congress for 2021-2026, were held on April 11, 2021. As a result, the candidates for president, Mr. Jose Pedro Castillo Terrones and Mrs. Keiko Sofia Fujimori Higuchi obtained the highest number of votes but no outright majority, giving place to a ballottage presidential run-off scheduled to be held on June 6, 2021.

The political instability caused by these events could affect macroeconomic conditions in the country, including currency volatility. This political instability can have a material adverse effect on our business, prospects, financial condition, results of operations or cash flows.

Inflation, reduced economic growth and fluctuations in the Sol exchange rate may adversely affect our financial condition and results of operations.

Prior to 1994, Peru periodically experienced 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* and published by *Instituto Nacional de Estadística e Informática* has fallen from a high of 7,649.7% in 1990 to 2.0% in 2020. 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 Sol relative to the U.S. Dollar, our financial position and results of operations, and the market price of our Common Shares and ADSs, could be affected. Although the Peruvian government's stabilization plan has significantly reduced inflation since 1999, 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, 2020 were US\$74.7 billion as compared to US\$68.3 billion at December 31, 2019 as per the Banco Central de Reserva. 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.

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.

In the past, Peru experienced significant levels of domestic terrorist activity. It is possible that a resurgence of terrorism in Peru may occur in the future, which would have a material adverse effect on the Peruvian economy and, ultimately, on us.

In the late 1980s and early 1990s, Peru experienced significant levels of terrorist activity targeted against, among others, the government and private sector. These activities were attributed mainly to two local terrorist groups, *Sendero Luminoso* and the Túpac Amaru Revolutionary Movement.

Both terrorist groups suffered significant defeats in the 1990s, including the arrest of their leaders, considerably limiting their activities after the 2000s. Although we believe that terrorist organizations no longer pose as significant a risk as they did in the 1980s and early 1990s, a small group of terrorists primarily engaged in drug trafficking, still operate in remote mountainous and jungle areas in central and southern Peru. Despite the suppression of most terrorist activity, terrorist activity and the illegal drug trade continue to be key challenges for Peruvian authorities. Any violence derived from the drug trade or a resumption of large-scale terrorist activities could hurt our operations and businesses. If a resurgence of terrorism in Peru occurs, it could affect the Peruvian economy and us.

Another source of risk is related to political and social unrest in areas where mining, oil and gas operations take place. In recent years, Peru has experienced protests against mining projects in several regions around the country. On several occasions, local communities have opposed these operations and accused them of polluting the environment and hurting agricultural and other traditional economic activities. Social demands and conflicts may occur in the future which may have a material adverse effect on our business, financial condition and the Peruvian economy.

Deterioration in economic and market conditions in Latin America, Peru and other emerging market countries could affect the prices of our Common Shares and American Depositary Receipts (“ADRs”).

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 Latin America, particularly 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.

Peruvian exchange and investment control policies could affect dividends paid to holders of Common Shares and ADRs.

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. Before 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 (the “U.S.”) in U.S. Dollars. Accordingly, should such or similar controls be instituted, dividends paid to holders of Common Shares and, consequently, holders of 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—D. Exchange Controls.”

Holders of our securities may find it difficult to enforce judgments against us outside of Peru.

We are organized under the laws of Peru. A significant majority of our directors and officers reside outside the U.S. (principally in Peru). All or a substantial portion of our assets or the assets of such persons are located outside the U.S. As a result, it may not be possible for investors to effect service of process within the U.S. upon us or upon such persons or to enforce against them in federal or state courts in the U.S. judgments predicated upon the civil liability provisions of the federal securities laws of the U.S. 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 U.S. federal securities laws and as to the enforceability in Peruvian courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

Factors Relating to the Common Shares and ADSs

The concentration of our capital stock ownership with certain members of the Benavides Family may limit our stockholders' ability to influence corporate matters.

As of March 31, 2021, two of our directors (and their families), Roque Benavides and Raul Benavides (who transferred his shares to his children), all of which are members of the immediate and extended family of the late Alberto Benavides de la Quintana, our founder and former Chairman (collectively, the "Benavides Family") held an aggregate of 10.92% of Buenaventura's outstanding share capital (including outstanding Common Shares and investment shares with a nominal (par) value of ten Peruvian Soles per share, which do not entitle their holders to voting rights ("Investment Shares")). In addition, certain other members of the Benavides Family are believed to hold a significant number of our Common Shares in aggregate. While the Benavides Family is not, to our knowledge, acting together as a group to vote their Common Shares, there can be no assurance that the Benavides Family will not, in the future, form a group for the purpose of voting their Common Shares or exerting influence over the management and policies of Buenaventura. Because of the significant aggregate ownership interest held by individual members of the Benavides Family, the Benavides Family could have the power to elect a significant number of the outstanding directors and exercise 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, the "Amended and Restated Deposit Agreement"), among us, The Bank of New York Mellon (formerly 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 could be a member of the Benavides Family, a discretionary proxy to vote such shares, unless we inform the Depositary that we do not wish such proxy to be given.

Shareholders' rights under Peruvian law may be fewer and less well-defined than shareholders' rights in other countries, including the U.S.

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 U.S. or certain other countries. For example, Peruvian law does not provide for proceedings by which non-controlling shareholders may file class action lawsuits or shareholder derivative actions against controlling shareholders or officers and directors, and the procedural requirements to file shareholder actions in Peru differ from those of the U.S. As a result, holders of our shares may face difficulty enforcing their rights.

U.S. securities laws do not require us to disclose as much information to investors as a U.S. issuer is required to disclose, and you may receive less information about us than you might otherwise receive from a comparable U.S. company.

The corporate disclosure requirements applicable to us may not be equivalent to the requirements applicable to a U.S. company and, as a result, you may receive less information about us than you might otherwise receive in connection with a comparable U.S. company. We are subject to the periodic reporting requirements of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, that apply to "foreign private issuers." The periodic disclosure required of foreign private issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers.

A sale of a substantial number of shares by the Benavides Family could have an adverse impact on the price of our Common Shares and ADSs.

The sale of a substantial number of our shares by members of the Benavides Family, or a market perception of the intention of members of the Benavides Family to sell a substantial number of shares, 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 Peruanas*, or "Peruvian Companies Law," any restriction on the free sale of shares in a *sociedad anónima abierta* (publicly held corporation) such as we are, is null and void.

Holders of ADSs may be unable to exercise preemptive rights and accretion rights available to the Common Shares underlying the ADSs.

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 Common Shares to be issued in such increase, by holders of Common Shares holding at least 40% 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, U.S. 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 associated benefits 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 we will file any such registration statement. 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 will be diluted proportionately. The Depositary has discretion to make rights available to holders of ADSs or to dispose of such rights and to make any net proceeds available to such holders. If, by the terms of any rights offering or for any other reason, the Depositary is not able to make such rights or such net proceeds available to any holder of ADSs, the Depositary may allow the rights to lapse.

ITEM 4. Information on the Company

In this Item 4, we present information first with respect to Buenaventura, followed by information with respect to Yanacocha, in which we had a 43.65% partnership interest as of December 31, 2020.

BUENAVENTURA

A. History and Development

Overview

We are Peru's largest publicly traded precious metals company in terms of market capitalization and we are engaged in the exploration, mining and processing of gold, silver, copper and (to a lesser extent) other metals in Peru. We currently operate the Orcopampa, Uchucchacua, Julcani and Tambomayo mines and have controlling interests in three other mining companies that operate the Colquijirca-Marcapunta, Tantahuatay and La Zanja mines. We also own an electric power transmission company, a hydroelectric plant and a processing plant, as well as non-controlling interests in several other mining companies, including a significant ownership interest in Yanacocha, a Peruvian partnership that operates the largest gold mine in South America, and Cerro Verde, a Peruvian company that operates a copper mine located in the south of Peru. For the year ended December 31, 2020, our consolidated sales were US\$676.5 million and our consolidated net loss was US\$150.3 million.

Discontinued operations. During 2016, we decided to change the classification of three mining units (Poracota, Recuperada and Shila-Paula) that had been mining units held for sale and began the final closing process for these mines. In December 2016, we sold the Antapite mining unit. In 2016, we started the final closing process for the Breapampa mining unit. As a result, income, costs and expenses related to this mining unit were classified as discontinued operations for the years 2016, 2015 and 2014. During 2017, we sold the Breapampa and Recuperada mining units.

During 2020, Buenaventura sold its Mallay mining unit which had been classified as a discontinued operation during 2019 under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The sale price was US\$10 million (US\$8.5 million plus VAT) with a related cost of US\$3.6 million net of income from the reversal of provision for mining unit closure of US\$5.1 million. As of December 31, 2020, Buenaventura has collected US\$2.0 million from the sale, and the remaining balance will be paid in two installments of US\$4 million each in November 2021 and 2022. See Note 1(e) and Note 2.4(w) to the Consolidated Financial Statements.

The table below summarizes the total production and our equity share of production for the Orcopampa, Uchucchacua, Julcani, Tambomayo, El Brocal, La Zanja, Coimolache, Yanacocha and Cerro Verde mines for the year ended December 31, 2020:

UNIT	Buenaventura's Equity Ownership	Total Production (unaudited)					Buenaventura's Equity Share of Production				
		Silver (oz.)	Gold (oz.)	Lead (t)	Zinc (t)	Copper (t)	Silver (oz.)	Gold (oz.)	Lead (t)	Zinc (t)	Copper (t)
Orcopampa	100%	9,069	41,129				9,069	41,129			
Uchucchacua	100%	5,000,312		5,151	5,223		5,000,312		5,151	5,223	
Julcani	100%	1,676,731	315	408		127	1,676,731	315	408		127
Tambomayo	100%	1,668,582	63,477	6,550	5,266		1,668,582	63,477	6,550	5,266	
El Brocal	61.43%	3,508,585	11,852	20,066	54,909	30,608	2,155,324	7,280	12,326	33,731	18,802
La Zanja	53.06%	84,641	17,228				44,911	9,141			
Coimolache	40.10%	699,361	106,017				280,409	42,507			
Yanacocha	43.65%	2,140,361	340,052				934,268	148,433			
Cerro Verde	19.58%	3,384,056				371,992	662,598				72,836
Total Production	100%	18,171,697	580,069	32,175	65,399	402,727	12,432,202	312,282	24,436	44,221	91,766

Compañía de Minas Buenaventura S.A.A., a *sociedad anónima abierta* (publicly held corporation) under the laws of Peru, was originally established in 1953 as a corporation (*sociedad anónima*) under the laws of Peru. Our registered office is located at Las Begonias 415, 19th floor, Lima 27, Peru, telephone no. 511-419-2500. Our website may be found at <http://www.buenaventura.com>. The information on our website is not a part of, and is not incorporated into, this document.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. All of the SEC filings made electronically by the Company are available to the public on the SEC website at www.sec.gov (commission file number 1-14370).

History

During the first several decades of our operations, we focused on the exploration and development of silver mines in Peru, including our Julcani, Orcopampa and Uchucchacua mines. Beginning in the early 1980s, we began to explore for gold and other metals in Peru, in order to diversify our business and reduce our dependence on silver. We expanded our mineral reserves through property acquisition and intensive exploration programs which were designed to increase reserves and production of gold. We also conducted exploration leading to the discovery of gold mineralization and subsequent production of gold at our Orcopampa, La Zanja, Breapampa and Tambomayo mines. In addition, we made significant equity investments in Yanacocha, which operates an open-pit gold mine in Peru, Cerro Verde, which operates an open-pit copper mine in Peru, and Coimolache, which owns the Tantauhuatay gold mine that we operate. As a result of these initiatives, the majority of our revenues are now derived from the production of gold, silver and copper.

Business Strategy

Our strategy is to sustain our position as Peru's largest, publicly-traded gold and silver mining company 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, Southern Copper Corporation, Corporación Aceros Arequipa S.A. and Compañía de Minas Caudalosa S.A.C. In addition, 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

During the years ended December 31, 2020, 2019 and 2018, we spent US\$8.5 million, US\$11.9 million and US\$36.3 million, respectively, on "exploration in non-operating areas" and US\$28.0 million, US\$44.2 million and US\$89.7 million, respectively, on "exploration in operating units." Our "exploration in non-operating areas" mainly focused on the Emperatriz exploration projects. Such amounts were lower than in 2019 due mainly to the COVID-19 pandemic. Our "exploration in operating units" were mainly focused in the Tambomayo, Uchucchacua and Colquijirca units.

In 2021, we intend to invest approximately between US\$40.0 and US\$50.0 million in exploration in operating units (mainly in Tambomayo, Orcopampa, Uchucchacua and El Brocal) and between US\$10.0 and US\$20.0 million in exploration in non-operating areas.

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 base metals, such as copper and zinc. See "B. 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 during the past three years have related principally to the acquisition of new mining properties, construction of new facilities and renewal of plant and equipment, excluding cost for mine closures and rights of use asset, during a given period. Capital expenditures relating to exploration are not included in the table below and are discussed separately in “B. Business Overview— Exploration.” Our presentation of capital expenditures may not be comparable to other similarly titled measures used by other companies. 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 or non-energy subsidiaries) and by category of expenditure:

	Year Ended December 31,		
	2018	2019	2020
	(US\$ in thousands)		
Colquijirca and Marcapunta	29,572	28,298	23,955
San Gabriel	6,419	10,315	14,852
Uchucchacua	18,429	31,479	10,443
Molle Verde	10,722	16,179	9,796
Río Seco	1,816	1,443	4,611
Tambomayo	18,858	9,641	3,531
Orcopampa	6,225	1,323	1,064
Julcani	2,984	1,559	1,059
La Zanja	13,159	1,629	825
Huanza	7	223	271
Conenhua	111	-	100
Mallay	1,810	-	-
Others	1,158	538	1,039
Total ⁽¹⁾	111,270	102,627	71,546

	Year Ended December 31,		
	2018	2019	2020
	(US\$ in thousands)		
Fixed assets	836	716	239
Work in progress	67,096	44,319	27,322
Development costs	43,338	57,592	43,985
Total	111,270	102,627	71,546

(1) Excluding additions of costs for mine closures of US\$61.2 million, US\$26.7 million and US\$31.6 million and right of use assets of US\$0 million US\$3.7 million and US\$6.2 million during a given period as of December 31, 2018, 2019 and 2020, respectively.

We partially funded the El Brocal Expansion and the construction of the Huanza hydroelectric power plant with leasing facilities. See “Item 5. Operating and Financial Review and Prospects—Buenaventura—B. Liquidity and Capital Resources—Long-Term Debt.”

We have budgeted approximately US\$80 to US\$95 million for capital expenditures for 2021. 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 other related businesses. However, there can be no assurance that we will decide to pursue any such new activity or transaction.

B. Business Overview

We mainly produce refined gold and silver, either as concentrates or doré bars, 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 Orcopampa, Tambomayo, Uchucchacua, Julcani, La Zanja and Colquijirca-Marcapunta mines by type of product for the last three years, calculated in each case on the basis of 100% of the applicable mine’s production. Production from Cerro Verde, Yanacocha and Coimolache are not included in these production figures.

	Year Ended December 31		
	2018	2019	2020
	(Unaudited) (1)(2)		
Gold (oz.)	338,189	191,281	134,000
Silver (oz.)	26,264,109	20,288,743	11,947,919
Zinc (t)	76,119	72,397	65,399
Lead (t)	44,972	49,803	32,175
Copper (t)	46,400	43,578	30,735

(1) The amounts in this table reflect the total production of all of our consolidated subsidiaries, including El Brocal and La Zanja.

(2) Amounts exclude production from the operating mines that are classified as discontinued operations.

Exploration

We view explorations as our primary means of generating value for our shareholders, and we maintain a portfolio of active exploration projects at various stages of exploration for mineral resources in Peru. During 2020, 2019 and 2018, we spent US\$8.5 million, US\$11.9 million and US\$36.3 million, respectively on “exploration in non-operating areas” investments and US\$28.0 million, US\$44.2 million and US\$89.7 million, respectively on “exploration in operating units” investments mainly focused in the Tambomayo, Uchucchacua and Colquijirca mining units.

During 2021, we expect to invest approximately US\$40.0 to US\$50.0 million in these exploration activities.

Our exploration department develops programs and budgets for individual projects each year and we allocate, subject to board approval, the proper amount to fund each particular exploration program. Because of the nature of mining exploration and to maintain flexibility to take advantage of opportunities, we allocate budgeted amounts by property or project only in the case of high probability of success. We also allocate non-budgeted amounts over the course of the year to new projects that our technical team considers highly prospective.

We have active joint venture exploration agreements with other mining companies, including Newmont Peru S.R.L., Minera Barrick Misquichilca, Southern Copper Corporation, Regulus Resources, Alianza Minerals and Minera Bateas. Additionally, we now hold 19.3% of the current outstanding shares of Tinka Resources Limited. Consequently, we have access to promising mining projects through exploration of our own mining properties as well as third-party properties while sharing the exploration and development risks with recognized partners, and increasing our exposure to new exploration technologies, while expanding our knowledge and experiences of management, geologists and engineers. In these mining exploration agreements, we may be the operator, an equity participant, the manager or a combination of these and other functions.

The following table lists our principal exploration projects in non-operating areas, our effective participation in each project, our partners with respect to each project, the total number of hectares in each project, observed mineralization of each project and the exploration expenditures for each project during 2018, 2019 and 2020.

Exploration Projects (1)(2)	Buenaventura's	Property Hectares	Observed Mineralization	Total Exploration		
	Effective Participation at March 31, 2021			Expenditures During		
				2018	2019	2020
				(US\$ in millions)		
Yumpaq	100.00%	7,147	Silver, Lead and Zinc	18.05	2.53	-
San Gabriel	100.00%	7,700	Gold, Silver and Copper	0.93	0.08	-
Ccelloccasa	100.00%	1,985	Gold and Silver	0.33	0.03	0.19
Don Jorge	100.00%	7,481	Silver, Lead and Zinc	-	-	0.1
Mayra	100.00%	4,767	Silver, Gold	-	-	-
Gaby	100.00%	800	Silver, Gold	0.08	-	-
San Gregorio	61.43%	4,303	Zinc	-	-	-
Emperatriz	53.06%	466	Copper, Gold and Silver	3.17	2.23	4.60
Other minor				13.75	7.01	3.58
Total exploration in non-operating areas				36.31	11.88	8.47

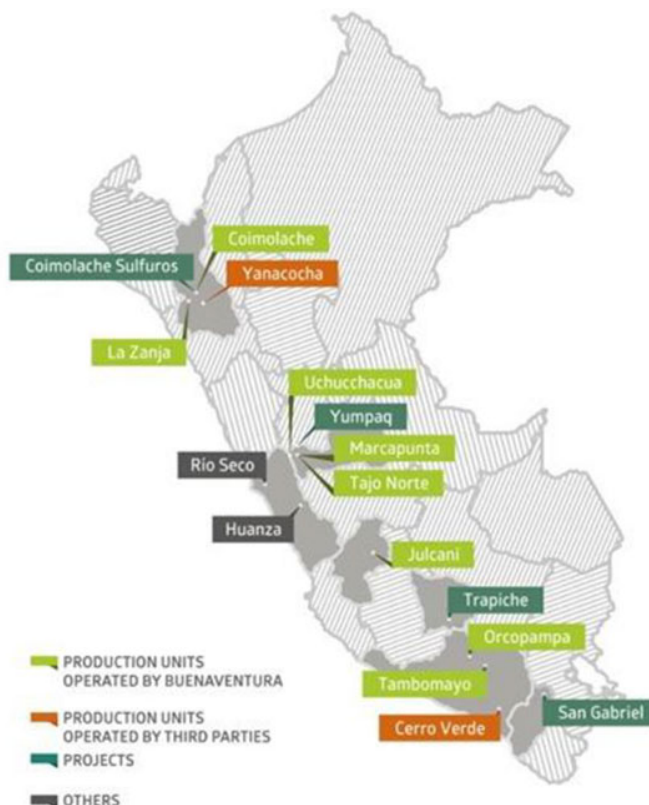
(1) In addition to these projects, we continue to conduct exploration at all of our operating mines and our subsidiaries.

(2) Only includes explorations conducted by Buenaventura.

The following table lists the mines in which we directed our principal explorations efforts, mineralization of each mine and the exploration expenditures for 2019 and 2020.

Operating Units	Observed Mineralization	Total Exploration Expenditures During 2019		Total Exploration Expenditures During 2020	
		Total	Buenaventura	Total	Buenaventura
		(US\$ in millions)		(US\$ in millions)	
Tambomayo	Gold	11.61	11.61	7.15	7.15
Uchucchacua	Silver, Lead and Zinc	8.92	8.92	6.73	6.73
Colquijirca	Copper, Zinc, Lead and Silver	8.73	8.73	5.79	5.79
Orcopampa	Silver and Gold	9.04	9.04	5.20	5.20
Julcani	Silver	5.86	5.86	3.17	3.17
Total		44.16	44.16	28.04	28.04

The following is a brief summary of current exploration activities conducted by Buenaventura directly and through joint exploration agreements, which we believe represent the best prospects for discovering 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. Set forth below is a map of our principal exploration projects in Peru as of December 31, 2020.



Exploration Projects in Non-Operating Areas

Yumpaq. The Yumpaq project is located four kilometers northeast of the Uchucchacua mine. This project is an epithermal silver-manganese deposit hosted by Cretaceous limestone. Mineralization is structurally influenced by the Cachipampa fault, which also influences significant areas of silver mineralization at the Uchucchacua mine. In 2021, we plan to explore the southwest extension of the Camila vein and other veins.

Trapiche. The Trapiche project is operated by Molle Verde S.A.C, which is a wholly-owned subsidiary of Buenaventura. The project is located in the Apurimac region and belongs to the Andahuaylas-Yauri belt, which contains several iron, copper and gold deposits.

The pre-feasibility study by M3 was completed in 2020. The construction of the metallurgical laboratory at site was postponed to 2021 due to the COVID-19 pandemic. On-site leaching tests are expected to restart during 2021 and completed in 2022. The “Linea Base” of the Environmental Impact Assessment has progressed significantly and we expect delivery to the relevant authority in the second half of 2021.

As of December 31, 2020, Trapiche had ore reserves of 283,200 thousand metric tons at 0.51% Cu. This represents 1,444 thousand copper metric tons.

San Gabriel. The San Gabriel project is wholly-owned by Buenaventura.. The project is located in the Moquegua region in southern Peru. This deposit is an intermediate sulfidation deposit hosted by the diatreme breccia body at the sediment-intrusive contact.

During 2020, the geological model was reevaluated. As part of this reevaluation, 91,913 meters of drill core were re-logged and a new geological model was completed at the end of October. Based on this model, a resources update has been delivered to SRK (Peru) for validation. In 2021, we plan to invest US\$ 1.67 million to explore other targets around the Canahuire breccia.

As of December 31, 2020, San Gabriel had ore reserves of 11,576 thousand metric tons at 0.15 Au Oz/MT and 0.24 Ag Oz/MT. This represents 1,741 thousand gold ounces and 2,724 thousand silver ounces.

San Gregorio. San Gregorio is located four kilometers south of the Colquijirca mine and consists of carbonate-hosted epithermal zinc-lead deposits. We continued with our efforts to reach an agreement with the local community to re-activate exploration activities.

Ccelloccasa. During 2020, the “Consulta Previa” with local communities was not possible due to the restrictions caused by the COVID-19 pandemic. We expect to continue the “Consulta Previa” in 2021.

Don Jorge, The Project is located in the Puno department and consist of 7,481 hectares of mining concessions. The project consists of series of polymetallic-silver rich veins. By 2021, we expect to obtain all the environmental permits.

Tambomayo. Despite receiving approval from the necessary environmental authorities, we were unable to operate the diamond drilling program under the Mayra and Gaby projects due to social conflicts. We are working with local governments to reinstate exploration programs under these projects.

Exploration in Operating Areas

Orcopampa. During 2020, our explorations were focused on a new vein called “Ramal 4”, which is part of the Pucara vein system. Diamond drilling has defined two ore-shoots with high-grade gold mineralization between 3,690 and 3,440 mine levels. In 2021, we will continue exploring this structure as well as infill-drilling program between 3,690 and 3,540 mine levels. In addition, we will conduct an underground exploration program in the 3,540 mine level to explore other six targets related to the Pucara vein system.

Tambomayo. In 2020, underground exploration focused on the western extension of the Mirtha vein (e.g., Gisela-Catalina, Mirtha Sur). Drilling identified discontinued and narrow veins with sub-economic silver grades. Finally, we explored the nearmine Mirtha W project with no positive results. For 2021, underground exploration program will focus on the Mirtha W, Olivia NE and Soledad veins. We also expect to drill the nearmine project, Los Diques.

Uchucchacua. In 2020, the exploration and new resource development was focused in the deepest part of the Gina-Socorro vein, between de 3,610 and 3,510 mine level. Drilling results show continuity of high silver grades with slightly narrower widths. In 2021, we will continue with the infill drilling in Gina-Socorro in order to transform new resources into reserves. In addition, we have defined four new underground exploration areas close to the mine. Finally, we will continue with the exploration tunnel in the 3,610 mine level, which will integrate the Uchucchacua mine with the Yumpag project.

Competition

We believe that competition in the metals market is based primarily upon cost. One of Buenaventura's competitive advantages is that it has a diversified portfolio in terms of commodities (which include gold, silver, copper, zinc and lead) and in a number of assets (with 10 mining operations located in different regions of Peru). Additionally, Buenaventura's long term business plan relies on three main drivers of value: its portfolio of operations, its portfolio of projects (seeking organic growth with a disciplined capital allocation) and, finally, Buenaventura's position as a 'partner of choice' for several other companies in the mining sector in Peru. We also 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.

We also sell refined gold, which is derived from our operations at Orcopampa, Tambomayo, Coimolache and La Zanja to Asahi Refining, or "Asahi," which further refines the gold. During 2020, the price of gold supplied was 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 or at spot prices, minus adjustments in price for treatment and refining charges and can include certain penalties that, in accordance with the applicable contract, are deducted from the international fine metal spot price, and that are incurred after the time of sale of the applicable concentrate. We may elect to have our material toll refined at Asahi's works and returned to our account for sale to third parties. Pursuant to our agreement, we are responsible for delivering the gold to Asahi's designated flight at the Lima airport.

Sales of Metal Concentrates

All of our metal production is sold to smelters and traders, either in concentrate or metal form, such as gold-silver concentrate, silver-lead concentrate, zinc concentrate, lead-gold-copper concentrate, 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 U.S. 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 ("LME") settlement prices for the specific metal, less certain allowances. Sales of concentrates and metal allow for price adjustments based on their market price at the end of the relevant quotational period (QP), generally being the month of, the month before, or the month following the scheduled month of shipment or delivery according to the terms of the contracts. Sales of concentrates and metals at provisional prices include a gain (loss) to be received at the end of the QP, based on the spread between the actual price at the end of the QP and the agreed contractual average prices; this is considered a variable portion of the consideration. Changes in the price during the QP are recognized in the "Sales of goods" caption.

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 two years and through March 31, 2021 are set forth below:

	Gold		Silver	
	Average Annual Market Price	Our Average Annual Price(1)	Average Annual Market Price	Our Average Annual Price(1)
	US\$/oz.(2)	US\$/oz.	US\$/oz.(3)	US\$/oz.
2019	1,392.6	1,405	16.2	16.36
2020	1,769.6	1,842	20.5	22.14
2021 (through March 31, 2021)	1,799.8	1,726	26.3	26.98

- (1) Our average annual price includes only the consolidated average annual price from our 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 nearly all of our estimated 2021 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 two fiscal years:

Product	Year ended December 31, ⁽¹⁾	
	2019	2020
	(US\$ in thousands)	
Gold	254,194	229,590
Silver	298,171	230,498
Lead	89,141	48,426
Zinc	149,317	120,546
Copper	238,304	181,311

(1) Does not include commercial deductions for refinery charges and penalties incurred in 2020 of US\$179.7 million and in 2019 of US\$220.4 million.

Approximately 41.29% and 38.56% of our concentrate and gold bullion sales in 2019 and 2020 (without considering adjustments to prior periods liquidations, fair value from sale of concentrate or hedge operations), were sold outside Peru. Set forth below is a table that shows the percentage of sales of concentrate and gold bullion from our mines and gold bullion that was sold to our various customers from 2019 to 2020.

	Percent of Concentrates and Gold Bullion Sales	
	2019	2020
Export Sales:		
Asahi Refining Canada Ltd and Asahi Refining USA Inc.	21.12	25.92
Berzelius Stolberg GMBH	1.66	4.03
Cliveden Trading AG	3.67	3.34
Daye Qiansheng (HK) Investment Trading Limited	2.26	2.12
Axaya AG	-	1.26
MCC Non Ferrous Trading LLC	0.75	0.87
Others	11.83	1.01
Total Export Sales	41.29%	38.56%
Domestic Sales:		
Andina Trade S.A.C.	3.26	3.65
Glencore Peru S.A.C.	16.27	16.02
Trafigura Peru	24.77	23.28
Sudamericana Trading SRL	0.64	0.18
IXM Trading Peru S.A.C. (formerly Lois Dreyfus Commodities Peru S.R.L)	11.35	15.52
Others	2.42	2.79
Total Domestic Sales	58.71%	61.44%
Total Sales	100%	100%

The following table shows our committed sales volumes of silver-lead, gold-silver and zinc concentrates from 2021 to 2023:

Concentrate	Wet tons	Wet tons	Wet tons
	2021	2022	2023
Uchucchacua's Silver-Lead	30,000	53,500	27,500
Uchucchacua's Zinc	30,000	24,200	30,000
Uchucchacua's Silver	10,000	-	-
Julcani's Silver-Lead (1)	2,800	2,200	-
Julcani's Silver	1,600	-	-
Tambomayo's Silver-Lead	18,500	13,000	10,000
Tambomayo's Zinc	15,800	11,500	7,000
El Brocal's Copper	209,000	246,000	224,000

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

(1) Represents committed sales volumes from 2021 to 2022.

(2) Represents committed sales volumes for 2021.

We also sell refined gold, which is derived from our operations at Orcopampa, Tambomayo, Coimolache and La Zanja to Asahi Refining, or “Asahi,” which further refines the gold. During 2020, the price of gold supplied was 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 or at spot prices, 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). We may elect to have our material toll refined at Asahi’s works and returned to our account for sale to third parties. Pursuant to our agreement, we are responsible for delivering the gold to Asahi’s designated flight at the Lima airport.

Hedging/Normal Sales Contracts

We and our wholly-owned subsidiaries are completely unhedged as to the prices at which our gold and silver will be sold. See “Item 3. Key Information—D. Risk Factors—Factors Relating to the Company—Our financial performance is highly dependent on the prices of gold, silver, copper and other metals.”

El Brocal uses derivative instruments to manage its exposure to changes in the price of metals. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

El Brocal’s hedge is classified as a cash flow hedge. The effective portion of gain or loss on the hedging instrument is initially recognized in the consolidated statements of changes in equity, under the caption other equity reserves, while the ineffective portion is recognized immediately in the consolidated statements of profit or loss in the finance costs caption. 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.

From January to December 2020, El Brocal had outstanding hedging commitments amounting to 11,250 fines tons of copper at an average fixed price of US\$6,307 per ton.

Regulatory Framework

Mining and Processing Concessions

In Peru, as in many other countries, surface land is owned by private landowners, while the government retains ownership of all subsurface land and mineral resources. Our right to explore, exploit, 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 and other similar matters are currently set forth in the General Mining Law (Single Unified Text approved by Supreme Decree 014-92-EM), which is administered by MEM.

Pursuant to the General Mining Law, filers of mining claims must obtain a mining concession before they start any mining activity. Depending on the applicable regime, applications for mining concessions must be filed with the regional mining directors of each regional government where the mining concession is located (artisan and small scale miners); or with *Instituto Geológico Minero y Metalúrgico* the Geological, Mining and Metallurgical Institute of Peru INGEMMET (general regime).

Mining concessions are irrevocable, provided the holder of a mining concession complies with the obligations set forth in the General Mining Law and applicable regulations. Such concessions have an indefinite term, subject to payment of an annual concession fee per hectare granted and achievement of minimum annual production for each hectare, or payment of a penalty when applicable. Failure to achieve annual production targets will result in a penalty. Failure to achieve annual production targets will result in a fine. Failure to pay concession fees or fines for two consecutive years in any mining concession will result in the cancellation of such mining concession. Failure to satisfy minimum annual production thresholds for a specified period of time (currently thirty years beginning the year after the mining concessions were granted for mining concessions granted after October 10, 2008, and thirty years beginning on January 1, 2009 for mining concessions granted before October 10, 2008) could result in cancellation of the mining concessions.

Our and Yanacocha’s processing concessions enjoy the same duration and tenure as our mining concessions, subject to payment of a fee based on nominal capacity of the applicable processing plant. Failure to pay processing fees for two consecutive years will result in the cancellation of the processing concessions.

Our mining rights and processing concessions are in full force and effect under applicable Peruvian laws. We believe 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.

In addition to obtaining mining rights from the Peruvian government, applicable Peruvian regulations require us to obtain easements or other rights from private landowners that own the surface land above the mineral resources that we intend to explore or mine. Supreme Decree No. 042-2017-EM requires us to obtain such easements or other rights before commencing exploration activities. We have been actively seeking to acquire land surface rights, easements for land containing prospective geological exploration target sites, deposits that can be exploited in the future and areas suitable for plants or facility sites. Regarding processing concessions, Article 82 of Supreme Decree N° 020-2020-EM, Regulation for Mining Proceedings, in force and effect since August 9, 2020, requires holders of such concessions to own the land underlying the concession or to have the authorization of the owner of the land. We have been actively seeking to acquire land surface deposits that can be exploited in the future and areas suitable as plant or facility sites.

The possibility of developing mining activities in an urban area or urban expansion area is linked to the compatibility of such areas and mining activities. The Law Regulating Mining Concessions in Urban Areas and Urban Expansion Areas and related regulations set forth procedures for the granting of mining rights in urban and urban expansion areas. To grant a mining concession in an urban area and an urban expansion area, MEM is required to receive the approval of the council of the applicable provincial municipality. The council has sixty days to issue its decision. Mining concessions in urban expansion areas are granted for 10-year terms, which may be renewed by MEM subject to the approval of municipal authorities, but cannot exceed 100 hectares.

Law No. 28964, which became effective on January 25, 2007, created the *Organismo Supervisor de la Inversión en Energía y Minería* (“OSINERGMIN”) as the government agency in charge of regulating and auditing the electricity, hydrocarbon and mining activities of companies. Law No. 28964 provides that the 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. However, pursuant to Supreme Decree No. 001-2010-MINAM, OSINERGMIN transferred its environmental supervisory functions to the Environmental Evaluation and Oversight Agency (“OEFA”). Beginning July 22, 2010, OEFA assumed the authority to carry out unexpected audits and levy fines on companies if they fail to comply with enforceable environmental regulations and approved environmental assessments. According to Supreme Decree No. 128-2013-PCM, mining companies are required to make monetary contributions to OSINERGMIN and, according to Supreme Decree No. 130-2013-PCM, monetary contributions are also required to be made to OEFA.

Regarding employee health and safety and employer liability in mining activities, Law 28964 has been amended and replaced by Law 29783. Such employee health and safety and employer liability and related matters are now audited by the Ministry of Labor and Employment (“MINTRA”). Law 29783, as amended by Law 30222, establishes the minimum rules designed to prevent employee safety risks and allocate liabilities in relation to such risks. The main principle of this law is that the employer assumes the economic, legal and any other type of liability arising from accidents or diseases suffered by the employee while working and guarantees the employee’s health and safety in connection with the employee’s work. This legislation entitles labor inspectors to inspect commercial facilities and, under certain circumstances, suspend operations. By Supreme Decree No. 003-2013—TR, MINTRA transferred its security supervisory, audit and sanctioning functions to the *National Superintendence of Labour Inspection* (“SUNAFIL”). Such law amended the relevant provision of the criminal code, which currently establishes that a person who intentionally breaches the safety and health provisions, and who after being required by the relevant authority, does not adopt the measures contemplated in such provisions, is deemed to jeopardize the life, health or physical integrity of such person’s employees and may be held criminally liable for such behavior.

On July 28, 2016, Supreme Decree No. 024-2016-EM, as amended by Supreme Decree No. 029-2016-EM and Supreme Decree No. 023-2017-EM, relating to Occupational Health and Safety Regulations for Mining was published. These Regulations aim to prevent the occurrence of incidents, work-related accidents and occupational diseases, aiming to promote a culture of prevention of occupational hazards in mining activities. MEM through the General Directorate of Mining, is the competent authority on Occupational Health and Safety policy and regulation. In addition, SUNAFIL is the competent authority for the supervision and enforcement of compliance with legal and technical standards related to Occupational Safety and Health in Mining; while OSINERGMIN is the competent authority to supervise compliance of the legal and technical provisions related to the safety of infrastructure in mining.

COVID-19 pandemic

In response to the COVID-19 pandemic, the Peruvian government issued Supreme Decree N° 044-2020-PCM, as amended, declaring a state of national emergency and halting social mobility. As of March 16, 2020, mining activities were initially permitted, however, only critical operations were allowed which did not include exploration, exploitation, processing and mining transportation.

Supreme Decree N° 080-2020-PCM, which modified Supreme Decree N° 044-2020-PCM on May 3, 2020, allowed the gradual resumption of economic activities, including large-scale mining. Nevertheless, recovery was not automatic because the companies were obligated to file a monitoring plan with the relevant governmental authority (e.g., the Ministry of Energy and Mines). Relevant governmental authority approval was required to register these monitoring plans on the Ministry of Health web portal, SICOVID.

The “Health Protocol for the implementation of prevention and response measures against COVID-19 in the activities of the Mining Subsector, the Hydrocarbons Subsector and the Electricity Subsector,” approved by means of Ministerial Resolution N° 128-2020-MINEM/DM, determined the structure of the monitoring plan that shall be prepared and submitted by mining companies and their workers and/or contractors that work or provide services in all activities of the mining subsector.

On June 4, 2020, Supreme Decree N° 101-2020-PCM, allowed companies to conduct exploration and exploitation activities, including processing, transportation, storage and mines closure regarding large, middle and small mining.

To address environmental matters during the COVID-19 pandemic, the government issued Urgency Decree N° 026-2020 and Urgency Decree N° 029-2020, suspending deadlines for administrative and judicial procedures with government entities. This decree was extended through June 10, 2020. Legislative Decree N° 1500, issued on May 11, 2020, outlined companies’ compliance with environmental obligations during the pandemic. It allowed companies – including those in the mining sector – to suspend environmental obligations. Such disposition of obligations were later included in R.C.D. 008-2020-OEFA/CD, issued by OEFA, the environmental enforcement agency that regulates environmental obligations and supervises compliance during the pandemic.

According to such regulations, supervision of environmental obligations is linked to the monitoring plan registered by companies on SICOVID. We and our associated companies are in compliance with all COVID-19-related regulations when conducting mining activities.

The term of the state of national emergency imposed by the government through Supreme Decree N° 044-2020-PCM was extended several times and finally ended on November 30, 2020. However, a new state of national emergency was imposed by the government on November 30, 2020 through Supreme Decree N° 184-2020-PCM, starting on December 1, 2020. Under this new decree and its extensions, all mining activities are allowed.

In this regard, by means of Supreme Decree N° 007-2021-EM, published on April 1, 2021, the Ministry of Energy and Mines issued a special measure related to the environmental management instruments of the mining sector. These regulations establish the reprogramming of mining activities and their respective environmental measures, commitments and obligations assumed in the approved Environmental Impact Assessments, Complementary Environmental Management Instruments and their modifications, up to a maximum period of twelve (12) months, counted from the presentation of the reprogramming plan before the competent environmental authority, without implying the modification, reduction and/or incorporation of environmental measures, commitments and/or obligations assumed in the aforementioned studies and instruments, in response to the State of National Emergency for the impact of COVID-19 and the health emergency. The measure is applicable for those activities that could not have been developed due to the impact of the pandemic.

Environmental Matters

In 2005, Peru enacted the General Environmental Law (Law No. 28611), which establishes the main environmental guidelines and principles applicable in Peru. Pursuant to the General Environmental Law, the Ministry of Environment (“MINAM”) issued national environmental regulations, which have gradually replaced prior guidelines governing governmental agencies environmental competencies. OEFA, as the environmental enforcement agency, has the authority to inspect mining operations and fine companies that fail to comply with prescribed environmental regulations and their approved environmental assessments.

In May 1993, the regulation for environmental protection under mining and metallurgical activities (*reglamento para la proteccion ambiental en la actividad minero - metalúrgica*), was published and approved by Supreme Decree No. 016-93-EM. This regulation required every mining unit that began operations before May 1993 to file a Preliminary Environmental Assessment (“EVAP”) followed by a Program for Environmental Adequacy and Management (“PAMA”). Additionally, an EIA had to be submitted for any new operations. In 2014, this regulation was repealed by Supreme Decree No. 040-2014-EM (*reglamento de Protección y Gestión Ambiental para las Actividades de Explotación, Beneficio, Labor General, Transporte y Almacenamiento Minero*), approved on November 12, 2014, which regulates mining production, processing, labor, transportation and storage and sets forth a new set of requirements for these activities. Going forward, social and technical teams from MEM will gather the baseline information to regulate these activities. Early involvement by the regulatory authority in environmental assessments processes is expected to shorten approval times.

In 1996, MEM also issued regulations that establish maximum permissible levels (“LMPs”) of (i) liquid effluents emissions and (ii) elements and compounds present in gaseous emissions resulting from mining activities. Mines and processing plants that were in operation before May 1993 were required to comply with LMPs within 10 years and in the meantime, operators were required to prepare Environmental Adaptation and Management Programs, or PAMAs, that set forth plans to ensure compliance with more stringent LMPs. The first General Water Law was enacted in 1969. In 2008 and 2010, MINAM enacted new water quality standards and new LMPs for liquid effluents, and, in 2009, all Peruvian mining companies were required to submit updated environmental management plans that complied with water quality standards and new LMPs for liquid effluents to MEM. By the end of 2015, Supreme Decree No. 015-2015 - MINAM (the “2015 Decree”) was enacted, modifying water quality standards for designated beneficial uses which apply to mining companies, including Yanacocha, and establishing supplementary provisions related to compliance. In 2017, Environmental Quality Standards (*Estándares de Calidad Ambiental*) (“ECAs”) for water were modified by Supreme Decree No. 004-2017-MINAM. Permissible maximum limits approved in 2010 are still valid.

The criteria of the 2015 Decree modified the in-stream water quality criteria pursuant to which Yanacocha had been designing water treatment processes and infrastructure, and therefore in February 2017, Yanacocha submitted its proposed modification (PIA) to the previously approved Environmental Impact Assessment to the Mining Ministry (“MINEM”), which remained under review in 2020 and evaluation is expected to take place later in 2021. With the approval of a separate EIA, the new water quality criteria and standards for beneficial uses will go into effect in 2024. Yanacocha expects to adapt the PIA submission in order to reflect these new standards. In the event Yanacocha is unsuccessful in implementing the modifications in compliance with the new regulations and deadlines, it could result in fines and penalties relating to potential intermittent non-compliant exceedances. In addition, if accepted, the treatment options may result in increased costs. These impacts may adversely impact the future cost and financial performance of Yanacocha’s operations.

In May 2008, the MINAM was created by Legislative Decree No. 1013. MINAM’s main functions include formulating and implementing policies and regulations related to environmental matters and pollution control, including regulation of air and water quality standards, through supervision and education.

On March 26, 2013, Supreme Decree No. 002-2013-MINAM regarding soil quality became effective. It approved the ECAs for soils, or “Standards,” which are applicable to any project or activity that may generate an environmental impact. Subsequently, on March 25, 2014, supplementary provisions for the application of the standards were approved through Supreme Decree No. 002-2014-MINAM. Projects operating at the time those regulations came into force were required to submit the first phase of soil characterization within twelve months of the passage of the decree. Buenaventura and its associated companies submitted this information within the required time.

In 2017, new ECAs for soils were approved by Supreme Decree No. 011-2017-MINAM, replacing the ECAs approved by Supreme Decree No. 002-2013-MINAM. The new ECAs are applicable to new environmental assessments that are required to carry out future mining activity in accordance with the mining regulations. With respect to the environmental assessments that were approved prior to the approval of the new ECAs, Supreme Decree No. 002-2013-MINAM will remain applicable and the new ECAs will only be enforced when the approved environmental assessments need to be modified or updated. In 2017, Supreme Decree No. 012-2017-MINAM replaced Supreme Decree No. 002-2014-MINAM, approving new supplementary provisions for application of the new ECAs. Buenaventura and its associated companies have taken into consideration all new environmental regulations when executing its mining activities.

In 2012, Peru enacted Supreme Decree No. 020-2012-EM, which added Chapter XVII to the Mining Proceedings Regulations approved by Supreme Decree No. 018-92-EM. The new provisions require the approval of the General Mining Directorate of MEM or of the relevant regional government before proceeding to start and re-start exploration, development, preparation and exploitation. The authorizations to start and re-start mining activities may need to be pre-approved by MEM if the mining activities affect indigenous or native people.

In addition, in December 2017, a new regulation for Solid Waste Management was approved by Supreme Decree No. 014-2017-MINAM which brought into force the new Law for Integral Management of Solid Waste, approved by Legislative Decree No. 1278 in December 2016. This resulted in new regulations for all extractive productions and services in Peru, including mining, which prioritize the material and energy recovery of solid waste through different methods, including recycling, reuse and co-generation

Regulations governing mining explorations. In May 2008, the Peruvian government enacted Supreme Decree 020-2008-EM, which governs mining exploration activities and related matters. At the end of 2017, this Supreme Decree was modified by a new regulation for exploration activities. Under Supreme Decree 042-2017-EM, exploration activities fall into two categories: Category I and Category II. Category I exploration activities are those involving no more than 40 drilling platforms or affecting a surrounding area measuring less than 10 hectares in size, while Category II exploration activities are those involving between 40 and 700 drilling platforms and affecting an area measuring greater than 10 hectares. For Category I exploration activities, an Environmental Impact Statement (*Declaración de Impacto Ambiental*) (“DIA”) is required. For Category II exploration activities, a semi-detailed DIA (“sdDIA”) that incorporates technical, environmental and social matters is required. In addition, the new regulation requires an Environmental Technical Report (*Ficha Técnica Ambiental*) (“FTA”), which is a complementary environmental assessment for exploration activities that do not have significant negative impacts. Exploration activities must start within twelve months following the date that the DIA or sdDIA is approved. The DIA, the sdDIA and the FTA, as applicable, must be approved before exploration activities begin. Any commitments assumed by mining companies in a DIA, sdDIA or FTA are mandatory and, if they are not fulfilled, OEFA has the authority to fine non-compliant mining companies. The regulation also provides that the holder of mining concessions will perform specified closure and post closure activities during exploration programs. In addition, fines can be imposed if exploration programs begin before the DIA, the sdDIA and the FTA are approved, and the approval of environmental assessments for exploration activities performed within protected natural areas requires the approval of the competent authority. Exploration in Prehispanic Archeological Sites (referred to in Supreme Decree No 004-2000-ED) is forbidden unless expressly authorized by the Ministry of Culture.

In May 2008, MEM also enacted Supreme Decree No 028-2008-EM, which regulates the citizen participation process within the framework of environmental permit approval. The DIA and sdDIA provide local communities with an opportunity to engage actively in this process.

The regulation for exploration activities Supreme Decree No. 042-2017-EM, was modified by Supreme Decree No. 019-2020 - EM. The most important changes are: the Ministry de Energy and Mines allows the positive administrative silence for FTA, additional assumptions for Prior Communication, the determination of a deadline to OEFA which must conduct the final closure inspection and the rules modifications of Citizen Participation for the FTA.

The following DIAs and sdDIAs were approved in 2020:

Buenaventura

Mine/Project	Type of Study	Approving Resolution	Date of Approval
Trapiche	1 st ITS sdDIA 5 th Modification	128-2020-MINEM/DGAAM	September 28, 2020

Coimolache

Mine/Project	Type of Study	Approving Resolution	Date of Approval
Coimolache	2nd ITS sdDIA Cienaga	129-2020/MINEM-DGAAM	September 28, 2020
La Zanja	3 rd ITS sdDIA 9 th Modification	074-2020/MINEM-DGAAM	August 10, 2020

Regulations Promoting Investments. Supreme Decree 054-2013-PCM was passed to promote investment projects. It allows companies to submit a supporting technical report, ITS (Informe Técnico Sustentatorio), to modify ancillary components, capacity expansions, or introduce technological improvements in exploration and exploitation activities. SENACE (EIA) and MEM (DIA and sDIA) will then issue a compliance waiver within no more than 15 working days from the date of submission. This should facilitate the approval of environmental assessments for our new exploration projects and simplify the issuance of certificates of non-existence of archeological remains required for mining projects. In 2020, three ITSs were approved. It is important to mention that in March 2020, Supreme Decree No. 005-2020-EM modified the Supreme Decree No. 040-2014-EM. Some of the key modifications includes: (i) mine components that generates low environmental impacts through prior communication do not need to submit a modification to the IGA for approval; and (ii) extend the possibility to submit ITS more than three times for changes in main components.

On December 28, 2015, the *Servicio Nacional de Certificación Ambiental* (“SENACE”), which operates under the auspices of MINAM, took responsibility for the assessment and approval of detailed EIA (EIA) submitted by private, public, or mixed-capital organizations. This development is consistent with the expansion of MINAM’s technical and regulatory capacities. In 2020, EIAs for Yumpaq and Trapiche were prepared under SENACE supervision.

Finally, the Environmental Baseline Elaboration Guidelines (*Guía para la elaboración de la Línea Base en el marco del Sistema Nacional de Evaluación del Impacto Ambiental- SEIA*) and the Identification and Characterization of Environmental Impacts Guidelines (*Guía para la Identificación y Caracterización de Impactos*) were approved by Ministerial Resolution No. 036-2018-MINAM in 2018.

Regulations governing mine closures. In 2003, Law No. 28090, *Ley que Regula el Cierre de Minas* (Law that Regulates the Closing of Mines), established 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 financial environmental guarantees to secure compliance with Closure Plans. We are required to submit a Closure Plan for new projects to MEM within one year following approval of an EIA or PAMA; and inform MEM semi-annually of any progress on the conditions established in the Closure Plan. We are also required to perform the Closure Plan consistent with the schedule approved by MEM during the life of the project; and set up a financial environmental guarantee that covers the estimated amount of the Closure Plan. In addition, Supreme Decree No. 020-2008-EM requires mining companies that perform exploration activities to conduct certain closing activities in accordance with the approved environmental assessment, subject to deferral under certain circumstances, and contemplates a Closure Plan to be submitted by the mining company following the terms and conditions of Supreme Decree No. 033-2005-EM. Supreme Decree No. 036-2016-EM modified articles 12 and 17 and included articles 46-A and 66-A of the Supreme Decree No. 033-2005-EM.

In 2017, our Closure Plans were approved by MEM for all of our mines and advanced explorations activities.

The following mine closure plan modifications were approved in 2020:

Buenaventura				
Mine/Project	Type of Study	Approving Resolution	Date of Approval	
Orcopampa	Closure Plan 7 th Modification	075-2020/MINEM-DGAAM	July 13, 2020	
Julcani	Closure Plan 7 th Modification	146-2020/MINEM-DGAAM	November 4, 2020	
Tambomayo	Update	164-2020/MINEM-DGAAM	December 1, 2020	
Mallay	Closure Plan 6 th Modification	165-2020/MINEM-DGAAM	December 1, 2020	

On November 9, 2009 Supreme Decree No. 078-2009-EM became effective, creating additional environmental obligations for mining concessions holders. Under this provision, mining concessions holders that performed mining activities, including mining exploration, production and processing activities or related activities, without having an environmental certification are required to prepare and perform an environmental remediation plan to address the environmental impact in the areas in which such activities have been conducted. Environmental remediation plans can only be filed once mining activities have ceased and contain a detailed description of all mining facilities and activities performed without the correspondent environmental certification, including maps and related information, a detailed description of the environmental impacts created by such activities, a detailed description of the remediation actions, a detailed description of the compensation that is proposed to be made, a budget and schedule of the remediation activities, including their costs, and a bond in favor of MEM for the cost of the execution of the measures contained in the environmental remediation plan. Once the environmental remediation plan is completed, mining concessions holders are required to inform the auditing entity so it can verify that the actions were carried out as approved. The auditing entity is required to send the respective report to the relevant authority so that the bond may be returned.

Law No. 28271, Law that Regulates the Environmental Liabilities of Mining Activities (*Ley que Regula los Pasivos Ambientales de la Actividad Minera*), came into force on July 7, 2004 and serves to regulate the identification of environmental liabilities and financial responsibility for remediation in mining activities, 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 and Legislative Decree No. 1042, MEM's technical branch 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 and enter into environmental remediation agreements with MEM to perform any studies and work necessary to control and mitigate the risk and effects of any contamination. Regulations under Law No. 28271, Regulations of Environmental Liabilities of Mining Activities (*Reglamento de Pasivos Ambientales de la Actividad Minera*), were approved by Supreme Decree No. 059-2005-EM. and then modified by Supreme Decree No. 003-2009-EM.

We have presented Closure Plans to MEM for all our mining concessions with environmental mining liabilities. To date, the Hualchocopa, Lircay, Bella Unión-Paucaray, Chaquelle Ayacucho and Rifle Rumimaqui mining units have all been closed and post-closure activities at each of these units are currently underway.

We anticipate additional laws and regulations relating to environmental matters will be enacted over time. The development of more stringent environmental regulations in Peru could impose additional constraints and additional costs on our operations that would require us to make significant additional capital expenditures in the future. Although we believe that we are substantially in compliance with all known and applicable environmental regulations, there is no assurance that future legislation or regulatory developments will not have an adverse effect on our business or results of operations.

Prior Consultation with Local Indigenous Communities

In 2011, Peru enacted Law No. 29785, the Law of Prior Consultation for Indigenous and Native Communities (*Ley del Derecho a la Consulta Previa a los Pueblos Indígenas y Originarios* – ILO 169 Convention). This law establishes a prior consultation procedure that the Peruvian government must undertake in concert with local indigenous communities whose collective rights may be directly affected by new legislative or administrative measures. Under this law, the Peruvian governmental agency responsible for issuing or approving the administrative measure or decree in question, rather than the affected local indigenous community, retains the right to approve or reject the relevant legislative or administrative matter following such consultation. However, to the extent that any of our future projects require the promulgation of legislative or administrative measures that impact collective rights of local indigenous communities, the required prior consultation procedure may result in delays, additional expenses or failure to obtain approval for such new project.

Regulations under Law No. 29785 were approved by Supreme Decree No. 001-2012-MC, which became effective on April 2, 2012. These regulations specify the form and circumstances of the required consultation and the manner in which agreements will be formalized, and provide for a consultation process that lasts no more than 120 calendar days. In 2019, Ministerial Resolution No. 304-2019-MINEM/DM was issued, establishing the administrative procedures from the Mining Sector that require prior consultation - in case those procedures affect indigenous communities - which are: (i) processing concession; (ii) authorization to initiate or re-initiate exploration, development or exploitation activities; (iii) mineral transport; and (iv) mining labor.

At the start of the COVID-19 pandemic in 2020, the Peruvian Central Government did not make adequate accommodations and legal modifications for the use of digital tools which, consequently, interrupted the prior consultation process. However, the Peruvian Central Government made efforts to include additional mechanisms for some procedures with established COVID protocols. Additionally, the process has been delayed by local indigenous communities' involvement of political leaders to communicate the desire for and expectation of increased benefits for their respective communities. We expect this to delay the advance in the San Gabriel project where we have an ongoing process in the fourth stage, and in Yumpag and Ccelloccasa.

Mine/Project	Type of Study	Administrative Measure
San Gabriel	EIA	Processing concession Authorization to initiate exploitation activities
Yumpag	sdDIA 2 nd Modification	Authorization to initiate exploration
Celloccasa	DIA	Authorization to initiate exploration

Permits

We believe that our mines and facilities have all necessary material permits to operate. 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 permitting conditions could have a material adverse effect on our financial condition or results of operations. Moreover, the COVID-19 pandemic slowed down the permitting process all through the mine lifecycle, further delays are to be expected.

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 and comprehensive automobile liability, all risk property on a replacement basis, including transit risks, as well as business interruption insurance and mining equipment insurance.

Mining Royalties and Taxes

Under Peruvian law, holders of mining concessions are required to pay the Peruvian government a mining royalty (*regalia minera*) for the exploitation of metallic and non-metallic resources. In accordance with Law No. 28258, as amended by Law No. 29788, mining royalties are payable either as a specified percentage of operating profit or 1% of revenues, whichever is higher. If the mining royalty is calculated as a percentage of operating profit, marginal rates ranging from 1% to 12% that increase progressively for companies with higher operating margins will apply. Percentages for the distribution of proceeds from mining royalties were amended by Law No. 28323.

Mining companies that are a party to mining stabilization agreements are not required to pay a mining royalty during the tenure of their stabilization agreements. Although we are not party to any stabilization agreements, Yanacocha currently has effective stabilization agreements for the Yanacocha, La Quinua and Maqui Maqui mines.

In addition to mining royalties, pursuant to Law No. 29789, effective from October 1, 2011, mining operations in Peru are subject to an extraordinary mining tax. Mining companies that do not have taxation stability agreements with the Peruvian government, such as Buenaventura, will pay the "Special Mining Tax" (*Impuesto Especial a la Minería*). The Special Mining Tax is calculated each quarter as a percentage of operating profit. Marginal rates ranging from 2% to 8.4% that increase progressively for companies with higher operating margins will apply. Mining companies that have stability agreements with the Peruvian government will pay the "Special Mining Duty" (*Gravamen Especial a la Minería*) created by Law No. 29790. The Special Mining Duty is calculated as a percentage of operating profit, with marginal rates ranging from 4% to 13.12% that increase progressively for companies with higher operating margins.

Safety

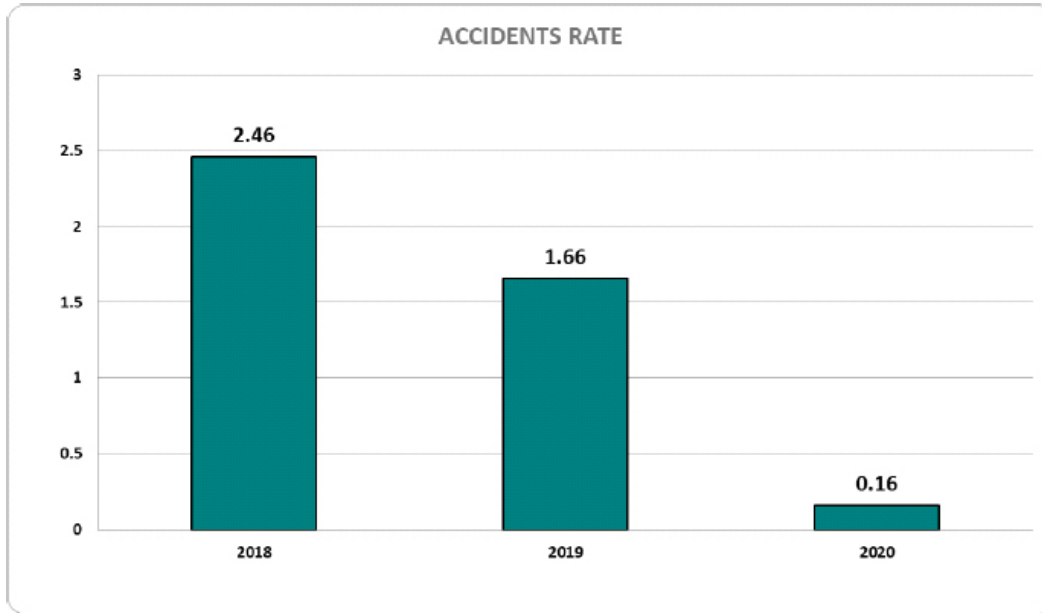
During 2020, we experienced 226 reportable injuries (considers Buenaventura, its subsidiaries and Coimolache), including 0 fatal injuries, compared to two fatal injuries in 2019. Under Peruvian legislation, reportable injuries include: accidental injuries resulting in lost-time, fatal accidents, accidents that require medical treatment or result in a loss of consciousness, an inability to perform all job duties on any workday after the injury or the temporary assignment or transfer to another job. Injuries involving first-aid only are not reportable as they are considered minor accidents. Starting in 2017, we expanded classifications parameters to account for lost time due to injuries and external non-mining projects (public roads, health and education facilities constructions) all of which were reported to the Bureau of Labor.

At Buenaventura, we believe that safety is an inherent part of every process, rather than something separate. This means that Safety management is the responsibility of the operational officer in charge of each respective process. Safety is part of our quality indicators and a crosscutting value throughout the Company.

The accident rate fell to 0.16, 90% lower than in 2019 (1.66). One contributing factor has been the reduction of high-risk works between March and June due to the COVID-19 pandemic.

In light of these results, we must continue to work hard and allocate resources to ensure sustainability through a Critical Risk management approach (operational controls) and the Pact for Life (change in beliefs).

The table below shows Accident Rates based on the number of fatal and lost time accidents (Frequency) and days lost (Severity). The table shows a decreasing trend for Accident Rates between 2019 (1.66) and 2020 (0.16).



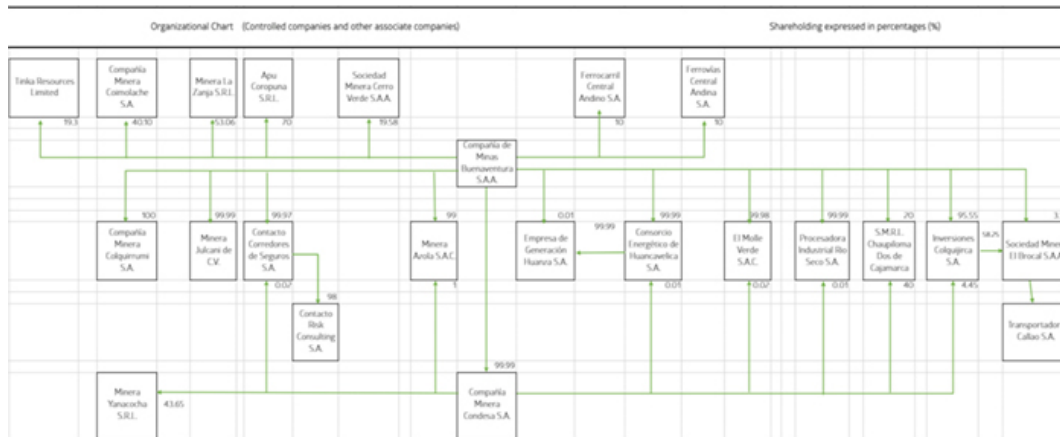
Our main activities included the following:

- Tightening of relationships with unions through awareness-raising sessions called “A Partnership for Life: Together We Can Achieve Sustainable Results.”
- Reinforcement of BVN and contractor employees’ personal commitment through the activities of the “Pact for Life” program.
- Deployment of the “Critical Risk Management” initiative, focused on the prevention of fatal accidents and permanent disabling accidents through the implementation of engineering controls.
- Involvement of all supervision levels, workers and unions through the Participatory Safety approach.
- Improved efficiency of corrective actions by prioritizing operational engineering controls and by applying ICAM’s accident investigation methodology.

We keep on working towards the achievement of a Safe Production Culture that involves the entire personnel of Buenaventura.

C. Organizational Structure

As of March 31, 2021, we conducted our mining operations, explorations projects and other activities directly and through various majority-owned subsidiaries, controlled companies and other associate companies as described in the following organizational chart:



† All entities in this chart, with the exception of Minera Julcani S.A. de C.V. (which is organized in Mexico) and Tinka Resources Limited (which is organized in Canada) are incorporated in Peru.

*Compañía Minera Condesa S.A. holds 21,160,260 Common Shares of Compañía de Minas Buenaventura S.A.A., or approximately 7.70% of our total Common Shares.

Intermediate Holding Companies, Subsidiaries and Equity Participations

Compañía Minera Condesa S.A.

Condesa, our wholly-owned subsidiary, is a mining and facilities holding company with both direct and indirect ownership participation in Yanacocha. As a partner in Yanacocha, Condesa shares responsibility for the investments made in the Yanacocha mine. In addition, Condesa holds an equity interest in S.M.R.L. Chaupiloma Dos de Cajamarca (“Chaupiloma”) and, as a result, receives a portion of the royalty revenues paid by Yanacocha to Chaupiloma in an amount equal to its ownership interest. Condesa also holds a 7.70% interest in Buenaventura.

Sociedad Minera Cerro Verde S.A.A.

Buenaventura holds a 19.58% interest in Cerro Verde, which operates an open-pit copper 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, and was previously owned by the Peruvian government before its privatization in 1993. Freeport-McMoRan Inc., which is the operator, holds a majority interest in Cerro Verde.

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

Chaupiloma is a Peruvian limited liability company that holds all mining rights for the areas mined by Yanacocha. Chaupiloma receives a royalty that is calculated as a percentage of the total revenues of Yanacocha. We own, directly and indirectly, through our interest in Condesa, a 60% interest in Chaupiloma. Newmont Peru owns the remaining 40% equity interest.

Consortio Energético Huancavelica S.A. / Empresa de Generación Huanza S.A.

Conenhua is an electrical transmission company that provides electricity to our operations through its transmission facilities. We own 100% of Conenhua and manage its operations. To secure a reliable energy supply from a clean and renewable source for our direct operations and projects at competitive prices, Conenhua, through its subsidiary Empresa de Generación Huanza S.A., or “Huanza,” was commissioned to construct a 90.6 megawatt capacity hydroelectric power plant in the valley of Santa Eulalia. This hydroelectrical plant began operating at full capacity in June 2014.

Contacto Corredores de Seguros S.A.

During 2015, Buenaventura paid US\$8.8 million to Buenaventura Ingenieros S.A. in order to obtain 99.98% ownership of Contacto Corredores de Seguros S.A., an insurance brokerage company that provides insurance brokerage and related services to us and our affiliates.

Minera Julcani S.A. de C.V.

Minera Julcani S.A. de C.V. is one of our wholly-owned subsidiaries and was created for the purpose of conducting mining activities in Mexico. Minera Julcani S.A. de C.V. has had no exploration activities since 2014, when the exploration agreement with Surutato Mining, S.A. de C.V., to conduct exploration activities within its property located in Sinaloa, Mexico, was terminated.

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

El Brocal owns the Colquijirca and Marcapunta Norte mines and the San Gregorio exploration project. El Brocal was formed in 1956 and is engaged in the extraction, concentration and sale of concentrates of polymetallic minerals, mainly copper, zinc, lead and silver. Currently, we own 61.43% of El Brocal through both direct and indirect ownership interests.

Minera La Zanja S.R.L.

La Zanja is located 35 kilometers northwest of the city of Cajamarca. La Zanja, which is currently 53.06% owned by us, began operations in September 2010 as an open-pit mine producing gold and silver.

Compañía Minera Coimolache S.A.

Coimolache is a mining company that owns the Tantahuatay mine which is located in the province and district of Hualgayoc in the Cajamarca region, which is 35 kilometers northwest of the Yanacocha mine. We hold a 40.10% interest and operate this mine, which commenced operations in mid-2011 as an open-pit mine producing gold and silver.

Ferrocarril Central Andino S.A and Ferrovias Central Andina S.A.

We hold a 10% interest in Ferrocarril Central Andino S.A. (FCCA) and Ferrovias Central Andina S.A. (FVCA). Both were incorporated in August 1999 and began operations in that year. FCCA, is an operating company (rail transport). FVCA, is the concessionaire of the central railroad, is dedicated to the infrastructure of the railroad.

Apu Coropuna S.R.L.

Buenaventura currently owns 70% of Apu Coropuna S.R.L., with the other 30% owned by Southern Peru Copper Corporation. Apu Coropuna S.A. was created for the purpose of conducting exploration within properties situated in Castilla, Arequipa.

Procesadora Industrial Rio Seco S.A.

Procesadora Industrial Rio Seco S.A. is our wholly-owned subsidiary that owns and operates a monohydrate manganese sulphate crystallization plant situated in Huaral, Lima. This processing plant allows mining from areas with high silver and manganese content within the Uchucchacua mine, improving silver recovery. The Rio Seco Plant produces high purity manganese sulphate that is used in agriculture and the mining industry.

El Molle Verde S.A.C.

El Molle Verde S.A.C. is our wholly-owned subsidiary that develops the Trapiche project, located in the Apurimac region. See “—B. Business Overview—Exploration Projects in Non-Operating Areas” above for further information about this project.

Tinka Resources Limited

Buenaventura holds 19.3% of Tinka Resources Limited, an exploration and development company that owns 100% of the Ayawilca Project, located at Daniel Alcides Carrión, Pasco.

YANACOCHA

A. History and Development of Yanacocha

Yanacocha was incorporated in Peru on January 14, 1992 and commenced operations in 1993. Yanacocha is currently engaged in the production, exploration, and development of gold under the mining concessions it owns or that are owned by Chaupiloma. Future projects could include the production, exploration, and development of copper as well.

Yanacocha is located approximately 375 miles (604 kilometers) north of Lima and 30 miles (48 kilometers) north of the city of Cajamarca and is primarily accessible by paved roads. The Yanacocha property began production in 1993 and consists of the following open pit mines: the La Quinoa Complex, the Yanacocha Complex, the Carachugo Complex and Maqui Maqui. In addition, Yanacocha has four leach pads (La Quinoa, Yanacocha, Carachugo and Maqui Maqui), three gold processing plants (Pampa Larga, Yanacocha Norte and La Quinoa), one limestone processing facility (China Linda) and one mill (Yanacocha Gold Mill).

The La Quinoa Complex is currently mining material from the La Quinoa Sur and the Tapado Oeste Layback and is scheduled to finish mining operations in 2021.

The Yanacocha Complex includes mined material from the Yanacocha Layback and Yanacocha Pinos, which are scheduled to finish operations in 2021, respectively. The Yanacocha Complex began operations in 1997 and has limited mining operations in recent years.

The Carachugo Complex and Maqui Maqui includes mined material from multiples mines that are no longer in operation and continued residual gold leaching. In addition, the Carachugo Complex includes processed material from the Quecher main project, which is a new open pit within the existing footprint of Yanacocha which began operating in October 2019. This project will add oxide production at Yanacocha and will extend the life of the Yanacocha operation to 2027.

In 2020, Yanacocha produced 340,052 ounces of gold, compared to 527,336 ounces of gold produced in 2019. Gold ounces produced decreased 36% primarily due to lower mill throughput because the site was placed on care and maintenance and due to lower leach production driven by lower tons placed on the leach pad.

Yanacocha is 51.35% owned by Newmont Second Capital Corporation. A 43.65% interest in Yanacocha is indirectly held by Buenaventura and the remaining 5% is held by Summit Global Management II VB, a wholly-owned subsidiary of Sumitomo Corporation. 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 following approval by the two major shareholders of Yanacocha.

On December 21, 2017, Yanacocha repurchased 63,922,565 of its shares owned by International Finance Corporation (“IFC”) for US\$47.9 million, which represented 5% of the capital stock of Yanacocha. On February 19, 2018, the Yanacocha partners approved the reduction of 63,922,565 of the common partnership interests. On June 14, 2018, Yanacocha’s partners approved the issue and sale of 63,922,565 partnership units to Summit Global Management II BV.

B. Business Overview

Description of Yanacocha’s Operations

Yanacocha’s mining activities encompass 246,169 acres (99,621 hectares) that are covered by 160 mining concessions. Yanacocha holds the mining rights related to 53,956 acres (21,835 hectares), covered by 50 concessions. Chaupiloma holds the mining rights to the remaining acres and concessions and has assigned these mining concessions to Yanacocha. Each concession has an initial term of 17 to 30 years, which are renewable at Yanacocha’s request for an additional 17 to 20 year term.

Yanacocha has three processing concessions from Peru’s MEM for its processing facilities: Cerro Yanacocha (La Quinoa and Yanacocha leach pads, La Quinoa and Yanacocha Norte gold recovery plants and Yanacocha Gold Mill), Yanacocha (Carachugo and Maqui Maqui leach pads and Pampa Larga gold recovery plant) and China Linda (non-metallic processing concessions). Yanacocha’s gold processing plants are located adjacent to the solution storage ponds and are used to process gold-bearing solutions from Yanacocha’s leach pads through a network of solution-pumping facilities. The Yanacocha Gold Mill processes high-grade gold ore to produce a gold-bearing solution for treatment at the La Quinoa processing plant. The Yanacocha Gold Mill processes between 5.5 and 6.0 million tons per year.

Yanacocha's gold processing plants are located adjacent to the solution storage ponds and are used to process gold-bearing solutions from Yanacocha's leach pads through a network of solution-pumping facilities and the Yanacocha Gold Mill processes high-grade gold ore to produce a gold-bearing solution for treatment at the La Quinoa processing plant, followed by Merrill - Crowe zinc precipitation and smelting where a final doré product is poured. The ore is then shipped offsite for refining and is sold on the international gold markets.

Yanacocha and Chaupiloma each have mining concessions granted by Peru's Geological, Mining and Metallurgical Institute. Mining concessions grant Yanacocha an exclusive and irrevocable right to carry out exploration and exploitation activities within a specified area. In order to maintain these concessions, Yanacocha must (i) obtain the appropriate permits and rights over the surface lands, (ii) pay annual license fees and (iii) comply with a minimum annual production obligation. For mining concessions granted prior to 2008, concessions will expire if the production obligations are not met by the end of 2038. Mining concessions granted on or after 2008 will expire if minimum production is not attained by 2038, but in the case of mining concessions that are in a situation of exploitation, expiration does not apply.

In Peru, a revised royalty and special mining tax was introduced in October 2011. This tax is dependent on whether or not a stabilization agreement is in effect and is based on a sliding scale, between 1% and 12%. A stabilization agreement was in effect through December 2018 for operations in the La Quinoa Complex.

Quecher Main Project

This project has added oxide production at Yanacocha, leverage existing infrastructure and enable potential future growth at Yanacocha. First production was achieved in late 2018 and commercial production started on October 2019. The Quecher Main extends the life of the Yanacocha operation to 2027 with average annual gold production of about 200,000 ounces unaudited per year (on a consolidated basis) between 2020 and 2025. Development capital costs (excluding capitalized interest) since approval were US\$193 million (US\$96.8 million for the year 2019).

Conga Project

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. There is no exploration and (or) development of new reserves, the reserve balances reported for Conga in 2014 were reclassified to mineralized material in 2015.

The Conga project has been the target of local political and community protests, some of which blocked the road between the Yanacocha mine and Conga project complexes and the City of Cajamarca in Peru and resulted in vandalism and equipment damage. While recently roadblocks and protests have diminished and focused on local political activism and labor disputes, the Company cannot predict whether similar or more significant incidents will occur in the future. The recurrence of significant political or community opposition or protests could continue to adversely affect the Conga Project's development, other new projects in the area and the continued operation of Yanacocha.

Construction activities on the Conga project were suspended in 2011, at the request of Peru's central government following protests in Cajamarca by anti-mining activists led by the regional president. At the request of the Peruvian central government, the environmental impact assessment prepared in connection with the project was reviewed by independent experts in an effort to resolve allegations around the environmental viability of Conga. This review concluded that the environmental impact assessment complied with international standards and provided recommendations to improve water management. Based on the Company's internal project portfolio evaluation process, the Company does not anticipate developing Conga in the next ten years. Due to the uncertainty surrounding the project's development timeline, the Company have allocated our exploration and development capital to other projects in its portfolio. As a result, the Conga project is currently in care and maintenance and the Company continues to evaluate opportunities to sell or find alternative uses for equipment and assets originally acquired for the Conga project. Should the Company be unable to develop the Conga project or conclude that future development is not in the best interest of the business, the Company may consider sale of the project to a third-party or other alternative for the project, which may result in a future impairment charge.

The Central Government of Peru continued to support responsible mining as a vehicle for the growth and future development of Peru in 2020. However, the Company is unable to predict whether the Central government will continue to take similar positions in the future.

Previous regional governments of Cajamarca and other political parties actively opposed the Conga project in the past. The Company is unable to predict the positions that will be taken in the future and whether such positions or changes in law will affect new projects at Yanacocha or Conga. Such changes may include increased labor regulations, environmental and other regulatory requirements, and additional taxes and royalties, as well as future protests, community demands and road blockages. The Company cannot predict future positions of either the Central or regional government on foreign investment, mining concessions, land tenure or other regulation. Any change in government positions or laws on these issues could adversely affect the assets and operations of Yanacocha or Conga, which could have a material adverse effect on the Company's results of operations and financial position.

Should the Company be unable to develop the Conga project, the Company may have to consider other alternatives for the project, which may result in a future impairment charge. The total assets at Conga as of December 31, 2020 and 2019 were US\$449.8 million and US\$458.2 million, respectively.

Yanacocha Sulfides Project

This project represents a stream of sulfide resources development that will be achieved by processing high-grade metal dominant sulfide ores from Yanacocha Verde Phase 1 and Chaquicocha underground deposits within Yanacocha's operational footprint, through an integrated process flow sheet that includes the addition of new flotation, pressure oxidation, neutralization, solvent extraction and electrowinning facilities. The Sulfides project is in the development stage, and the Company expects to begin construction of the project in the second half of 2021.

Environmental Matters

The Peruvian government agency responsible for environmental evaluation and inspection, Organismo Evaluacion y Fiscalizacion Ambiental ("OEFA"), conducts periodic reviews of the Yanacocha mine. From 2011 to 2020, the OEFA issued notifications of alleged breaches of Yanacocha's environmental standards and environmental management instruments, related to past supervisions. The Water Authority that is in charge of supervising the proper water administration has also issued notices of alleged regulatory violations in previous years. OEFA has resolved in its findings, no cases of environmental deterioration have been identified, as a consequence of malpractice in Yanacocha's operation. The experience with OEFA, in the case of finding administrative responsibility to Yanacocha, results in a corrective action, in addition to imposing a fine that is calculated by the avoided cost capitalized on the date of issuance of the directorial resolution, multiplied by potential factors of environmental impact. The alleged violations which are currently pending resolution could entail fines ranging from zero to 3,667 tax units ("UITs") with the Water Authority alleged violations ranging from zero to 10 UITs. Each UIT amounts to, approximately, US\$1,210 based on the applicable exchange rate as of the date of this annual report. As a result, the potential for fines in matters pending resolution ranges from US\$0 to US\$4.45 million. Yanacocha is responding to all notifications of alleged violations, but cannot reasonably predict the outcome of the agency's allegations.

The Company has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

Conga Project Constitutional Claim. On October 18, 2012, Marco Antonio Arana Zegarra filed a constitutional claim against the Ministry of Energy and Mines and Yanacocha requesting the Court to order the suspension of the Conga project as well as to declare not applicable the October 27, 2010, directorial resolution approving the Conga project Environmental Impact Assessment ("EIA"). On October 23, 2012, a Cajamarca judge dismissed the claims based on formal grounds finding that: (i) plaintiffs had not exhausted previous administrative proceedings; (ii) the directorial resolution approving the Conga EIA is valid, and was not challenged when issued in the administrative proceedings; (iii) there was inadequate evidence to conclude that the Conga project is a threat to the constitutional right of living in an adequate environment and; (iv) the directorial resolution approving the Conga project EIA does not guarantee that the Conga project will proceed, so there was no imminent threat to be addressed by the Court. The plaintiffs appealed the dismissal of the case. The Civil Court of the Superior Court of Cajamarca confirmed the above-mentioned resolution and the plaintiff presented an appeal. On March 13, 2015, the Constitutional Court published its ruling stating that the case should be sent back to the first court with an order to formally admit the case and start the judicial process in order to review the claim and the proofs presented by the plaintiff. Yanacocha has answered the claim. Neither the Company nor Yanacocha can reasonably predict the outcome of this litigation. The Company has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

Yanacocha Tax Dispute. In 2000, Yanacocha paid Buenaventura and Minas Conga S.R.L. a total of US\$29 million to assume their respective contractual positions in mining concession agreements with Chaupiloma Dos de Cajamarca S.M.R.L. The contractual rights allowed Yanacocha the opportunity to conduct exploration on the concessions, but not a purchase of the concessions. The tax authority alleges that the payments to Buenaventura and Minas Conga S.R.L. were acquisitions of mining concessions requiring the amortization of the amounts under the Peru Mining Law over the life of the mine. Yanacocha expensed the amounts at issue in the initial year since the payments were not for the acquisition of a concession but rather these expenses represent the payment of an intangible and therefore, amortizable in a single year or proportionally for up to ten years according to Income Tax Law. In 2010, the tax court in Peru ruled in favor of Yanacocha and the tax authority appealed the issue to the judiciary. The first appellate court confirmed the ruling of the tax court in favor of Yanacocha. However, in November, 2015, a Superior Court in Peru made an appellate decision overturning the two prior findings in favor of Yanacocha. Yanacocha has appealed the Superior Court ruling to the Peru Supreme Court. On January 18, 2019, the Peru Supreme Court issued notice that three judges support the position of the tax authority and two judges support the position of Yanacocha. Because four votes are required for a final decision, an additional judge was selected to issue a decision and the parties conducted oral arguments in April 2019. In early February 2020, the additional judge ruled in favor of the tax authority, finalizing a decision of the Peru Supreme Court against Yanacocha. As a result of the decision, the amount of \$29 million was recognized during the first quarter of 2020, but Yanacocha filed two actions objecting to potential excessive interest and duplicity of criteria of up to \$60 million and \$81 million, respectively. It is not possible to fully predict the outcome of this litigation.

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% of the voting shares, none of the following may occur:

- an increase or decrease in Yanacocha’s capital;
- the issuance of any debentures;
- any sale of an asset whose book value is at least 50% of the paid-in capital relating to such asset;
- any amendment to the Yanacocha By-Laws to change its business form;
- the merger, consolidation, dissolution or liquidation of Yanacocha; or
- any other amendment of the Yanacocha By-Laws.

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 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. If the entire partnership fails to exercise this right or some partners indicate their decision to acquire a smaller share than that to which they are entitled, the other partners will receive 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.

In addition, in the event of the occurrence of a change of control (as defined) with respect to a significant partner, or the parent of a significant partner, in Yanacocha, the other significant partner will have the right to acquire the first partner’s participation interest in Yanacocha. No change of control will occur with respect to a significant partner so long as the parent of such partner is publicly traded or if such partner’s parent is acquired, the acquiring company is publicly traded.

Legal Proceedings

For a discussion of legal proceedings, see Note 21 to the Yanacocha Consolidated Financial Statements.

Other than the legal proceedings described in the Yanacocha Consolidated Financial Statements, Yanacocha is also 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.

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. Tom Palmer is the Chairman of Yanacocha's Executive Committee and Roque Benavides, our Chairman of the Board, serves 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 place of and with all the authority of members when a member is unavailable, except that an alternate member may not preside over the meetings 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 (the "Management Contract"). 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.

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

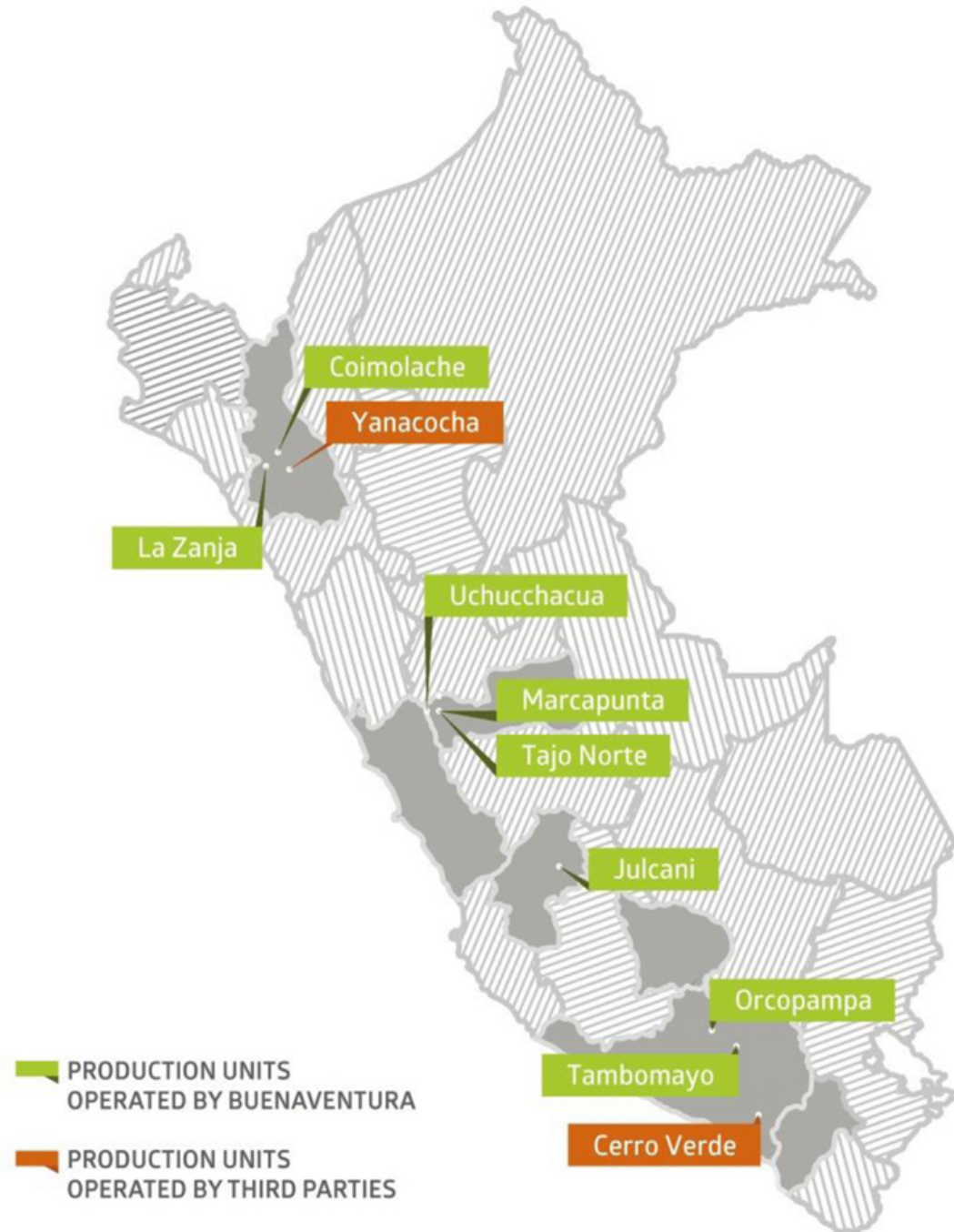
See "—By-Laws of Yanacocha" above for a description of certain provisions of Peruvian law and of the Yanacocha By-Laws relating to preemptive rights and rights of first refusal.

C. Property, Plants and Equipment

Our Properties

Introduction

We currently have four wholly-owned operating mines (Orcopampa, Uchucchacua, Julcani, and Tambomayo) and controlling interests in three mining companies which operate the Colquijirca-Marcapunta, and La Zanja mines. We also own an electric power transmission company, an energy generation company, a chemical processing company, and an insurance brokerage company. We also have non-controlling interests in Yanacocha, Cerro Verde, and Tantahuatay mines. See “Buenaventura—C. Organizational Structure” and “Intermediate Holding Companies, Subsidiaries and Equity Participations.”



Directly Operated Properties

Orcopampa

The Orcopampa mine is wholly-owned and operated by Buenaventura. We lease the rights to the mining concessions of Orcopampa from a group of private investors. This lease, which expires in 2043, requires us to pay 10% of production value, subject to certain conditions. Operations began at the Orcopampa mine in 1965. In 2020, we made lease payments of US\$6.2 million. We operated Orcopampa as a silver mine until the late 1990s, when we also began to mine gold-bearing veins.

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 between 3,800 and 4,500 meters above sea level.

The Orcopampa mine is located in the province of Castilla, department of Arequipa, approximately 1,350 kilometers southeast of the city of Lima, at an altitude between 3,800 and 4,500 meters above sea level. There are two routes of access to the property: (1) through Peru's Panamericana Highway starting in Lima and continuing to the city of Arequipa for a total distance of 319 km from Orcopampa; and (2) the route between Arequipa and Aplao-Viraco for a total distance of 333 km. The Orcopampa mine is also accessible through a commercial flight from Lima to Arequipa.

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

Mining at Orcopampa is conducted underground using the mechanized bench-and-fill and cut-and-fill methods. Mine ore is processed by the carbon-in-leach method in a plant located in Orcopampa. Electric power is primarily obtained from the Peruvian national electricity grid. Water for operations at Orcopampa is obtained from a lake and local river.

The mining method in Orcopampa's underground mine is conventional and mechanized cut and fill (Breasting), this method is used to mine ore veins thickness from 0.8 to 5m. Mining is made done by us and a service provider. The equipment used for development and exploration includes single-arm jumbos, bolters, scaler and scoop loaders (4yd3). The equipment used for conventional production are jacklegs, micro-electrical scoops (0.5-2yd3) and for mechanized are single-arm jumbo and diesel scoops loaders (2-4yd3). Ore haulage to surface is done with 20 and 35 m3 tipper trucks and 40m3 loading pocket in Nazareno's and Prometida's Shaft. Ore is taken to the process plant with 35 m3 tipper trucks.

As of December 31, 2020, proven and probable ore reserves were 468,938 tons, with 17.24 grams per ton of silver and 9.31 grams per ton of gold.

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

	Year Ended December 31, ⁽¹⁾	
	2019	2020
Mining Operations:		
Ore mined (t)	127,079	88,249
Average gold grade (g/t)	10.30	14.65
Average silver grade (g/t)	5.93	4.07
Production:		
Gold (oz.)	41,660	41,129
Silver (oz.)	18,791	9,069
Recovery rate (gold) (%)	96.75	96.41
Recovery rate (silver) (%)	76.76	74.79
Cost applicable to sales per oz. of gold ⁽²⁾	US\$ 1,489	962
Cost applicable to sales per oz. of silver ⁽²⁾	US\$ 17.98	12.78

(1) Incorporates losses for mining dilution and recovery.

(2) Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ounce of gold or ounce of silver consists of cost applicable to sales for gold or silver sold, divided by the volume of gold or silver produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Uchucchacua

The Uchucchacua mine is wholly-owned and operated by Buenaventura. Operations began in 1975 and Uchucchacua remains our largest silver producer. It 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. The mine site is accessible through the Panamericana Norte highway, following the Lima - Huacho - Sayán - Churín - Oyón - Uchucchacua route for a distance of 283 km.

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

Mining at Uchucchacua is conducted underground and utilizes the mechanized bench-and-fill and cut-and-fill methods. Ore is processed at a mill located at Uchucchacua. The mill has a rated capacity of 4,200 tons per day and utilizes differential flotation to obtain a lead-silver concentrate and a zinc concentrate, using two circuits of 3,000 tons per day and 1,200 tons per day respectively. Electric power is obtained from the Peruvian national electricity grid, a hydroelectric plant and a diesel generator. Water for operations at Uchucchacua is obtained from three local lakes.

During 2020, the manganese sulfate plant of Rio Seco treated 14,963.3 tons of concentrates from the Uchucchacua mine, with 57.4 ounces per ton of silver, 7.4% lead and 22.9% manganese. Following treatment, 8,844.1 tons were obtained, with 96.3 ounces per ton of silver, 12.4% lead and 2.8% manganese. This process also allowed for the production of 10,546 tons of sulfuric acid of 97.7% purity and 11,765 tons of commercial grade manganese sulfate monohydrated.

As of December 31, 2020, proven and probable ore reserves were 7,616,848 tons, with 300.80 grams per ton of silver, 1.11% lead and 1.93% zinc.

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

	Year Ended December 31, ⁽¹⁾	
	2019	2020
Mining Operations:		
Ore mined (t)	1,335,018	550,718
Average silver grade (g/t)	281.85	314.20
Average zinc grade (%)	2.20	1.56
Average lead grade (%)	1.52	1.03
Production:		
Silver (oz.)	10,640,913	5,000,312
Zinc (t)	19,144	5,223
Lead (t)	17,635	5,151
Recovery rate (silver) (%)	87.96	89.88
Cost applicable to sales per oz. of silver ⁽²⁾	US\$12.15	US\$22.24
Cost applicable to sales per ton of zinc ⁽²⁾	US\$2,071	US\$2,248
Cost applicable to sales per ton of lead ⁽²⁾	US\$1,310	US\$1,621

(1) Incorporates losses for mining dilution and recovery.

(2) Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ounce of silver, ton of zinc or ton of lead consists of cost applicable to sales for silver, zinc or lead sold, divided by the volume of silver, zinc or lead produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Julcani

Julcani is an underground mine that is wholly-owned and operated by us that we acquired in 1953 as our first operating mine. Julcani is located in the province of Angaraes, in the department of Huancavelica, approximately 500 kilometers southeast of Lima at an altitude between 4,200 and 5,000 meters above sea level. There are two routes to access the mine site, both departing from Lima: (1) a first road starting in Lima and continuing to La Oroya followed by Huancayo and Huancavelica for a total distance of 444km; and (2) a second road starting in Lima and continuing to Pisco followed by Huancavelica which is 45kms from the property for a total distance of 499km.

Julcani is a large polymetallic deposit in Central Peru, which principally produces silver that presents mainly as sulpho-salts in many mineralogically complex veins. They are hosted in dacite domes, tuffs, breccias and other tertiary volcanic rocks.

Ore is processed by bulk flotation to obtain a concentrate of silver-lead-copper-gold. The plant has a rated capacity of 585 tons per day. Water for operations in Julcani is obtained from mine drainage (that must be previously treated with lime), from seasonal streams and a small lagoon.

The mining method used in this operation is cut and fill, for which the primary equipment employed are: pneumatic shovels, and locomotives. The mine is currently deepening the mine at level 710 operating with synergistic equipment such as electric shovel, jumbo jet and battery powered locomotives.

Electric power is generated by three hydroelectric plants, Huapa and El Ingenio. We are also connected to the Peruvian national electricity grid.

As of December 31, 2020, total proven and probable ore reserves were 269,310 tons, with 650.92 grams per ton of silver, 0.21 grams per ton of gold, 1.86% lead and 0.45% copper.

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

	Year Ended December 31, ⁽¹⁾	
	2019 ⁽²⁾⁽³⁾	2020 ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾
Mining Operations:		
Ore mined (t)	123,818	71,943
Average gold grade (g/t)	0.09	0.07
Average silver grade (g/t)	681.16	704.98
Average lead grade (%)	0.86	0.63
Average copper grade (%)	0.16	0.18
Production :		
Gold (oz.)	150	315
Silver (oz.) ⁽⁴⁾	2,609,006	1,676,731
Lead (t)	966	408
Copper (t)	185	127
Recovery rate (silver) (%)	96.22	96.88
Cost applicable to sales per oz. of silver ⁽⁵⁾	US\$13.49	US\$14.27
Cost applicable to sales per ton of lead ⁽⁵⁾	US\$1,585	US\$1,126
Cost applicable to sales per ton of copper ⁽⁵⁾	US\$4,788	US\$1,819

(1) Includes losses due to mining dilution and recovery.

- (2) Includes total Acchilla mine production.
- (3) Reflects total recovery percentage of Acchilla ore.
- (4) Silver production from 2020, includes 43,742 silver ounces derived from tailings dam retreatment.
- (5) Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ounce of gold, ounce of silver, ton of lead or ton of copper consists of cost applicable to sales for gold, silver, lead or copper sold, divided by the volume of gold, silver, lead or copper produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See “Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold” for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Tambomayo

Tambomayo is an underground mine that is wholly-owned and operated by us. It is considered an epithermal deposit with quartz veins and mineralization mainly of gold and silver with important contents of lead and zinc. It is located in the province of Caylloma, Arequipa region, at an altitude between 4,550 and 5,000 meters above sea level. There is one route of access to the property through Peru’s Panamericana Highway starting in Lima and going to the city of Arequipa for a total distance of 764 km. Between Arequipa and Tambomayo there is a 300 km road along Cañahuas-Sibayo-Caylloma-Talta Huarahuarco. The site is also accessible through a commercial flight from Lima to Arequipa.

The underground works on the main Mirtha and Paola veins and diamond drilling carried out to date show an economic mineralization that deepens up to approximately 900 meters and it expands over 900 horizontal meters (1,500 horizontal meters as a quartz system), increasing the size of the economic mineralization area to explore. Mining at Tambomayo is conducted underground and utilizes the mechanized bench-and-fill and cut-and-fill methods.

The mining method in Tambomayo’s underground mine is sub level stopping and mechanized bench and fill, this method is used to mine massive ore body (30m between sublevels and 10m stope span). We conduct the ore mining is made while horizontal labor is provided by a service provider. The equipment used for development and exploration includes single-arm jumbos, bolters, scaler and scoop loaders (4-6yd³). The equipment used in stopes are Simbas (Bolting Cable and Production) and scoops with remote control (6-7yd³). Ore haulage to surface is done with 35 m³ tipper trucks. Ore is taken to the process plant with 35 m³ tipper trucks.

Tambomayo is connected to the Peruvian electricity grid and water for its operations comes from the damming of a stream with seasonal variations in flow.

As of December 31, 2020, total proven and probable ore reserves were 2,338,910 tons, with 126.94 grams per ton of silver, 3.32 grams per ton of gold, 1.00% lead and 1.50% zinc.

Set forth below are certain unaudited operating data for the periods shown for Tambomayo, calculated based on 100% of the mine's production.

	Year Ended December 31, ⁽¹⁾	
	2019	2020 ⁽¹⁾⁽²⁾
Mining Operations:		
Ore mined (t)	640,914	510,405
Average gold grade (g/t)	5.80	5.10
Average silver grade (g/t)	141.36	123.44
Average lead grade (%)	1.35	1.45
Average zinc grade (%)	1.99	1.92
Production:		
Gold (oz.)	99,245	63,477
Silver (oz.)	2,556,391	1,668,582
Lead (t)	7,603	6,550
Zinc (t)	9,672	5,266
Recovery rate (silver) (%)	87.76	82.39
Recovery rate (gold) (%)	83.11	75.80
Cost applicable to sales per oz. of gold ⁽³⁾	US\$679	US\$941
Cost applicable to sales per oz. of silver ⁽³⁾	US\$8.92	US\$12.85
Cost applicable to sales per ton of lead ⁽³⁾	US\$1,045	US\$1,013
Cost applicable to sales per ton of zinc ⁽³⁾	US\$1,876	US\$1,774

(1) Includes losses due to mining dilution and recovery.

(2) Includes total Tambomayo mine production.

(3) Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ounce of gold, ounce of silver, ton of lead or ton of copper consists of cost applicable to sales for gold, silver, lead or copper sold, divided by the volume of gold, silver, lead or copper produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

La Zanja

The La Zanja mine is located in the district of Pulan, province of Santa Cruz, department of Cajamarca, to 48 kilometers northwest of the Yanacocha gold mine, at an average altitude of 3,500 meters above sea level. Access to the operation site is available through the Panamericana Norte highway from Lima to Cajamarca followed by a departmental road network that leads to Pulán where the mining concession is located. La Zanja is operated by Buenaventura, in which we hold a 53.06% equity interest.

During 2020, the operation focused on the San Pedro Sur and Pampa Verde open pits. Reinterpretation geological exploration was also carried out in projects with resources and reserves. The operation is carried out with outsourced equipment, which includes loading equipment of 2.4 – 4.7 m³ and hauling equipment of 20 - 22 m³. The average material moved is 10ktons per day.

La Zanja is located within a large area of hydrothermal alteration, mainly related to epithermal gold deposits in high sulphidation environments, in addition to some bonanza Au vein epithermal systems, Cu-Au transitional epithermal-porphyry, and breccias pipe Cu-Au-Mo. We have two-ore deposits in production in oxide material: San Pedro Sur and Pampa Verde.

Mining operations are conducted through the open-pit method; the plant utilizes a carbon-in-column circuit as well as a Merrill-Crowe circuit to recover gold from heap leach operations. The gold laden carbon is then transported to Tantahuatay to be processed into doré bars.

In 2020, a total of 16,770 meters of diamond drilling in the Cu-Au exploration project Emperatriz, and the extensions of the corridors Olga and Isabel were confirmed.

Total proven and probable ore reserves as of December 31, 2020 were 5,196,635 tons, with 3.94 grams per ton of silver and 0.39 grams per ton of gold.

Set forth below are certain unaudited operating data for La Zanja, calculated based on 100% of the mine's production.

	Year Ended December 31,	
	2019	2020
Mining Operations:		
Ore treated (t)	1,577,645	1,639,008
Average gold grade (g/t)	0.46	0.37
Average silver grade (g/t)	6.73	9.41
Production:		
Gold (oz.)	31,500	17,228
Silver (oz.)	97,204	84,641
Cost applicable to sales per oz. of gold ⁽¹⁾	US\$1,233	US\$1,739
Cost applicable to sales per oz. of silver ⁽¹⁾	US\$14.24	US\$20.67

(1) Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ounce of gold or ounce of silver consists of cost applicable to sales for gold or silver sold, divided by the volume of gold or silver produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Coimolache

Coimolache is a gold and silver mine located in the district and province of Hualgayoc, in the department of Cajamarca, in northern Peru, at an average altitude of 3,900 meters above sea level. Access to the operation site is available through the Panamericana Norte highway from Lima to Cajamarca followed by a departmental road network that leads to Chugur, where the mining concession is located. Coimolache is operated by Buenaventura, and wholly-owned by Coimolache, in which we hold a 40.095% equity interest.

Geologically, the Coimolache ore deposits are located in a sequence volcano-magmatic hydrothermal, predominant linked to the regional mineralized sector northern of Peru.

Coimolache consists of several areas of epithermal Au-Ag mineralization, contained in oxide material. Below the oxides level of the Cerro Tantahuatay area, there is a significant resource of copper, gold and silver associated to pyrite-enargite-chalcocopyrite (sulphides), which are present as disseminations and fracture fillings associated with an epithermal-porphyry transitional zone, breccias bodies multiphases, and porphyry intrusives.

During 2020, the operation was focused on the Tantahuatay 2 and Ciénaga Norte areas. Reinterpretation geological exploration was also performed at projects with resources and reserves. The operation is carried out with outsourced equipment, which includes loading equipment of 5.6 - 3.6 m³ and hauling equipment of 15 - 22 m³. The average material moved is 40ktons per day.

Total proven and probable ore reserves as of December 31, 2020 were 74,616,921 tons, with 7.25 grams per ton of silver and 0.32 grams per ton of gold.

Set forth below are certain unaudited operating data for Coimolache, calculated based on 100% of the mine's production.

	Year Ended December 31, ⁽¹⁾⁽²⁾	
	2019	2020
Mining Operations:		
Ore treated (t)	13,878,907	12,043,702
Average gold grade (g/t)	0.54	0.43
Average silver grade (g/t)	10.63	15.09
Production:		
Gold (oz.)	162,196	106,017
Silver (oz.)	754,306	699,361
Cost applicable to sales per oz. of gold ⁽³⁾	US\$684	US\$854
Cost applicable to sales per oz. of silver ⁽³⁾	US\$8.14	US\$10.13

(1) Incorporates losses for mining dilution and recovery.

(2) Data reflect mining operations at the Tantahuatay 2 and Ciénaga Norte deposits, as well as GoldField's stockpile.

(3) Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ounce of gold or ounce of silver consists of cost applicable to sales for gold or silver sold, divided by the volume of gold or silver produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Tajo Norte (Colquijirca) and Marcapunta Norte

The Tajo Norte (also known as Colquijirca) and Marcapunta Norte mines are wholly-owned by El Brocal. El Brocal was founded in 1956 and is engaged in the extraction, concentration and sale of concentrates of polymetallic minerals – mainly zinc, copper, lead and silver. Our aggregate direct and indirect equity interest in El Brocal was 61.43% as of December 31, 2020.

The Tajo Norte and Marcapunta 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. There are three routes of access to the property: (1) Through Peru's Central Highway starting in Lima and continuing to the city of Colquijirca for a total distance of 240 km, (2) through the Canta - Huaral highway for a total distance of 250 km and (3) a commercial flight from Lima to Jauja followed by travel on the highway from Jauja to Colquijirca for a total distance of 142 km.

El Brocal produces zinc, lead and silver concentrates from the Tajo Norte mine and copper concentrates from the Marcapunta mine. The Colquijirca mine consists of three important polymetallic deposits: (1) Tajo Norte-Smelter, which contains zinc, silver, lead, copper and gold; (2) Marcapunta, which contains an auriferous mineralization in breccia oxides and an arsenic copper enargite mineralization as a continuation of the mineralized mantles of the Marcapunta mine; and (3) San Gregorio, which contains zinc.

In 2020, the ore from both mines were treated in two plants, on an average of 16,147 tons per day. This was during the period when both plants were able to operate normally, in the absence of COVID-19 restrictions.

The Tajo Norte (Colquijirca) and Marcapunta mines primarily rely on a power line connected to the Peruvian national electricity grid.

As in 2019, in 2020, El Brocal continued to focus on optimizing Marcapunta's mining method, while also seeking the optimization of productivity and production costs, as well as accelerating the conversion of resources to reserves.

The mining method in the Marcapunta mine (Underground) is sub level stoping with long pillars and backfill. This method is used to mine the Copper mantle that has an ore thickness up to 60 m. Mining is made by contractor with its own equipment. The equipment used for development are 2 arm jumbos with 6 yd3 underground loaders. The equipment used for production includes S7 top hammer Simbas with 6 yd3 underground loaders with remote control. Ore haulage to surface is done with 12 m3 15 m3 tipper trucks. Ore is taken to the process plant with 15 m3 and 20 m3 tipper trucks. In 2021, we are planning to use 9 yd3 underground loaders and in the hole hammer. Bench height is also being optimized in new zones from 20 m to 30 m.

Meanwhile, the mining method in Tajo Norte is an open pit. It is a conventional truck and shovel operation, through a contractor. The height of a workbench is 6 m and the equipment used includes DM45 and DML drilling rigs. Loading are by hydraulic excavators EC950E (5.6 m3) and 374D (4.6 m3) and hauling is by G500 B8X4 trucks (24.5 m3). For 2021 we are planning to use 8 excavators and 48 trucks. To maximize mine production, Tajo Norte mine employs a fleet management system that supports the transmission and receipt of data across the mobile fleet, and supports the collection of data which is input directly by equipment operators.

Total proven and probable reserves of Tajo Norte - Smelter (Colquijirca), in the case of the Zinc-Lead-Silver zone, as of December 31, 2020 were 9,840,357 tons, with 85.92 grams of silver per ton, 2.15% of zinc, and 1.00% of lead.

Total proven and probable reserves of Tajo Norte - Smelter (Colquijirca), in the case of the Copper-Silver zone, as of December 31, 2020 were 31,759,551 tons, with 24.90 grams of silver per ton, 1.48% of copper, and 0.21 grams of gold.

Total proven and probable reserves of Marcapunta as of December 31, 2020 were 30,529,941 tons with 32.25 grams of silver per ton, 0.67 grams of gold per ton and 1.29% of copper.

Set forth below are certain unaudited operating data for the Zinc-Lead-Silver zone of Tajo Norte (Colquijirca) mine, calculated based on 100% of the mine's production.

	Year Ended December 31, ⁽¹⁾	
	2019	2020
Mining Operations:		
Ore mined (t)	3,407,914	2,782,313
Average silver grade (oz./t)	1.38	1.33
Average zinc grade (%)	2.42	3.54
Average lead grade (%)	1.26	1.17
Production:		
Silver (oz.)	2,974,075	2,520,528
Zinc (t)	43,580	54,909
Lead (t)	23,599	20,066
Recovery rate (silver) (%)	63.32	68.02
Recovery rate (zinc) (%)	52.86	55.70
Recovery rate (lead) (%)	55.00	61.55
Cost applicable to sales per ton of zinc ⁽²⁾	US\$2,007	US\$1,923

(1) Incorporates losses for mining dilution and recovery.

(2) Represents cost applicable to sales per ton of zinc for El Brocal. Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ton of zinc consists of cost applicable to sales for zinc divided by the volume of zinc produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Set forth below are certain unaudited operating data for the Copper-Silver zone of Tajo Norte (Colquijirca) mine, calculated based on 100% of the mine's production.

	Year Ended December 31, ⁽¹⁾	
	2019	2020
Mining Operations:		
Ore mined (t)	-	91,477
Average silver grade (oz./t)	-	3.80
Average gold grade (gr/t)	-	0.04
Average copper grade (%)	-	1.04
Production:		
Silver (oz.)	-	175,556
Gold (oz)	-	36
Copper (t)	-	570
Recovery rate (silver) (%)	-	50.51
Recovery rate (gold) (%)	-	27.41
Recovery rate (copper) (%)	-	59.97
Cost applicable to sales per ton of copper ⁽²⁾⁽³⁾	-	US\$5,135

(1) Incorporates losses for mining dilution and recovery.

(2) Represents cost applicable to sales per ton of zinc for El Brocal. Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ton of zinc consists of cost applicable to sales for zinc divided by the volume of zinc produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Set forth below are certain unaudited operating data for the Marcapunta mine, calculated based on 100% of the mine's production.

	Year Ended December 31, ⁽¹⁾	
	2019	2020
Mining Operations:		
Ore mined (t)	2,926,124	1,659,731
Average silver grade (oz./t)	0.77	0.78
Average gold grade (gr/t)	0.54	0.55
Average copper grade (%)	1.67	1.97
Production:		
Silver (oz.)	1,392,363	812,501
Gold (oz.)	18,726	11,816
Copper (t)	43,394	30,038
Recovery rate (silver) in copper (%)	62.07	62.98
Recovery rate (gold) in copper (%)	37.03	40.09
Recovery rate copper (%)	88.68	91.83
Cost applicable to sales per ton of copper ⁽²⁾	US\$5,385	US\$5,135

(1) Incorporates losses for mining dilution and recovery.

(2) Represents cost applicable to sales per ton of copper for El Brocal. Cost applicable to sales per unit of mineral sold is not a measure of financial performance under IFRS and may not be comparable to similarly titled measures of other companies. Cost applicable to sales per ton of copper consists of cost applicable to sales for copper divided by the volume of copper produced in the specified period. The cost applicable to sales per unit of mineral sold figures disclosed herein are calculated without adjusting for by-product revenue amounts. We consider cost applicable to sales per unit of mineral to be a key measure in managing and evaluating our operating performance. We believe this measure is widely reported in the precious metals industry as a benchmark for performance, but does not have standardized meanings. You should not consider cost applicable to sales per unit of mineral sold as an alternative to cost of sales determined in accordance with IFRS as an indicator of our operating performance. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold" for a reconciliation of Cost applicable to sales per unit sold to Cost of sales, excluding depreciation and amortization.

Reserves

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

We continue to report our reserves in accordance with the SEC's Industry Guide 7, and we have currently engaged all necessary parties in order to transition to the new SEC rules governing disclosures on mining properties (Regulation S-K, Subpart 1300), including reporting of reserves and resources within the period required by the SEC (currently expected to be in respect of our annual report on Form 20-F for the fiscal year ending December 31, 2021). The new SEC rules align SEC disclosure requirements more closely with global regulatory practices and standards, as embodied in standards developed by the Committee for Mineral Reserves International Reporting Standards.

The proven and probable ore reserve figures presented in this Annual Report are 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—D. Risk Factors—Factors Relating to the Company—Estimates of proven and probable reserves are subject to uncertainties and the volume and grade of ore actually recovered may vary from our 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.

As of December 31, 2020, our total proven and probable gold reserves, including our equity share in the proven and probable reserves of El Brocal (61.43%), La Zanja (53.06%), Coimolache (40.10%) and Yanacocha (43.65%), were estimated to be 5.90 million ounces of gold, representing a 2% decrease compared to our total proven and probable reserves as of December 31, 2019, which were estimated to be 6.06 million ounces of gold.

Gold Reserves:

	Company's Equity (in %)	Total Ounces (in thousands)	Total ounces attributable to the Company based on equity participation (in thousands)
Orcopampa	100.00	140	140
Julcani	100.00	2	2
Tambomayo	100.00	249	249
La Zanja	53.06	65	34
Coimolache (Oxides)	40.10	774	310
El Brocal Marcapunta	61.43	655	402
El Brocal (Tajo Norte Smelter – Cu – Ag)	61.43	211	130
Yanacocha	43.65	6,627	2,893
San Gabriel	100.00	1,741	1,741
Total Gold Reserves		10,463	5,903

As of December 31, 2020, our total proven and probable silver reserves, including our equity share in El Brocal (61.43%), La Zanja (53.06%), Coimolache (Tantahuatay) (40.10%), Yanacocha (43.65%) and Cerro Verde (19.58%) were estimated to be 214.81 million ounces of silver, representing a 12% decrease over our total proven and probable reserves as of December 31, 2019, which were estimated to be 244.21 million ounces of silver.

Silver Reserves:

	Company's Equity (in %)	Total Ounces (in thousands)	Total ounces attributable to the Company based on equity participation (in thousands)
Uchucchacua	100.00	73,662	73,662
Julcani	100.00	5,636	5,636
Orcopampa	100.00	260	260
Tambomayo	100.00	9,546	9,546
La Zanja	53.06	659	350
Coimolache Oxides	40.10	17,385	6,970
El Brocal (Tajo Norte – Smelter-Cu-Ag)	61.43	25,352	15,574
El Brocal (Tajo Norte – Smelter-Zn-Pb-Ag)	61.43	27,169	16,690
El Brocal Marcapunta	61.43	31,651	19,443
Yanacocha	43.65	96,554	42,146
Cerro Verde (Millable)	19.58	111,370	21,806
San Gabriel	100.00	2,724	2,724
Total Silver Reserves		401,968	214,807

As of December 31, 2020, our total proven and probable copper reserves, including our equity share in Julcani (100.0%), El Brocal (61.43%), Trapiche (100.0%), Yanacocha (43.65%) and Cerro Verde (19.58%) were estimated to be 4.78 million metric tons of copper, representing a 1% decrease compared to our total proven and probable reserves as of December 31, 2019, which were estimated to be 4.84 million metric tons of copper.

Copper Reserves:

	Company's Equity (in %)	Total Metric Tons (in thousands)	Metric Tons attributable to the Company based on equity participation (in thousands)
Julcani	100.00	1	1
El Brocal Marcapunta	61.43	393	241
El Brocal (Tajo Norte – Smelter –Cu-Ag)	61.43	469	288
San Gabriel	100.00	7	7
Trapiche	100.00	1,444	1,444
Yanacocha	43.65	697	304
Cerro Verde (Millable)	19.58	12,572	2,462
Cerro Verde (Leachable)	19.58	148	29
Total Copper Reserves		15,731	4,777

As of December 31, 2020, our total proven and probable molybdenum reserves, including our equity share in Cerro Verde (19.58%) were estimated to be 61 thousand million metric tons of molybdenum, representing a 2% decrease over our total proven and probable reserves as of December 31, 2019, which were estimated to be 62 thousand million metric tons of molybdenum.

Molybdenum Reserves:

	Company's Equity (in %)	Total Metric Tons (in thousands)	Metric Tons attributable to the Company based on equity participation (in thousands)
Cerro Verde	19.58	312	61
Total Molybdenum Reserves		312	61

The following table lists 100% of proven and probable ore reserves, as of December 31, 2020, for each of our consolidated mining operations and the Coimolache mine, in which we have a 40.10% equity interest. The reserves shown in the table below are the total reserves for each mine and do not reflect our equity share of reserves in non-wholly-owned mines.

	Proven Ore Reserves as of December 31, 2020 ^{(1) (2) (3) (4) (5) (6)}									
	Orcopampa	Uchucchacua	Julcani	Tambomayo	La Zanja	Coimolache	Tajo Norte (Zn-Pb-Ag)	Tajo Norte (Cu-Ag)	Marcapunta	Total/Average
Ore Reserves (t)	202,409	2,681,054	168,899	1,206,338	3,073,204	58,573,288	4,110,314	11,049,159	11,087,315	92,151,981
Grade:										
Gold (g/t)	10.44		0.29	3.52	0.38	0.33		0.24	0.63	0.40
Silver (g/t)	19.80	274.78	650.68	156.44	4.31	6.37	88.96	22.39	28.07	25.50
Copper (%)			0.48					1.43	1.28	0.33
Zinc (%)		1.93		1.40			2.09			0.17
Lead (%)		1.15	1.97	0.97			1.03			0.10
Content:										
Gold (oz.)	67,926		1,442	136,488	37,178	614,820		84,906	224,798	1,167,558
Silver (oz.)	128,866	23,685,202	3,532,716	6,067,303	426,337	11,992,795	11,755,498	7,955,394	10,005,846	75,549,958
Copper (t)			802					158,446	141,960	301,208
Zinc (t)		51,731		16,901			85,906			154,537
Lead (t)		30,875	3,328	11,719			42,336			88,259

Probable Ore Reserves as of December 31, 2020 (1) (2) (3) (4) (5) (6)

	Orcopampa	Uchucchacua	Julcani	Tambomayo	La Zanja	Coimolache	Tajo Norte (Zn-Pb-Ag)	Tajo Norte (Cu-Ag)	Marcapunta	Total/Average
Ore Reserves (t)	266,529	4,935,793	100,411	1,132,572	2,123,430	16,043,633	5,730,043	20,710,392	19,442,625	70,485,430
Grade:										
Gold (g/t)	8.45		0.14	3.10	0.40	0.31		0.19	0.69	0.41
Silver (g/t)	15.29	314.93	651.62	95.53	3.41	10.45	83.67	26.13	34.63	51.09
Copper (%)			0.40					1.50	1.29	0.80
Zinc (%)		1.93		1.60			2.19			0.34
Lead (%)		1.09	1.67	1.04			0.97			0.17
Content:										
Gold (oz.)	72,451		356	112,939	27,418	159,349		125,487	429,725	928,085
Silver (oz.)	130,995	49,976,776	2,103,269	3,478,499	232,755	5,391,879	15,413,817	17,396,730	21,645,015	115,769,734
Copper (t)			402					310,656	250,991	562,050
Zinc (t)		95,215		18,160			125,488			238,862
Lead (t)		53,971	1,673	11,743			55,581			122,968

Proven & Probable Ore Reserves as of December 31, 2020 (1) (2) (3) (4) (5) (6)

	Orcopampa	Uchucchacua	Julcani	Tambomayo	La Zanja	Coimolache	Tajo Norte (Zn-Pb-Ag)	Tajo Norte (Cu-Ag)	Marcapunta	Total/Average
Ore Reserves (t)	468,938	7,616,847	269,310	2,338,910	5,196,635	74,616,921	9,840,357	31,759,551	30,529,940	163,213,911
Grade:										
Gold (g/t)	9.31		0.23	3.32	0.39	0.33		0.21	0.67	0.36
Silver (g/t)	17.11	300.80	651.03	126.90	3.94	7.25	85.88	24.83	32.25	36.48
Copper (%)			0.45					1.48	1.29	0.53
Zinc (%)		1.93		1.50			2.15			0.24
Lead (%)		1.11	1.86	1.00			1.00			0.13
Content:										
Gold (oz.)	140,376		1,799	249,427	64,596	774,169		210,752	654,523	2,095,643
Silver (oz.)	259,861	73,661,978	5,635,985	9,545,803	659,092	17,384,674	27,169,315	25,352,124	31,650,860	190,660,600
Copper (t)			1,205					469,102	392,951	863,258
Zinc (t)		146,946		35,060			211,394			393,400
Lead (t)		84,846	5,001	23,462			97,917			211,226

- (1) The amounts in this table reflect the reserves of all of our consolidated subsidiaries, including El Brocal and La Zanja, in each case of December 31, 2020. As of December 31, 2020, SRK Consulting Perú S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Uchucchacua, Tambomayo, Orcopampa, El Brocal, Tantahuatay and La Zanja. Geominería S.A.C., an independent consultant, audited the process used to estimate proven and probable ore reserves for Julcani
- (2) For the year ended December 31, 2020, reserves for our wholly owned and subsidiary mines were calculated using the following prices: US\$1,600 per ounce of gold, US\$ 20.00 per ounce of silver, US\$ 2,300 per metric ton of zinc, US\$1,900 per metric ton of lead and US\$ 6,500 per metric ton of copper.
- (3) Variable metallurgical recovery assumptions (as a function of grade and relative metal distribution in individual concentrates).
- (4) Commercial terms based on historical data.
- (5) Variable cut-offs estimated by mining method and mining area and based on historical data and costs.
- (6) Variable modifying factors (dilution and mining recoveries) based on ground conditions and proposed mining method.

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— B. Business Overview—Description of Yanacocha's Operations."

Yanacocha is located approximately 375 miles (604 kilometers) north of Lima and 30 miles (48 kilometers) north of the city of Cajamarca and is primarily accessible by paved roads. The Yanacocha property began production in 1993 and consists of the following open pit mines: the La Quinua Complex, the Yanacocha Complex, the Carachugo Complex and Maqui Maqui. In addition, Yanacocha has four leach pads (La Quinua, Yanacocha, Carachugo and Maqui Maqui), three gold processing plants (Pampa Larga, Yanacocha Norte and La Quinua), one limestone processing facility (China Linda) and one mill (Yanacocha Gold Mill)

Yanacocha's mining activities encompass 246,169 acres (99,621 hectares) that are covered by 160 mining concessions. MYSRL holds the mining rights related to 53,956 acres (21,835 hectares), covered by 50 concessions. Chaupiloma holds the mining rights to the remaining acres and concessions and has assigned these mining concessions to Yanacocha. Each concession has an initial term of 17 to 30 years, which are renewable at Yanacocha's request for an additional 17 to 20 year term.

The La Quinua Complex is currently mining material from the La Quinua Sur and the Tapado Oeste Layback and is scheduled to finish mining operations in 2021. The Yanacocha Complex mines material from the Yanacocha Layback and Yanacocha Pinos, which are scheduled to finish mining operations in 2021. The Yanacocha Complex began operations in 1997 and has had limited mining operations in recent years.

The Carachugo Complex and Maqui Maqui mined material from multiple mines that are no longer in operation. In addition, the Carachugo leach pad processes oxide material from the Quecher Main project, which is a new open pit within the existing footprint of Yanacocha which began operating in October 2019. This project will add oxide production at Yanacocha and will extend the life of the Yanacocha operation to 2027. During 2020, the ounce production of the project was 55,000 ounces.

Yanacocha has three processing concessions from Peru's MEM for its processing facilities: Cerro Yanacocha (La Quinua and Yanacocha leach pads, La Quinua and Yanacocha Norte gold recovery plants and Yanacocha Gold Mill), Yanacocha (Carachugo and Maqui Maqui leach pads and Pampa Larga gold recovery plant) and China Linda (non-metallic processing concessions). Yanacocha's gold processing plants are located adjacent to the solution storage ponds and are used to process gold-bearing solutions from Yanacocha's leach pads through a network of solution-pumping facilities. The Yanacocha Gold Mill processes high-grade gold ore to produce a gold-bearing solution for treatment at the La Quinua processing plant. The Yanacocha Gold Mill processes between 5.5 and 6.0 million tons per year, however, during 2020, the tons processed were substantially lower given the COVID-19 restrictions and also given that the plant is reaching the end of its useful life in 2021.

Yanacocha is an epithermal type deposit of high sulfidation hosted in volcanic rock formations. Gold is associated with iron-oxides and pyrite. Material is evaluated for gold grade and cyanide solubility and then placed on leach pads or in stockpiles for processing through the Yanacocha Gold Mill accordingly. Yanacocha's available mining fleet consists of two shovels, four excavators, two loaders and 31 233-ton haul trucks.

Brownfield exploration and development for new reserves is ongoing and we continue to evaluate the potential for mining sulfide gold and copper mineralization.

Power is supplied to the operation by Engie Energia Peru SA.

Yanacocha's gross property, plant and mine development at December 31, 2020 was \$4,685. Yanacocha produced 340,052 ounces of gold (148,433 attributable ounces of gold) in 2020 and reported 2.9 million attributable ounces of gold reserves and 669.60 million attributable pounds of copper reserves at December 31, 2020.

Yanacocha also owns the Conga project, which is located approximately 16 miles (25 kilometers) northeast of Yanacocha and is currently in care and maintenance. Due to uncertainty surrounding the project and political risks related to the project's development, the Company has allocated its exploration and development capital to other projects in recent years. Should the Company be unable to develop the Conga project, the Company may have to consider other alternatives for the project, which may result in a future impairment charge for the project.

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.

As of December 31, 2020, Yanacocha's total proven and probable reserves (excluding the Conga project, the reserves for which were reclassified as resources or NRM as of December 31, 2015) were estimated to be 6.6 million ounces of gold, representing an 4% decrease over Yanacocha's total proven and probable reserves as of December 31, 2019, which were estimated to be 6.9 million ounces of gold.

The following tables detail proven and probable gold reserves for Yanacocha as of December 31, 2020 and 2019:

Gold Reserves as of December 31, 2020 ⁽¹⁾⁽²⁾⁽³⁾										
Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in thousand metric tons)	Grade (gr/ton)	Ounces (in thousands)	Tonnage (in thousand metric tons)	Grade (gr/ton)	Ounces (in thousands)	Tonnage (in thousand metric tons)	Grade (gr/ton)	Ounces (in thousands)	Metallurgical Recovery
Total Yanacocha ⁽²⁾	11,215	0.64	230	187,396	1.06	6,397	198,611	1.04	6,627	71%
Attributable to BVN ⁽³⁾	4,896	0.64	100	81,798	1.06	2,792	86,694	1.04	2,893	71%

Gold Reserves as of December 31, 2019 ⁽¹⁾⁽²⁾⁽³⁾										
Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in thousand metric tons)	Grade (gr/ton)	Ounces (in thousands)	Tonnage (in thousand metric tons)	Grade (gr/ton)	Ounces (in thousands)	Tonnage (in thousand metric tons)	Grade (gr/ton)	Ounces (in thousands)	Metallurgical Recovery
Total Yanacocha ⁽²⁾	22,172	0.72	512	199,662	1.00	6,426	221,834	0.97	6,938	76%
Attributable to BVN ⁽³⁾	9,678	0.72	223	87,152	1.00	2,805	96,831	0.97	3,028	76%

(1) Proven and probable reserves, as of December 31, 2020 and 2019 reserves were calculated at an estimated gold price of \$1,200 per ounce and \$1,200 per ounce, respectively, unless otherwise noted.

(2) The reserves shown for Yanacocha are the total reserves of the mine and do not indicate our equity share.

(3) Based on BVN's 43.65% equity participation in Yanacocha.

The following table provides grade and content information for the Yanacocha copper reserves as of December 31, 2020 and 2019:

Copper Reserves as of December 31, 2020 ⁽¹⁾⁽²⁾⁽³⁾										
Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in thousand metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in thousand metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in thousand metric tons)	Grade (%)	Lbs. (in millions)	Metallurgical Recovery
Total Yanacocha ⁽²⁾	-	-	-	112,404	0.62	1,530	112,404	0.62	1,534	83%
Attributable to BVN ⁽³⁾	-	-	-	49,065	0.62	668	49,065	0.62	670	83%

Copper Reserves as of December 31, 2019 ⁽¹⁾⁽²⁾⁽³⁾										
Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in thousand metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in thousand metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in thousand metric tons)	Grade (%)	Lbs. (in millions)	Metallurgical Recovery
Total Yanacocha ⁽²⁾	-	-	-	104,388	0.63	1,455	104,388	0.63	1,455	83%
Attributable to BVN ⁽³⁾	-	-	-	20,439	0.63	635	20,439	0.63	635	83%

(1) Proven and probable reserves, as of December 31, 2020 and 2019 were calculated at an estimated copper price of \$2.75 per pound.

(2) The reserves shown for Yanacocha are the total reserves of the mine and do not indicate our equity share.

(3) Based on BVN's 43.65% equity participation in Yanacocha

Cerro Verde's Properties

Reserves

The following tables provide grade and content information for the Cerro Verde copper, silver and molybdenum reserves as of December 31, 2020 and 2019:

Copper Reserves as of December 31, 2020(1)(2)(3)

Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Metallurgical Recovery
Total Cerro Verde ⁽²⁾	750	0.38	5,342	3,327	0.36	22,701	4,077	0.36	28,043	86.2%
Attributable to BVN ⁽³⁾	147	0.38	1,046	651	0.36	4,445	798	0.36	5,491	86.2%

Copper Reserves as of December 31, 2019(1)(2)(3)

Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Metallurgical Recovery
Total Cerro Verde ⁽²⁾	874	0.37	6,083	3,391	0.35	22,581	4,265	0.35	28,664	85.9%
Attributable to BVN ⁽³⁾	171	0.37	1,191	664	0.35	4,421	835	0.35	5,612	85.9%

(1) Proven and probable reserves, as of December 31, 2020 and 2019 were calculated at an estimated copper price of \$2.50 per pound respectively.

(2) The reserves shown for Cerro Verde are the total reserves of the mine and do not indicate our equity share.

(3) Based on BVN's 19.58% equity participation in Cerro Verde.

Silver Reserves as of December 31, 2020 (1)(2)(3)

Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in million metric tons)	Grade (g/t)	Ounces (in millions)	Tonnage (in million metric tons)	Grade (g/t)	Ounces (in millions)	Tonnage (in million metric tons)	Grade (g/t)	Ounces (in millions)	Metallurgical Recovery
Total Cerro Verde ⁽²⁾	701	2.02	20	3,302	1.91	91	4,002	1.93	111	44.9%
Attributable to BVN ⁽³⁾	137	2.02	4	646	1.91	18	784	1.93	22	44.9%

Silver Reserves as of December 31, 2019 (1)(2)(3)

Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in million metric tons)	Grade (g/t)	Ounces (in millions)	Tonnage (in million metric tons)	Grade (g/t)	Ounces (in millions)	Tonnage (in million metric tons)	Grade (g/t)	Ounces (in millions)	Metallurgical Recovery
Total Cerro Verde ⁽²⁾	809	1.97	23	3,361	1.87	90	4,170	1.89	113	44.7%
Attributable to BVN ⁽³⁾	158	1.97	5	658	1.87	18	816	1.89	22	44.7%

(1) Proven and probable reserves, as of December 31, 2020 and 2019 were calculated at an estimated silver price of \$15 per ounce respectively.

(2) The reserves shown for Cerro Verde are the total reserves of the mine and do not indicate our equity share.

(3) Based on BVN's 19.58% equity participation in Cerro Verde.

Molybdenum Reserves as of December 31, 2020 (1)(2)(3)

Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Metallurgical Recovery
Total Cerro Verde ⁽²⁾	701	0.02	140	3,302	0.01	548	4,002	0.01	689	54.4%
Attributable to BVN ⁽³⁾	137	0.02	27	646	0.01	107	784	0.01	135	54.4%

Molybdenum Reserves as of December 31, 2019 (1)(2)(3)

Deposits/Districts	Proven Reserves			Probable Reserves			Proven and Probable Reserves			
	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Tonnage (in million metric tons)	Grade (%)	Lbs. (in millions)	Metallurgical Recovery
Total Cerro Verde ⁽²⁾	809	0.02	153	3,361	0.01	545	4,170	0.01	699	54.3%
Attributable to BVN ⁽³⁾	158	0.02	30	658	0.01	107	816	0.01	137	54.3%

(1) Proven and probable reserves, as of December 31, 2020 and 2019 were calculated at an estimated molybdenum price of \$10 per pound respectively.

(2) The reserves shown for Cerro Verde are the total reserves of the mine and do not indicate our equity share.

(3) Based on BVN's 19.58% equity participation in Cerro Verde.

ITEM 4A. Unresolved Staff Comments

None.

ITEM 5. Operating and Financial Review and Prospects

In this Item 5, we present information first with respect to Buenaventura, followed by information with respect to Yanacocha, in which we have a 43.65% partnership interest, followed by information with respect to Cerro Verde, in which we have a 19.58% equity interest. We record our investments in Yanacocha and Cerro Verde in accordance with the equity method as further described in "Item 5. Operating and Financial Review and Prospects—Buenaventura—A. Operating Results—General" and Note 2.4(f) to the Consolidated Financial Statements

BUENAVENTURA

Introduction

The following discussion should be read in conjunction with the Consolidated Financial Statements as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 and the related Notes thereto included elsewhere in this Annual Report, and (ii) Item 5 to our annual report for the year ended December 31, 2019 (the "2019 20-F"). The Consolidated Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB. We present our consolidated financial statements in U.S. Dollars.

A. 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:

- the Julcani, Tambomayo, Uchucchacua and Orcopampa mining units;
- the Colquijirca, Marcapunta and La Zanja mines, which are owned by our non-wholly-owned consolidated subsidiaries;
- Chaupiloma, which receives a royalty payment from Yanacocha;
- Condesa, which is mainly a holding company for internal investments and investments in Yanacocha and other affiliated mining companies;

- Conenhua, which is mainly engaged in the transmission of electric power to Yanacocha and other mining companies;
- other minor subsidiaries; and
- discontinued operations.

We also have material equity investments in (i) Yanacocha, which is an equity investee engaged in the exploitation and commercialization of gold, (ii) Cerro Verde, which is an equity investee engaged in the exploitation and commercialization of copper and (iii) Coimolache, which is an equity investee engaged in the exploitation and commercialization of gold and silver. We account for these investments under the equity method.

Yanacocha. Historically, a substantial part of our net loss before income tax was derived from our equity interest in Yanacocha. As of December 31, 2020, we had a 43.65% equity participation in Yanacocha, through our wholly-owned subsidiary, Condesa. Our partnership interest in Yanacocha is accounted for under the equity method and is included under the caption "Investment in associates" on our consolidated statements of financial position. 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 three major shareholders, Newmont Mining, Sumitomo and Buenaventura.

Cerro Verde. As of December 31, 2020, we had a 19.58% 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:

- the amount of gold, silver, zinc and copper produced and sold;
- prevailing world market prices for gold, silver, zinc and copper;
- commercial terms with respect to the sale of ore concentrates; and
- 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 to decrease our exposure to fluctuations in the prices of these metals. We and our wholly-owned subsidiaries are currently 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.

Operating costs and expenses. Operating costs and expenses consist of:

- operating costs, which are direct production costs, the major component of operating expenses;
- exploration costs in operational mining sites;
- depreciation and amortization expenses;
- exploration costs in non-operational mining areas;
- administrative expenses, which principally consist of personnel expenses;
- royalties, which consist of payments to third parties and the Peruvian government to operate leased mining rights; and
- 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 extraction 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' (the "Board") approval. We capitalize mine development and mineral land costs incurred after we have approved the feasibility of the conceptual study of a project. 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.

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; partial and temporary closures of mining operations; and the production of silver only as by-product of gold (such as the Orcopampa mine).

Net income and net distributable income. Under Peruvian law, each company is required to establish a legal reserve equal to at least 20% of its paid-in capital on an unconsolidated basis. An annual contribution of at least 10% of net income must be made until such legal reserve equals 20% 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 mine. Specifically, we pay the lessor a royalty of 10% of the value of the concentrates produced. We are also required to pay the Peruvian government mining royalties and taxes. In addition to mining royalties, pursuant to Law No. 29789, effective October 1, 2011, mining operations in Peru are subject to an extraordinary mining tax. See "Item 4. Information on the Company—Buenaventura—B. Business Overview—Regulatory Framework—Mining Royalties and Taxes."

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.

Discontinued operations. During 2016, we decided to change the classification of three mining units (Poracota, Recuperada and Shila-Paula) that had been mining units held for sale and began the final closing process for these mines. As a result, income, costs and expenses related to this mining unit were classified as discontinued operations for the years 2016, 2015 and 2014. In December 2016, we sold the Antapite mining unit and we started the final closing process for the Breapampa mining unit. During 2017, we sold the Breapampa and Recuperada mining units. During 2020, we sold Mally mining unit classified as discontinued during 2019. See Note 1(e) and Note 2.4(w) to the Consolidated Financial Statements.

SUNAT litigation. Buenaventura is involved in legal proceedings against SUNAT in connection with SUNAT's refusal to recognize Buenaventura's deductions in respect to contracts for physical deliveries and certain contractual payments made by the Company during the years 2007 and 2008, as well as tax loss which was offset in 2009 and 2010.

During 2007 and 2008, Buenaventura modified its gold client contracts, shifting from a fixed price arrangement to a variable price arrangement which allowed the Company to appropriately benefit from improved market prices. This change incurred significant expenses for Buenaventura during the 2007-2008 two-year transition period, which also impacted the income tax payable by Buenaventura for said fiscal years. However, the modified pricing structure also favorably impacted Buenaventura's financial results with a corresponding increase in Buenaventura's income tax payment to SUNAT.

SUNAT's position is that Buenaventura should disregard the additional expenses incurred in connection with the shift to variable price arrangement for purposes of calculating its income tax for fiscal years 2007 and 2008. According to SUNAT, said payments correspond to an early settlement of financial derivative contracts in situations where the Company did not establish the purpose or risks covered by such instruments. Additionally, SUNAT does not recognize the tax losses which the Company offset during fiscal years 2009 and 2010, related to the losses incurred during fiscal years 2007 and 2008.

The claim for the years 2007, 2008, 2009 and 2010 initially amounted to 373.3 million soles (approximately US\$103.7 million) which, according to SUNAT's estimations, amounted to 2,107.5 million soles (approximately US\$585.4 million) including penalties and accrued interest as of the date of commencement of the collection proceedings.

On November 26, 2020, following the intervening tax court's decision to dismiss the Company's appeal against certain Administrative Resolutions issued by SUNAT in connection with the above-referenced matter, SUNAT began collection proceedings in respect of such amounts. Following the commencement of such collection proceedings by SUNAT, the Company filed a request for deferral and payment plan of the amounts claimed by SUNAT in order to make such tax payments over a 67 month term, in addition to making interest payments in connection with such payments. The requested payment plan consists of an initial payment in an amount equal to 14% of the amount claimed by SUNAT and 66 equal installments for the remaining amounts. In order to finalize the deferral and payment agreement with SUNAT, the Company was required to deliver Letters of Credit (as described below under "—Issuance of letters of credit and default under our Syndicated Term Loan") in an amount equal to the aggregate claimed amount in accordance with applicable law. To satisfy this requirement, on December 30, 2020, the Company entered into the Syndicated L/C Agreement with a group of financial entities, as described below and following delivery of the Letters of Credit, SUNAT approved the Company's payment plan.

We will continue to pursue appeals on this matter in Peruvian courts.

Issuance of letters of credit and default under our Syndicated Term Loan. As set forth above, following the commencement of collection proceedings by SUNAT the Company, on December 30, 2020, the Company entered into the Syndicated L/C Agreement with a group of financial entities in order to satisfy the requirements under applicable law for the approval of the Company's request for deferral and fractioning of claims.

As a result of the commencement of the collection proceedings, the incurrence of debt under the Syndicated L/C Agreement and the granting of certain liens described, the Company defaulted under its Syndicated Term Loan. As such, prior to the execution of the Syndicated L/C Agreement, on December 29, 2020, Buenaventura entered into the Forbearance Agreement with a majority of the lenders and the administrative agent under the Syndicated Term Loan, pursuant to which such creditors agreed, among other matters, not to exercise any acceleration rights under the Syndicated Term Loan in connection with any potential non-compliance with the incurrence of debt, negative pledge, consolidated interest coverage ratio or consolidated net leverage ratio as a result of our incurrence of debt (and the granting of certain collateral) pursuant to the Syndicated Letters of Credit, through April 28, 2021.

Additionally, as a requirement to the execution of the Syndicated L/C Agreement and the Forbearance Agreement, the lenders party to such agreements required Buenaventura to (1) enter into a temporary intercreditor agreement (Acuerdo Transitorio entre Acreedores) (the "Temporary Intercreditor Agreement") which regulates the relationship between the letter of credit providers under the Syndicated L/C Agreement, a majority of the lenders and the administrative agent under the Syndicated Term Loan, certain hedge providers and the Company; and (2) grant a first lien in respect of the shares or quotas, as applicable, owned by (a) Buenaventura in Empresa de Generación Huanza S.A., Yanacocha, Sociedad Minera El Brocal S.A.A and Sociedad Minera Cerro Verde S.A.A. and (b) Condesa in Buenaventura, as collateral for the secured obligations under the Temporary Intercreditor Agreement, the Syndicated Term Loan and the company's outstanding hedge agreements.

On April 28, 2021, we entered into an amendment and waiver to the Syndicated Term Loan which superseded the Forbearance Agreement, pursuant to which the lenders under the Syndicated Term Loan agreed to amend certain terms of the Syndicated Term Loan and to cure any and all past defaults triggered by the collection proceedings, the incurrence of debt and the granting of collateral relating to the Syndicated Letters of Credit. See "Item 5. Operating and Financial Review and Prospects—Buenaventura—A. Operating Results—General— Issuance of letters of credit and default under our Syndicated Term Loan."

See Note 29 (d) to the Consolidated Financial Statements for additional information.

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 certain 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 consolidated financial statements. Management has identified the following accounting estimates and policies as critical:

- Determination of mineral reserves and resources;
- unit-of-production depreciation;
- closure of mining units provision;
- inventories;
- impairment of non-financial assets;
- deferred income tax and recoverability; and
- fair value of contingent consideration

Other significant accounting policies include:

- contingencies;
- development start date;
- production start date;
- useful life of property, plant and equipment;
- revenue from contracts with customers.

We also have certain accounting policies that we consider important, such as our policies for investments carried at fair value, 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.

Determination of mineral reserves and resources

Recoverable proven and probable reserves and resources are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve and resources determination. The determination of reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recovery rates. Estimating the quantity and grade of reserves and resources requires Buenaventura to determine the size, shape and depth of its ore bodies by analyzing geological data, such as sampling of drill holes, tunnels and other underground workings. In addition to the geology of Buenaventura’s mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods Buenaventura used and the related cost incurred to develop and mine its reserves and resources. The process to estimate proven and probable ore reserves and resources is audited by an independent consultant each year.

All estimated reserves and resources represent estimated quantities of mineral proven and probable that under current conditions can be economically and legally processed. Reviews could occur on reserve and resources estimates due to, among others, revisions to the data or geological assumptions, changes in prices, production costs and results of exploration activities. Changes in estimated reserves and resources could affect mainly the depreciation of development costs, property, plant and equipment related directly to mining activity, the provision for mine closure, the assessment of the deferred asset’s recoverability and the amortization period for development costs.

Unit-of-production depreciation

Reserves and resources are used in determining the depreciation and amortization of mine-specific assets. This results in a depreciation or amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each mine’s life is assessed annually to evaluate: (i) physical life limitations and (ii) present assessments of economically recoverable reserves of the mine property. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes are recorded prospectively.

This results in a depreciation or amortization charge which is proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, is determined based on both its physical life limitations and present assessments of economically recoverable reserves of the mine property where the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in estimates are accounted for prospectively.

Closure of mining units provision

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 each of the obligation and related asset.

Following our accounting treatment, as of December 31, 2020, we have recorded an accrual for mine closure costs of US\$277.7 million to comply with governmental requirements for environmental remediation for Buenaventura and its mining subsidiaries. Please see Note 15(b) to the Consolidated Financial Statements.

We assess our provision for closure of mining units annually. This assessment entails significant estimates and assumptions because there are a number of factors that will affect the ultimate liability for this obligation. These factors include estimating the scope and costs of closing activities, technological changes, regulatory changes, increases in costs compared to inflation rates and changes in the discount rates. Such estimates or assumptions may result in actual expenses in the future that differ from the amounts provisioned at the time the provisions were established. The provision at the date of this report represents our best estimate of the present value of future costs for the closure of mining units.

Inventories

Inventories are classified as short-term or long-term depending on the length of time that management estimates will be needed to reach the production state of concentrate extraction for each mining unit.

Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. Additionally, management also considers the time value of money in calculating the net realizable value of our long-term inventories.

Classified minerals, which are materials with metal content that were removed from the pit of the Colquijirca mining unit for treatment at the expansion operation plant, contain lower grade ore than the average of treated minerals and are available to continue in the process of recovery of mineral and concentrates. Because it is generally impracticable to determine the mineral contained in the classified mineral located in the deposit field near Tajo Norte by physical count, reasonable estimation methods are employed. The quantity of minerals delivered to classified mineral is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper, lead and zinc grades of material delivered to classified minerals.

For minerals outside leach platform inventories, finished and in-progress goods are measured by estimating the number of tons added and removed. The number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Tonnages and ounces of mineral are verified by periodic surveys.

For minerals inside leach platform inventories, reasonable estimation methods are employed because it is generally impracticable to determine the mineral contained in leach platforms by physical count. The quantity of material delivered to leach platforms are based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated ore grades of material delivered to leach platforms.

Impairment of non-financial assets

We determine whether the operations of each mining unit are cash generating units, considering each mining unit operation independently. We assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, we estimate the asset's recoverable amount. An asset's recoverable amount is (i) the fair value less costs of disposal and (ii) value in use and is determined for an individual asset (cash-generating unit) unless the asset does not generate cash inflows that are clearly independent of those from other assets or groups of assets. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs and others. These estimates and assumptions are subject to risk and uncertainty.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are independent of the cash inflow generated by other assets or groups of assets. We have determined the operations of each mining unit as a single cash generating unit.

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.

At each reporting date, we update our assessment of the recoverability of the book value of our long-term assets under the procedures established by IAS 36 – "Impairment of Assets" for all of our mining units. As a result, we recorded impairment losses and recoveries of the provision during 2017, 2018, 2019 and 2020.

In 2018, we recorded an impairment reversal related to our La Zanja mining property of US\$5.7 million as a result of the analysis of the recovery amount. In addition, as a result of the disposal of assets, we recorded a reversal in our impairment provision related to our Shila Paula mining unit of US\$2.8 million. This provision was previously recorded in 2016.

In 2019, we recorded an impairment for US\$2.1 million as a result of the analysis of the recoverable amount of our Julcani mining unit. The main factors considered in the impairment analysis were reserves and life of the mine.

In 2020, we recorded a reversal in our impairment provision related to our Julcani mining unit of US\$2.1 million. This provision was previously recorded in 2019.

These impairment charges have not had an impact on our operating cash flows. 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 reflecting 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, production volumes, 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, 2019 and 2020 impairment evaluations were based on price assumptions reflecting prevailing metals prices for the following years.

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.

Deferred income tax asset and recoverability

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.

All deductible temporary differences and loss carry-forwards generate the recognition of deferred assets to the extent that it is probable that they can be used in calculating taxable income in future years. Deferred income tax liability is recognized for all deductible temporary differences and tax loss carry-forwards, to the extent that it 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 asset is reviewed at each consolidated statement of financial position 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 statement of financial position date.

Deferred assets and liabilities are offset if there is a legal right to set them off and the taxes deferred relate to the same entity and the same tax authority.

Deferred tax assets, including those resulting from unused tax losses, require that we assess the likelihood that we would generate taxable earnings in future periods to apply the deferred tax assets. Estimated future taxable income is based on projections of cash flow from operations and application of the tax law existing in each jurisdiction. To the extent to which actual future cash flows and taxable income differ significantly from those estimated, our ability to realize the deferred tax assets posted as of the reporting date may be affected.

In addition, future changes in the tax law in jurisdictions where we operate could limit our ability to obtain tax deductions in future periods.

As of December 31, 2019 and 2020, unrecognized deferred income tax assets related to tax - loss carryforward, difference in depreciation and amortization rates and provision for closure of mining units, net amounted to US\$50.2 million and US\$52.5 million, respectively. Related to the investment in associates, the unrecognized deferred income tax asset by US\$64.2 million as of December 31, 2020 (US\$60.4 million as of December 31, 2019).

Fair Value of contingent consideration

The contingent consideration arising from a business combination is measured at fair value at the date of acquisition, as part of the business combination. If the contingent consideration is eligible to be recognized as a financial liability the fair value is subsequently re-measured at each date of the consolidated financial statements. Determining the fair value of the contingent consideration is based on a model of discounted future cash flows. The key assumptions take into account the likelihood of achieving each goal of financial performance as well as the discount factor.

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 Consolidated Financial Statements.

Contingent assets are not recognized in the consolidated financial statements; however, they may be disclosed in notes to the consolidated financial statements if it is probable that such contingent assets will be realized. See Note 29(c) and (d) to the Consolidated Financial Statements.

Determining contingencies inherently involves the exercise of judgment and calculation of the estimated outcomes of future events.

Development start date

We assess the status of each exploration project of our mining units to determine when the development phase begins. One of the criteria used to evaluate the development start date is when we determine that the property can be economically developed.

Production start date

We assess the stage of each mine under development to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the nature of each mining project, the complexity of a plant and its location. We consider various relevant criteria for assessing when the mine is substantially complete and ready for its planned use. Some of these criteria are the level of capital expenditure compared to development cost estimates, a reasonable testing period for the mine's plant and equipment and the ability to produce ongoing production of metal.

When a mine development project moves into the production stage, the capitalization of certain costs ceases, and they are considered as inventory or expenses, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation or amortization commences.

Useful life of property, plant and equipment

Straight-line method

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:

Property, Plant and Equipment	Estimated Years of Useful Life
Buildings, constructions and other	6 to 20
Machinery and equipment	5 to 10
Transportation units	5
Furniture and fixtures	10
Computer equipment	4

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognizing 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 profit or loss in the year the asset is de-recognized.

Revenues from contracts with customers

According to our accounting policies, revenue is recognized when control of goods or services is transferred to the customer in an amount equal to the consideration that we expect to receive in exchange for those goods and services.

Revenues from sales of concentrates and metals are recognized at the point in the time when control of the asset is transferred to the customer. Revenues related to services, such as energy generation and transmission, industrial services, and other services, are recognized over time.

See Note 2.4(q) to the Consolidated Financial Statements.

Recent Developments

Since March 2021, Buenaventura has been assessing different possibilities, such as the issuance of bonds or the disposition of certain assets (including its participation in associates and subsidiaries), in order to satisfy its financial obligations and expansion requirements. As of the date of this report, the Company's board of directors has not approved any such transactions or asset dispositions, and therefore there is no effect on any of Buenaventura's financial reporting as of and for the period ended December 31, 2020.

Results of Operations for the Years Ended December 31, 2020 and 2019

Sales of goods. Sales of goods decreased by 22%, mainly due to the net effect of a decrease in both volume of metal sold (explained by the production reduction related to the State of National Emergency due to the COVID-19 pandemic) and variations in the average realized prices, as set forth in the chart below:

Sales of goods	Year ended December 31,			
	2019	2020	Variation	Variation
				(US\$ in thousands)
Silver (a)	298,171	230,498	(67,673)	(23)%
Gold (b)	254,194	229,590	(24,604)	(10)%
Copper (c)	238,304	181,311	(56,993)	(24)%
Zinc (d)	149,317	120,546	(28,771)	(19)%
Lead (e)	89,141	48,426	(40,715)	(46)%
Manganese sulfate	6,046	4,051	(1,995)	(33)%
	1,035,173	814,422	(220,751)	(21)%
Commercial deductions (f)	(220,306)	(179,748)	40,558	(18)%
Hedge operations (g)	4,322	(6,464)	N.A.	N.A.
Fair value of accounts receivable	2,347	5,154	2,807	120%
Adjustments to prior period liquidations	394	4,255	3,861	980%
Total sales of goods	821,930	637,619	(184,311)	(22)%

(a) *Silver sales.* The decrease in silver sales is mainly due to decreases of 43% in the volume of silver sales in Uchucchacua, Julcani, Tambomayo, and Colquijirca mining units, partially offset by an increase in the average realized price in 35%.

- (b) *Gold Sales.* The decrease in gold sales is mainly due to decreases of 31% in the volume of gold sales which was primarily due to decreases in the volume sold in the Tambomayo and La Zanja mining units, partially offset by an increase in the average realized price in 31%.
- (c) *Copper sales.* The decrease in copper sales is mainly due to decreases of 29% in the volume of copper sales of Colquijirca mining unit, partially offset by an increase in the average realized price in 8%.
- (d) *Zinc sales.* The decrease in zinc sales is mainly due to decreases in the average realized price in 10% and volume sold in 10%, which was primarily due to decreases in the volume sold Uchucchacua and Tambomayo mining units.
- (e) *Lead sales.* The decrease in lead sales is mainly due to decreases in the average realized price by 12% and volume sold by 38%, which was primarily due to decreases in the volume sold Uchucchacua, Colquijirca, and Tambomayo mining units.
- (f) *Commercial deductions.* The decrease in 18% in the commercial deduction is mainly explained by the decrease in sales. Sales of goods figures are obtained by deducting the commercial deductions which corresponds to adjustments in price for treatment and refining charges and can include certain penalties that, in accordance with the applicable contract, are deducted from the international fine metal spot price, and that are incurred after the time of sale of the applicable concentrate.
- (g) *Hedge operations.* Sales of goods figures are obtained by considering the variation in the fair value of the hedge operations related to sales.

The following tables reflect the average realized prices and volumes of gold, silver, lead, zinc and copper sold during the years ended December 31, 2019 and 2020, as well as the variation in such average realized prices and volumes recorded for these years:

Average Realized Price	Year ended December 31,		
	2019	2020	Variation
Gold (US\$/oz.)	1,405.35	1,841.96	31%
Silver (US\$/oz.)	16.36	22.14	35%
Lead (US\$/t)	1,938.07	1,708.25	(12)%
Zinc (US\$/t)	2,490.60	2,233.55	(10)%
Copper (US\$/t)	5,808.47	6,259.49	8%

Volume Sold	Year ended December 31,		
	2019	2020	Variation
Gold (oz.)	180,876	124,644	(31)%
Silver (oz.)	18,224,320	10,410,476	(43)%
Lead (t)	45,995	28,348	(38)%
Zinc (t)	59,953	53,971	(10)%
Copper (t)	41,027	28,966	(29)%

Sales of services. Sales of services decreased by 14%, as set forth in the chart below:

Sales by services	Year ended December 31,		
	2019	2020	Variation
			(US\$ in thousands)
Insurance brokerage	15,687	14,753	(934)
Energy generation and transmission (a)	7,974	5,532	(2,442)
Total sales of services	23,661	20,285	(3,376)

- (a) *Energy generation and transmission.* The decrease of 31% in the sales of energy generation and transmission is mainly due to decreases of 70% in sales of Consorcio Energético de Huancavelica S.A. due to in September 2019 we sold energy transmission systems in the areas of Huancavelica, Trujillo, Cajamarca, Callalli – Ares and Lorema.

Royalty income. In 2020, royalty income received by our subsidiary Chaupiloma amounted to US\$18.6 million, representing a decrease of 16% from the US\$22.3 million in royalty income received in 2019. This decrease was due to decrease in the sales of Yanacocha due to the COVID-19 pandemic restrictions. We hold a 60% interest in Chaupiloma, to which Yanacocha pays a royalty that corresponds to 3% of its net sales.

Total operating costs. Total operating costs in 2020 decreased by 18% compared to 2019 as indicated in the following table:

Operating Costs	Year ended December 31,			
	2019	2020	Variation	Variation
	(US\$ in thousands)			
Cost of sales of goods, excluding depreciation and amortization (a)	(512,874)	(393,888)	118,986	(23)%
Unabsorbed cost due to production stoppage (b)	-	(27,758)	(27,758)	100%
Cost of sales of services, excluding depreciation and amortization	(3,378)	(1,554)	1,824	(54)%
Depreciation and amortization (c)	(226,335)	(189,620)	36,715	(16)%
Exploration in operating units (d)	(44,163)	(28,044)	16,119	(36)%
Mining royalties	(12,832)	(11,749)	1,083	(8)%
Total operating costs	(799,582)	(652,613)	146,969	(18)%

(a) *Cost of sales of goods, excluding depreciation and amortization.* The decrease in cost of sales of goods was mainly due to decrease in our Colquijirca, Uchucchacua, Orcopampa and Tambomayo mining units in US\$53.8 million, US\$28.4 million, US\$17.6 million and US\$12.7 million, respectively. The decrease in cost of sales across Buenaventura's mining unit is explained by the production reduction related to the State of National Emergency due to the COVID-19 pandemic, which paralyzed operations since March 16, 2020 until the second quarter of 2020, as follows:

- Colquijirca, Uchucchacua and Tambomayo mining units reinitiated operations on May 16, 2020.
- Orcopampa, Julcani, and La Zanja mining units reinitiated operations on June 16, 2020.

(b) *Unabsorbed cost due to production stoppage.* Due to the State of National Emergency related to the COVID-19 pandemic, Buenaventura's mining units have operated below the planned volume. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities under IAS 2. Inventories and unabsorbed overheads are recognized as an expense in the period in which they are incurred. Cost of sales related to the unabsorbed costs attributable to the coronavirus outbreak are presented separately from the rest of cost of sales. In 2020, unabsorbed production costs during the Company's production stoppage totaled US\$27.8 million.

(c) *Depreciation and amortization.* The decrease in the cost of depreciation and amortization was mainly due to decrease in our Colquijirca, Tambomayo and Uchucchacua mining units in US\$14.9 million, US\$10.9 million and US\$4.3 million, respectively. The decrease is explained by the production reduction related to the State of National Emergency due to the COVID-19 pandemic, which paralyzed operations since March 16, 2020 until the second quarter of 2020.

(d) *Exploration in operating units.* The decrease in exploration in operating units was mainly due to decrease in our Tambomayo, Orcopampa, Julcani and Uchucchacua mining units in US\$4.5 million, US\$3.8 million, US\$2.7 million and US\$2.2 million, respectively. The decrease is explained by the effects of COVID-19 pandemic.

Total operating expenses. Operating expenses in 2020 decreased with those of 2019 due to changes in the following components:

Operating Expenses, net	Year ended December 31,			
	2019	2020	Variation	Variation
	(US\$ in thousands)			
Administrative expenses (a)	(76,297)	(67,185)	9,112	(12)%
Selling expenses (b)	(24,313)	(18,533)	5,780	(24)%
Exploration in non-operating areas	(11,879)	(8,475)	3,404	(29)%
Write –off of stripping activity asset (c)	-	(11,633)	(11,633)	100%
Impairment loss (reversal) of long-lived assets (d)	(2,083)	2,083	N.A.	N.A.
Provision (reversal) for contingences and others (e)	2,968	(4,150)	N.A.	N.A.
Other, net (f)	(14,715)	2,690	N.A.	N.A.
Total operating expenses, net	(126,319)	(105,203)	21,116	(17)%

- (a) *Administrative expenses.* The decrease in administrative expense was mainly explained by a decrease in Uchucchacua mining unit and Conenhua mainly explained by:
- US\$7.0 million decrease in Uchucchacua mining unit due to the successful cost containment and expense reduction during the year, which was partially offset by the adverse effects of Peru's current State of National Emergency.
 - US\$1.2 million decrease in Conenhua mainly explained by a decrease in the personnel expenses. The reduction of personnel was related to the sale of energy transmission systems.
- (b) *Selling expenses.* The decrease in the selling expenses is mainly explained by the decrease in the shipping costs and transportations services expenses mainly in the Uchucchacua and Colquijirca and mining units in US\$3.1 million and US\$1.8 million, respectively mainly explained by:
- Decrease in transportation services in Uchucchacua and Colquijirca mining units in US\$1.7 million and US\$0.7 million, respectively, as a result of the decrease in the volume sold.
 - Decrease in shipping costs in Colquijirca and Uchucchacua mining units in US\$1.2 million and US\$1.0 million, respectively, as a result of the decrease in the volume sold.
- (c) *Write –off of stripping activity asset.* In December 2020, as a result of the review of the mineral reserve balances, the subsidiary El Brocal wrote off the phase 9 for a total of 1,102,117 DMT at a value of US\$11,633,000. The write-off corresponds to a loss of reserves due to variation in technical and economic parameters such as, decrease in estimated prices; increased cut-off; percentage decrease in payable items; and new block model.
- (d) *Impairment reversal / loss of long-lived assets.* During 2020, we identified impairment indicators in our Julcani, Orcopampa, and Uchucchacua mining units. Buenaventura evaluated and concluded that there is no impairment as a result of the analysis of the recoverable amount of said units based on their value in use. Instead, Buenaventura recognized a reversal for impairment of long-lived assets for US\$2.1 million derived from the evaluation of its Julcani mining unit (recognized as a provision for impairment for US\$2.1 million as of December 31, 2019).
- (e) *Provision (reversal) for contingences and others.* The variation is explained mainly because during 2020 we recognized tax contingences provisions expenses for US\$2.7 million and environmental contingencies for US\$1.6 million compared to an income related to a reversal of US\$2.4 million related to negotiations with communities during 2019.
- (f) *Other, net.* The variation forms an expense of US\$14.7 million in 2019 compared to an income of US\$2.7 million in 2020 is primarily due to the net effect of:
- an income of US\$4.4 million during 2020 related to insurance claim recovery of the subsidiary El Brocal. This recovery is related to the insurance compensation for the damage suffered by the fire in the electric motor of the 16x22 Dominion Mill located on the first plant that occurred in August 2019.
 - an income of US\$13.3 million during 2019 due to a sale of energy transmission systems in the areas of Huancavelica, Trujillo, Cajamarca, Callalli – Ares and Lorema.
 - a decrease of US\$3.4 million in expenses related to changes in provisions for exploration projects.
 - a decrease of US\$2.6 million in the expenses related to impairment of spare parts and supplies,
 - a decrease of US\$2.3 million in the expenses related to withdrawals and disposals of property, machinery and equipment.

Other income (expense) captions. Other income (expenses) captions in 2020 decreased with those of 2019 due to changes in the following components:

Other income (expense) captions	Year ended December 31,			
	2019	2020	Variation	Variation
	(US\$ in thousands)			
Shares in the results of associates and joint venture (a)	47,710	(9,517)	N.A.	N.A.
Finance income (b)	9,675	2,411	(7,264)	(75)%
Finance costs	(42,173)	(37,822)	4,351	(10)%
Net (loss) from currency exchange difference	(734)	(4,116)	(3,382)	461%

- (a) *Shares in the results of associates and joint ventures.* Shares in the results of associates and joint venture changed from a gain of US\$47.7 million in 2019 to a loss of US\$9.5 million in 2020. The variation is primarily due to the net effect of a decrease of US\$30.6 million and US\$22.7 million in our share of Minera Yanacocha S.R.L. and Sociedad Minera Cerro Verde S.A.A., respectively.

See “Item 5. Operating and Financial Review and Prospects—Yanacocha” and “Item 5. Operating and Financial Review and Prospects—Cerro Verde” for more information

- (b) *Finance income.* Finance income decreased mainly explained by: (i) a decrease of US\$3.9 million in the interest on time deposits due to a reduction of time deposits during 2020, and (ii) a decrease of US\$3.6 million in the dividends income due to during 2019 Buenaventura received dividends from its investment in other minor investments.

Income tax. Provisions for income tax changed from an income of US\$25.6 million in 2019 to an expense of US\$25.4 million in 2020, due to the deferred income tax that changed from an income of US\$37.6 million in 2019 to an expense of US\$15.3 million in 2020. The changed is mainly explained by a higher deferred asset related to tax-loss carryforward due to a higher tax-loss during 2020, partially offset by the effects of (i) a lower deferred asset related to impairment of loss of long-lived assets, and (ii) a higher deferred liability of effect of fluctuations of exchange rates.

Non-controlling interest income (loss). Non-controlling interest income decreased from a loss of US\$16.2 million in 2019 to a loss of US\$14.6 million in 2020 due to changes in the results of the profit (loss) in the following subsidiaries:

Non-controlling interest income (loss)	Year ended December 31,			
	2019	2020	Variation	Variation
	(US\$ in thousands)			
Profit (loss) allocated to material non-controlling interest:				
Sociedad Minera El Brocal S.A.A.	(13,432)	(12,895)	537	(4)%
Minera La Zanja S.R.L.	(9,090)	(6,905)	2,185	(24)%
Apu Coropuna S.R.L.	(14)	(22)	(8)	57%
S.M.R.L. Chaupiloma Dos de Cajamarca	6,286	5,201	(1,085)	(17)%
Other minor	(1)	-	1	(100)%
	(16,251)	(14,621)	1,630	(10)%

Net income (loss). As a result of the foregoing, net loss increased from of US\$28.5 million in 2019 to a loss of US\$150.3 million in 2020. Net loss was 3% of revenues in 2019 and net loss was 22% of revenues in 2020.

Results of Operations for the Years Ended December 31, 2020 and 2019 by Segment

We present the operating results for each of our operating segments for the years ended December 31, 2019 and 2020 in more detail in Note 31 to the Consolidated Financial Statements.

Total operating expenses – Mining Segments. The change in operating expenses for the year ended December 31, 2020 as compared to the year ended December 31, 2019 is mainly explained by:

Operating Expenses – Mining Segments	Year ended December 31,			
	2019	2020	Variation	Variation
			(US\$ in thousands)	
Julcani	(6,971)	(2,050)	4,921	(71)%
Orcopampa	(13,570)	(10,628)	2,942	(22)%
Uchucchacua (a)	(29,855)	(10,169)	19,686	(66)%
Tambomayo	(24,092)	(19,776)	4,316	(18)%
La Zanja	(6,545)	(7,846)	(1,301)	20%
Colquijirca	(26,221)	(24,923)	1,298	(5)%

(a) *Uchucchacua.* The decrease in total operating expenses was mainly due to:

- a decrease of US\$7.0 million in the administrative expenses.
- an income US\$3.8 million related to revenue from commercial claims.
- a decrease of US\$3.1 million in the selling expenses as a result of the reduction of sales during 2020.
- an income of US\$2.7 million related to a reversal for impairment of spare parts and supplies.

Total operating expenses - Other Segments

Operating income (expenses) – Other Segments	Year ended December 31,			
	2019	2020	Variation	Variation
			(US\$ in thousands)	
Insurance brokerage segment	(11,607)	(10,939)	668	(6)%
Corporate	(11,005)	(11,644)	(639)	6%
Exploration and development mining projects	(2,965)	(2,209)	756	(25)%
Energy generation and transmission segment (a)	8,791	(2,350)	N.A.	N.A.
Industrial activities	(2,293)	(1,187)	1,106	(48)%
Holding of investment in shares	(284)	(408)	(124)	44%
Rental of mining concessions	(53)	(49)	4	(8)%

(a) *Energy generation and transmission segment.* The variation from an income of US\$8.8 million in 2019 compared to an expense of US\$2.3 million in 2020 was mainly explained by a sale of energy transmission systems in the areas of Huancavelica, Trujillo, Cajamarca, Callalli – Ares and Lorema during 2019, which generated an income of US\$13.3 million.

Results of Operations for the Years Ended December 31, 2019 and 2018

See “Item 5. Operating and Financial Review and Prospects” in our 2019 20-F for a comparative discussion of our consolidated results of operations for the year ended December 31, 2019 and 2018.

B. Liquidity and Capital Resources

As of December 31, 2020 and 2019, we had cash and cash equivalents of US\$235.5 million and of US\$210.0 million, respectively.

Cash provided by operating activities for the years ended December 31, 2020 and 2019. Net cash and cash equivalents provided by operating activities increased by US\$75.8 million, primarily due to the changes shown in the chart below:

Operating activities cash flows	Year ended December 31,			
	2019	2020	Variation	Variation
	(US\$ in thousands)			
Proceeds from sales ^(a)	783,000	708,196	(74,804)	(10)%
Value-added tax and other taxes recovered	45,712	42,967	(2,745)	(6)%
Dividends received from related parties ^(b)	33,388	3,649	(29,739)	(89)%
Royalty received	23,001	18,954	(4,047)	(18)%
Interest received	4,265	1,658	(2,607)	(61)%
Dividends received from investments	-	2,500	2,500	100%
Proceeds from insurance claim	-	4,381	4,381	100%
Payments to suppliers and third parties, and other net ^(c)	(610,737)	(454,140)	156,597	(26)%
Payments to employees ^(d)	(137,300)	(129,353)	7,947	(6)%
Payments for tax litigation ^(e)	(36,322)	(22,386)	13,936	(38)%
Interest paid ^(f)	(28,266)	(21,653)	6,613	(23)%
Income tax and Royalties paid to Peruvian State	(24,935)	(25,708)	(773)	3%
Payments of mining royalties	(4,741)	(6,180)	(1,439)	30%
Net cash and cash equivalents provided by operating activities	47,065	122,885	75,820	161%

- (a) The decrease in the proceeds from sales was mainly due to lower sales and production of Buenaventura's mining units, as described in Results of Operations for the Years Ended December 31, 2020 and 2019 by Segment.
- (b) The decrease in dividends received from Cerro Verde was mainly due to the US\$29.4 million in dividends received during 2019 compare to zero dividends received during 2020 from these associates.
- (c) The decrease in payments to suppliers and third parties is mainly explained by the decrease in the operations and ore production by Buenaventura's mining units, as described in *Results of Operations for the Years Ended December 31, 2020 and 2019 by Segment*.
- (d) The decrease in payments to employees was mainly explained by the decrease in the headcount due to Buenaventura's De-bottlenecking Program and related optimization of support areas.
- (e) The variation corresponds to different payments made during 2020 and 2019 related to claims with the Tax Administration. See the detail of payments in Note 7(g) of the Consolidated Financial Statements.
- (f) The decrease in the interest paid was mainly explained by a decrease in the interest paid in Buenaventura, Huanza and El Brocal in US\$2.6 million, US\$2.4 million and US\$1.6 million, respectively as a result of changes in the interest rates negotiated with banks by Buenaventura and a decrease in the LIBOR during 2020.

Cash used in investing activities for the years ended December 31, 2020 and 2019. Net cash and cash equivalents used in investing activities decreased by US\$43.4 million primarily due to the changes shown in the chart below:

Investing activities cash flows	Year ended December 31,			
	2019	2020	Variation	Variation %
	(US\$ in thousands)			
Proceeds from sale of mining concessions, development costs, property, plant and equipment (a)	726	24,416	23,690	3,263%
Additions to mining concessions, development costs, property, plant and equipment (b)	(102,627)	(71,546)	31,081	(30)%
Acquisition of investment in associate (c)	-	(13,453)	(13,453)	100%
Payments for acquisition of other assets	(3,700)	(1,641)	2,059	(56)%
Net cash and cash equivalents provided by (used in) investing activities	(105,601)	(62,224)	43,377	(41)%

- (a) The proceeds from sale of assets increase mainly explained by:
- During 2020, we collected US\$21.0 million related to the sales of energy transmission systems in the areas of Huancavelica, Trujillo, Cajamarca, Callalli – Ares and Lorema by Buenaventura (through its subsidiary Consorcio Energético de Huancavelica S.A.).
 - During 2020, Buenaventura sold its Mallay mining unit classified as discontinued during 2019 under IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations.” The sale price was US\$10 million (US\$8.5 million plus VAT) with a related cost of US\$3.6 million net of income from the reversal of provision for mining unit closure of US\$5.1 million. As of December 31, 2020, Buenaventura has collected US\$2.0 million and the remaining balance will be paid in two settlements of US\$4.0 million each in November 2021 and 2022.
- (b) The decrease in capital expenditures was mainly due to the decrease in Uchucchacua, Molle Verde, Tambomayo and Colquijirca units for US\$21.0 million, US\$6.4 million, US\$6.1 million and US\$4.3 million, respectively, which was partially offset by an increase in the investments in San Gabriel and Rio Seco for US\$4.5 million and US\$3.2 million, respectively. See “Item 4: Information on the Company—Buenaventura—A. History and Development—Capital Expenditures.”
- (c) In January 2020, Buenaventura acquired 19.30 per cent of common shares on a non-diluted basis from Tinka Resources Ltd., through private placement financing, which represented 65,843,620 common shares of Tinka at a price of C\$0.243 per common share, for gross proceeds to Tinka of C\$16 million (equivalent to US\$13.4 million). See Note 10 (c) of the Consolidated Financial Statements.

Cash provided by (used in) financing activities for the years ended December 31, 2020 and 2019. Net cash and cash equivalents used in financing activities decrease in US\$65.4 million primarily due to the changes shown in the chart below:

Financing activities cash flows	Year ended December 31,			
	2019	2020	Variation	Variation
	(US\$ in thousands)			
Proceeds from bank loans	55,000	18,019	(36,981)	(67)%
Payments of bank loans	(95,000)	(7,197)	87,803	(92)%
Proceeds from financial obligations	161,894	–	(161,894)	(100)%
Payments of financial obligations	(186,152)	(38,994)	147,158	(79)%
Dividends paid to controlling shareholders	(22,098)	–	22,098	(100)%
Short-term and low value lease payments	(7,596)	(4,080)	3,516	(46)%
Decrease (Increase) of restricted bank accounts	(166)	2,134	2,300	(1,386)%
Dividends paid to non-controlling shareholders	(6,500)	(5,140)	1,360	(21)%
Net cash and cash equivalents used in financing activities	(100,618)	(35,258)	65,360	(65)%

For further information on the SUNAT debt fractioning, the issuance of letters of credit in connection therewith and our prior default under our Syndicated Term Loan, see “—A. Operating Results—General—SUNAT litigation” and “—A. Operating Results—General—Issuance of letters of credit and default under our Syndicated Term Loan.”

Short-Term Debt

We borrow, from time to time, short-term unsecured loans from local Peruvian banks to supplement our working capital needs at favorable short-term interest rates. As of December 31, 2020 and 2019, the amount outstanding under such short-term loans was US\$65.8 million and US\$55.0 million, respectively. In 2020, we used the proceeds of such short-term loans for general working capital purposes.

Long-Term Debt

Sociedad Minera El Brocal S.A.A. On October 29, 2019, El Brocal entered into a new financing agreement in an amount of US\$161,893,850 with Banco de Crédito del Perú in order to repay a financial leaseback signed in 2015 and a medium-term financing entered into in 2017. The new financing agreement has the following terms and conditions:

	Tranche A	Tranche B
Principal	US\$113,325,695	US\$48,568,155
Annual interest rate	3.76 percent	Three-month LIBOR plus 2.39 percent
Term	5 years beginning in October 2019 (matures in October 2024)	7 years beginning in October 2019 (matures in October 2026)

According to this financing agreement, El Brocal is required to maintain the following financial ratios: (i) Debt service coverage ratio: Higher than 1.3, (ii) Leverage Ratio: Less than 1.0 times, (iii) Indebtedness ratio: Less than 2.25 times. This new financial obligation is collateralized by a security agreement in respect of assets; certain contractual rights, flows and account balances, a real estate mortgage; and a mortgage on certain mining concessions.

In April and July 2020, El Brocal arranged with the Banco de Crédito del Perú to defer the payment of the second and third installment, scheduled for April 30, and July 30, 2020 (each installment in an amount of US\$5,396,000 exclusively consisting of principal) through 2 new promissory notes with a maturity of 180 days. The initial due dates of these promissory notes were October 27, 2020 and January 26, 2021, respectively. On October 27, 2020, El Brocal rescheduled the payment of the first promissory note for an additional 180 days, with a new due date on April 24, 2021. This deferring of the second and third installment does not represent changes in terms and conditions of the original loan.

Compliance with El Brocal's required financial ratios is monitored by El Brocal's management. El Brocal obtained a waiver from Banco de Crédito del Perú in connection with any possible breach of its financial ratios as of December 31, 2020.

As of December 31, 2020 and 2019, the amount outstanding under this financing was US\$139.7 million and US\$161.2 million, respectively.

Empresa de Generación Huanza S.A. The long-term debt of Huanza is made up of: (i) a financial lease agreement entered into on December 2, 2009, with Banco de Crédito del Perú in an aggregate amount of US\$119.0 million, for purposes of constructing a hydroelectric power station. Huanza is the lessee under such agreement. On October 29, 2020, as part of Buenaventura's strategy to preserve cash, Huanza entered into an amendment to this lease agreement (in respect of the final principal installment thereunder, amounting to US\$44,191,000), pursuant to which parties agreed to extend the maturity through May 2022 and to modify the interest applicable to the loan to 30-day LIBOR plus a 2.10% margin beginning in December 31, 2020 (compared to the three-month LIBOR plus 2.75% margin applicable as of December 31, 2019), and (ii) a financial lease agreement entered into on June 30, 2014, with Banco de Crédito del Perú in an aggregate amount of US\$103.4 million. On October 29, 2020, as part of Buenaventura's strategy to preserve cash, Huanza entered into an amendment to this lease agreement (in respect of the final principal installment thereunder, amounting to US\$68,905,000), pursuant to which parties agreed to extend the maturity through May 2022 and to modify the interest applicable to the loan to 30-day LIBOR plus a 2.10% margin beginning in December 31, 2020 (compared to the three-month LIBOR plus 2.75% margin applicable as of December 31, 2019). As of December 31, 2020 and 2019, the amount outstanding under each lease was US\$111.8 million and US\$130.5 million, respectively.

Compañía de Minas Buenaventura S.A.A. On June 27, 2016, in order to repay short-term contracts held as of December 31, 2015, we entered into the Syndicated Term Loan. Obligations under the Syndicated Term Loan are guaranteed by Condesa and Conenhua, our wholly-owned subsidiaries, and Colquijirca, which is 100% owned by us. The term loan agreement governing the Syndicated Term Loan contains certain customary covenants, including certain financial maintenance covenants, and events of default. See Exhibit 2.1. On April 2, 2020 we entered into a second amendment to the Syndicated Term Loan, pursuant to which, as of the date of this annual report, borrowings under the Syndicated Term Loan bear interest at a rate per annum equal to LIBOR plus 1.90%. Principal under the Syndicated Term Loan shall be payable in five consecutive and semi-annual installments of US\$41,250,000 beginning in October 2022 and one final payment of US\$68,750,000 in April 2025 (on which date all amounts outstanding shall be payable). On December 29, 2020, Buenaventura entered into (i) the Forbearance Agreement, and (ii) an *Acuerdo Transitorio entre Acreedores* with a majority of the lenders and the administrative agent under the Syndicated Term Loan and certain other of our secured creditors, pursuant to which such creditors agreed, among other matters, not to exercise any acceleration rights under the Syndicated Term Loan in connection with any potential non-compliance with the incurrence of debt, negative pledge, consolidated interest coverage ratio or consolidated net leverage ratio as a result of our incurrence of debt (and the granting of certain collateral) pursuant to the Syndicated Letters of Credit, through April 28, 2021. On April 28, 2021, we entered into a third amendment and waiver to the Syndicated Term Loan in order to amend certain terms of the Syndicated Term Loan and to cure any and all past defaults triggered by the collection proceedings and the incurrence of debt relating to the letters of credit.

Exploration Costs and Capital Expenditures

During 2020, we spent US\$8.5 million on “exploration in non-operating areas” and US\$28.0 million on “exploration in operating units.” Our “exploration in non-operating areas” investments mainly focused on the Emperatriz exploration projects. Our “exploration in operating units” investments were mainly focused in the Tambomayo, Uchucchacua and Colquijirca units.

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 fewer funds available for the payment of dividends.

Recent Accounting Pronouncements

Amendments to IAS 1: Classification of Liabilities as Current or Non-current -

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. Buenaventura is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3 -

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 -

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on Buenaventura.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 –

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Buenaventura will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform -

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide several reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on Buenaventura's consolidated financial statements as it does not have any interest rate hedge relationships.

C. Research and Development

Not applicable.

D. 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 of the metals produced at any given time.

E. Off-Balance Sheet Arrangements

Other than in connection with the Syndicated L/C Agreement, 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.

For further information on the SUNAT debt fractioning and the issuance of letters of credit in connection therewith, see “—A. Operating Results—General—SUNAT litigation” and “—A. Operating Results—General—Issuance of letters of credit and default under our Syndicated Term Loan.”

F. Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations as of December 31, 2020:

	Payments due by Period (US\$ in millions)				
	Total	Less than 1 year	1-2 years	2-5 Years	More than 5 years
Bank loans – capital	65,793	65,793	–	–	–
Bank loans – interest	1,156	1,156	–	–	–
Trade and other payables	167,852	167,852	–	–	–
Financial obligation – capital	528,405	21,587	175,932	324,815	6,071
Financial obligation – interest	43,271	14,868	13,289	14,911	203
Lease – capital	7,839	3,609	2,010	2,220	–
Lease – interest	362	74	143	145	–
Hedge derivative financial instruments	18,439	15,804	2,635	–	–
Contingent consideration liability	46,670	–	–	9,924	36,746
Total Contractual Cash Obligations	879,787	290,743	194,009	352,015	43,020

As of December 31, 2020, we had no other commercial commitments.

G. Reconciliation of Costs Applicable to Sales and Cost Applicable to Sales per Unit Sold

Cost applicable to sales and Cost applicable to sales per unit of mineral sold are not measures of financial performance under IFRS, and may not be comparable to similarly titled measures of other companies. We consider Cost applicable to sales and Cost applicable to sales per unit of mineral sold to be key measures in managing and evaluating our operating performance. These measures are widely reported in the precious metals industry as a benchmark for performance, but do not have standardized meanings. You should not consider Cost applicable to sales or Cost applicable to sales per unit of mineral sold as alternatives to cost of sales determined in accordance with IFRS as indicators of our operating performance. Cost applicable to sales and Cost applicable to sales per unit of mineral sold are calculated without adjusting for by-product revenue amounts.

In calculating these figures, we utilize financial records maintained with respect to the various mining units and subsidiaries, each on a standalone basis. Within the standalone accounts for each mining unit or subsidiary, we then allocate cost of sales (excluding depreciation and amortization), exploration in operating units and selling expenses in the proportion to each mineral's commercial value (realized price multiplied by volume sold).

The tables below set forth (i) a reconciliation of consolidated Cost of sales, excluding depreciation and amortization to consolidated Cost applicable to sales, (ii) reconciliations of the components of Cost applicable to sales (by mine and mineral) to the corresponding consolidated line items set forth on our consolidated statements of profit or loss for the years ended December 31, 2020 and 2019 and (iii) reconciliations of Cost of sales, excluding depreciation and amortization to Cost applicable to sales for each of our mining units. The amounts set forth in Cost applicable to sales and Cost applicable to sales per unit sold for each mine and mineral indicated in the tables below can be reconciled to the amounts set forth on our consolidated statements of profit or loss for the years ended December 31, 2020 and 2019 by reference to the reconciliations of Cost of sales, excluding depreciation and amortization (by mine and mineral), Selling Expenses (by mine and metal) expenses and Exploration in operating units (by mine and mineral) to consolidated Cost of sales, excluding depreciation and amortization, consolidated Selling Expenses and Consolidated Exploration in operating units expenses, set forth below.

Set forth below is a reconciliation of consolidated Cost of sales, excluding depreciation and amortization, to consolidated Cost applicable to sales:

	For the year ended December 31,	
	2019	2020
	(in thousands of US\$)	
Consolidated Cost of sales excluding depreciation and amortization	516,252	395,442
Add:		
Consolidated Exploration in operating units	44,163	28,044
Commercial Deductions	220,306	179,748
Consolidated Selling Expenses	24,313	18,533
Consolidated Cost applicable to sales	805,034	621,768

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization (by mine and mineral) to consolidated Cost of sales, excluding depreciation and amortization:

Cost of sales by mine and mineral	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
Julcani, Gold	166	7
Julcani, Silver	24,405	15,961
Julcani, Lead	971	251
Julcani, Copper	47	23
Orcopampa, Gold	51,154	34,315
Orcopampa, Silver	228	81
Orcopampa, Copper	0	0
Uchucchacua, Gold	0	11
Uchucchacua, Silver	79,562	74,134
Uchucchacua, Lead	14,815	5,119
Uchucchacua, Zinc	19,004	6,326
Tambomayo, Gold	47,741	40,648
Tambomayo, Silver	13,540	12,640
Tambomayo, Lead	4,979	4,123
Tambomayo, Zinc	7,058	3,670

Cost of sales by mine and mineral	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
La Zanja, Gold	37,445	30,373
La Zanja, Silver	1,140	2,499
El Brocal, Gold	8,429	5,541
El Brocal, Silver	26,966	25,652
El Brocal, Lead	20,388	12,331
El Brocal, Zinc	42,537	41,583
El Brocal, Copper	110,979	73,408
Non Mining Units	4,697	6,746
	516,252	395,442

Set forth below is a reconciliation of Exploration in operating units expenses (by mine and mineral) to consolidated Exploration in operating units expenses:

Exploration in operating units by mine and mineral	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
Julcani, Gold	38	1
Julcani, Silver	5,593	3,112
Julcani, Lead	223	49
Julcani, Copper	11	4
Orcopampa, Gold	9,000	5,186
Orcopampa, Silver	40	12
Orcopampa, Copper	0	0
Uchucchacua, Gold	0	1
Uchucchacua, Silver	6,257	5,830
Uchucchacua, Lead	1,165	403
Uchucchacua, Zinc	1,495	498
Tambomayo, Gold	7,562	4,763
Tambomayo, Silver	2,145	1,481
Tambomayo, Lead	789	483
Tambomayo, Zinc	1,118	430
La Zanja, Gold	2	2
La Zanja, Silver	0	0
El Brocal, Gold	351	202
El Brocal, Silver	1,124	937
El Brocal, Lead	850	450
El Brocal, Zinc	1,774	1,519
El Brocal, Copper	4,627	2,681
Non Mining Units	0	0
	44,163	28,044

Set forth below is a reconciliation of Commercial Deductions (by mine and mineral) to consolidated Commercial Deductions in operation expenses:

Commercial Deductions in operating units by mine and mineral	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
Julcani, Gold	19	11
Julcani, Silver	3,084	2,505
Julcani, Lead	122	38
Julcani, Copper	8	5
Orcopampa, Gold	201	234
Orcopampa, Silver	1	9
Orcopampa, Copper	0	0
Uchucchacua, Gold	-1	1

Commercial Deductions in operating units by mine and mineral	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
Uchucchacua, Silver	29,088	18,831
Uchucchacua, Lead	3,324	1,111
Uchucchacua, Zinc	10,197	2,082
Tambomayo, Gold	7,786	6,266
Tambomayo, Silver	4,265	4,023
Tambomayo, Lead	1,497	1,219
Tambomayo, Zinc	6,170	3,585
La Zanja, Gold	102	376
La Zanja, Silver	2	21
El Brocal, Gold	7,438	5,377
El Brocal, Silver	14,730	17,258
El Brocal, Lead	5,495	6,528
El Brocal, Zinc	27,302	41,907
El Brocal, Copper	99,477	68,360
Non Mining Units	0	0
Consolidated Commercial Deductions in operating units	220,306	179,748

Set forth below is a reconciliation of selling expenses (by mine and mineral) to consolidated selling expenses:

Selling expenses by mine and mineral	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
Julcani, Gold	3	0
Julcani, Silver	384	430
Julcani, Lead	15	7
Julcani, Copper	1	1
Orcopampa, Gold	257	435
Orcopampa, Silver	1	1
Orcopampa, Copper	0	0
Uchucchacua, Gold	0	0
Uchucchacua, Silver	4,278	2,751
Uchucchacua, Lead	797	190
Uchucchacua, Zinc	1,022	235
Tambomayo, Gold	2,566	2,570
Tambomayo, Silver	728	799
Tambomayo, Lead	268	261
Tambomayo, Zinc	379	232
La Zanja, Gold	312	74
La Zanja, Silver	9	6
El Brocal, Gold	437	317
El Brocal, Silver	1,399	1,468
El Brocal, Lead	1,057	706
El Brocal, Zinc	2,206	2,379
El Brocal, Copper	5,756	4,200
Non Mining Units	2,439	1,471
Consolidated Selling expenses	24,313	18,533

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to Cost applicable to sales and Cost applicable to sales per unit of mineral for the Julcani mine:

	JULCANI							
	COPPER (t)		GOLD (oz.)		LEAD (t)		SILVER (oz.)	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2019	2020	2019	2020	2019	2020	2019	2020
	(US\$ in thousands except operating and per unit data)							
Cost of Sales, excluding depreciation and amortization	47	23	166	7	971	251	24,405	15,961
Add:								
Exploration in units in operation	11	4	38	1	223	49	5,593	3,112
Commercial Deductions	8	5	19	11	122	38	3,084	2,505
Selling expenses	1	1	3	0	15	7	384	430
Cost applicable to sales	66	33	225	19	1,585	345	33,467	22,008
Divide:								
Volume Sold (unaudited)	14	18	179	133	839	306	2,480,173	1,542,568
Cost applicable to sales per unit of mineral sold (US\$)	4,788	1,819	1,259	143	1,585	1,126	13.49	14.27

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to cost applicable to sales and Cost applicable to sales per unit of mineral for the Orcopampa mine:

	ORCOPAMPA			
	GOLD (oz.)		SILVER (oz.)	
	For the year ended December 31,		For the year ended December 31,	
	2019	2020	2019	2020
	(US\$ in thousands except operating and per unit data)			
Cost of Sales, excluding depreciation and amortization	51,154	34,315	228	81
Add:				
Exploration in units in operation	9,000	5,186	40	12
Commercial Deductions	201	234	1	9
Selling expenses	257	435	1	1
Cost applicable to sales	60,612	40,169	271	104
Divide:				
Volume Sold (unaudited)	40,702	41,757	15,049	8,113
Cost applicable to sales per unit of mineral sold (US\$)	1,489	962	17.98	12.78

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to cost applicable to sales and Cost applicable to sales per unit of mineral for the Uchucchacua mine:

	UCHUCCHACUA					
	LEAD (t)		SILVER (oz.)		ZINC (t)	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2019	2020	2019	2020	2019	2020
	(US\$ in thousands except operating and per unit data)					
Cost of Sales, excluding depreciation and amortization	14,815	5,119	79,562	74,134	19,004	6,326
Add:						
Exploration in units in operation	1,165	403	6,257	5,830	1,495	498
Commercial Deductions	3,324	1,111	29,088	18,831	10,197	2,082
Selling expenses	797	190	4,278	2,751	1,022	235
Cost applicable to sales	20,101	6,823	119,184	101,547	31,718	9,141
Divide:						
Volume Sold (unaudited)	15,347	4,209	9,808,791	4,566,624	15,315	4,066
Cost applicable to sales per unit of mineral sold (US\$)	1,310	1,621	12.15	22.24	2,071	2,248

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to Cost applicable to sales and Cost applicable to sales per unit of mineral for the Tambomayo mine:

	TAMBOMAYO							
	GOLD (oz.)		SILVER (oz.)		LEAD (t)		ZINC(t)	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2019	2020	2019	2020	2019	2020	2019	2020
	(US\$ in thousands except operating and per unit data)							
Cost of Sales, excluding depreciation and amortization	47,741	40,648	13,540	12,640	4,979	4,123	7,058	3,670
Add:								
Exploration in units in operation	7,562	4,763	2,145	1,481	789	483	1,118	430
Commercial Deductions	7,786	6,266	4,265	4,023	1,497	1,219	6,170	3,585
Selling expenses	2,566	2,570	728	799	268	261	379	232
Cost applicable to sales	65,655	54,247	20,677	18,944	7,532	6,086	14,725	7,917
Divide:								
Volume Sold (unaudited)	96,636	57,633	2,318,434	1,474,485	7,211	6,009	7,850	4,463
Cost applicable to sales per unit of mineral sold (US\$)	679	941	8.92	12.85	1,045	1,013	1,876	1,774

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to cost applicable to sales and Cost applicable to sales per unit of mineral for the La Zanja mine:

	LA ZANJA			
	GOLD (oz.)		SILVER (oz.)	
	For the year ended December 31,		For the year ended December 31,	
	2019	2020	2019	2020
	(US\$ in thousands except operating and per unit data)			
Cost of Sales, excluding depreciation and amortization	37,445	30,373	1,140	2,499
Add:				
Exploration in units in operation	2	2	0	0
Commercial Deductions	102	376	2	21
Selling expenses	312	74	9	6
Cost applicable to sales	37,861	30,825	1,151	2,526
Divide:				
Volume Sold (unaudited)	30,710	17,730	80,880	122,180
Cost applicable to sales per unit of mineral sold (US\$)	1,233	1,739	14.24	20.67

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to cost applicable to sales and Cost applicable to sales per unit of mineral for the El Brocal mine:

	EL BROCAL									
	COPPER (t)		GOLD (oz.)		LEAD (t)		SILVER (oz.)		ZINC (t)	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	(US\$ in thousands except operating and per unit data)									
Cost of Sales, excluding depreciation and amortization	110,979	73,408	8,429	5,541	20,388	12,331	26,966	25,652	42,537	41,583
Add:										
Exploration in units in operation	4,627	2,681	351	202	850	450	1,124	937	1,774	1,519
Commercial Deductions	99,477	68,360	7,438	5,377	5,495	6,528	14,730	17,258	27,302	41,907
Selling expenses	5,756	4,200	437	317	1,057	706	1,399	1,468	2,206	2,379
Cost applicable to sales	220,840	148,650	16,656	11,437	27,790	20,015	44,219	45,315	73,818	87,388
Divide:										
Volume Sold (unaudited)	41,013	28,948	12,648	7,390	22,598	17,824	3,520,992	2,696,506	36,788	45,442
Cost applicable to sales per unit of mineral sold (US\$)	5,385	5,135	1,317	1,548	1,230	1,123	12.56	16.80	2,007	1,923

Set forth below is a reconciliation of Cost of sales, excluding depreciation and amortization, to cost applicable to sales and Cost applicable to sales per unit of mineral for non-mining units:

	NON-MINING UNITS TOTAL	
	For the year ended December 31,	
	2019	2020
	(US\$ in thousands)	
Cost of Sales, excluding depreciation and amortization	4,697	6,746
Add:		
Exploration in units in operation	0	0
Commercial Deductions	0	0
Selling expenses	2,439	1,471
Total Cost applicable to sales	7,136	8,217

YANACOCHA

Introduction

The following discussion should be read in conjunction with (i) the Yanacocha Consolidated Financial Statements as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 and the related Notes thereto included elsewhere in this Annual Report, and (ii) Item 5 to our 2020 20-F. The Yanacocha Consolidated Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB and in U.S. Dollars.

A. Operating Results

Overview

Yanacocha was established in Peru in January 1992 and commenced production activities in 1993. Yanacocha's operations are located in the Andes Mountains in Northern Peru, in the area of Cajamarca which is located approximately 600 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% owned by Newmont Second Capital Corporation, 43.65% owned by Buenaventura through our wholly-owned subsidiary Condesa and 5% owned by Summit Global Management II VB. Yanacocha is managed by Newmont International Services. See "Item 4. Information on the Company—Yanacocha—B. Business Overview—Management of Yanacocha—General Manager/Management Agreement."

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

Summary of Financial and Operating Performance

	Year Ended December 31,	
	2020	2019
Gold sales (in thousands of US\$)	592,394	734,526
Gold sold (oz.)	339,068	529,307
Average gold price received (US\$/oz.)	1,747	1,388
Other operating expenses, net (in thousands of US\$)	(34,322)	(35,987)
Loss for the year (in thousands of US\$)	(165,449)	(95,257)

Gold sales. Gold sales decreased 19%, or US\$ 142 million, from 2019 to 2020, Gold production decreased 35% primarily due to lower mill throughput as a result of the site being placed on care and maintenance, in addition to lower ore grade milled as a result of lower ore grade mined and lower leach production driven by lower tons placed on the leach pad.

Costs applicable to sales. 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) depreciation and amortization, (iii) write downs of ore on leach pads to net realizable value expense, (iv) reclamation expenses and (v) other costs. Costs applicable to sales per gold ounce increased 50% primarily due to lower ore grade mined, higher strip ratio, higher gold-price driven royalties and higher leach pad inventory adjustments, partially offset by higher by-product credits from silver sales. Depreciation and amortization per gold ounce increased 70% primarily due to higher depreciation rates as a result of Quecher Main achieving commercial production in the fourth quarter of 2019 and the impact of the site being placed on care and maintenance.

Other operating expenses, net. Other operating expenses, net decreased by 0.05% or US\$1.7 million from 2019 to 2020, primarily due to lower exploration and advanced projects as a result of the COVID-19 pandemic restrictions during 2020.

Income tax benefit (expense). Yanacocha's financial and operating results included an income and mining tax expense of US\$53 million in 2020 compared to an expense of US\$65 million in 2019. The difference was driven by a higher loss before income tax in 2020 for US\$ 112 million as compared to a loss before tax of US\$ 30 million in 2019 and higher valuation allowance on deferred income tax assets in 2020 for \$ 57 million (US\$ 46 million in 2019).

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 those that are reflective of significant judgments and uncertainties and could potentially impact results under different assumptions and conditions. See Note 4 to the Yanacocha Consolidated Financial Statements for a more complete listing of standards issued but not effective.

The standards and interpretations that are issued as of the date of Yanacocha's financial statements but not yet effective and are reasonably expected to have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. Yanacocha intends to adopt these standards, if applicable, when they become effective. The standards and interpretations not expected to impact Yanacocha's disclosures, financial position or performance are not listed below. See Note 2.4 to the Yanacocha Consolidated Financial Statements for a more complete listing of Yanacocha's accounting policies.

Results of Operations for the Years Ended December 31, 2020 and 2019

Sales

Gold sales. Gold sales decreased 19%, or US\$ 142 million, from 2019 to 2020, due to lower Gold production. Gold ounces produced decreased 35% due to lower mill throughput as a result of the site being placed on care and maintenance, in addition to lower ore grade milled as a result of lower ore grade mined and lower leach production driven by lower tons placed on the leach pad. 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 for the year ending December 31, 2020 and 2019 comprised:

	<u>2020</u>	<u>2019</u>
	(US\$ in thousands)	
Beginning balance of finished goods and in-process	302,382	341,213
Beginning balance of provision for net realizable value	(47,925)	(89,127)
Royalties to related parties	18,638	22,297
Mining royalties to the government	7,570	9,255
Consumption of supplies	138,041	200,036
Personnel expenses	61,298	72,325
Other services	31,864	41,120
Maintenance	17,415	26,645
Power	20,241	23,619
Depreciation and amortization	140,252	144,862
Workers' profit participation	17,199	12,804
Incremental costs related to COVID-19 pandemic and care and maintenance	43,672	-
Reclamation expenses	124,780	142,129
Ending balance of provisions for net realizable value	13,287	47,925
Ending balance of finished goods and in-process	<u>(222,258)</u>	<u>(302,382)</u>
	<u>666,456</u>	<u>692,721</u>

Costs applicable to sales. 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) depreciation and amortization, (iii) write downs of ore on leach pads to net realizable value expense and (iv) other costs. Costs applicable to sales decreased by 4% or US\$ 26 million from 2019 to 2020. Costs applicable to sales per ounce of gold increased by 50% from US\$1,309 per ounce in 2019 to US\$ 1,965 per ounce in 2020.

Operating costs decreased by 35% from US\$363 million in 2019 to US\$ 269 million in 2020. Operating costs consist primarily of drilling, blasting, loading, hauling, leaching, milling and metal recovery costs

Reclamation expenses of US\$ 125 million are due to a non-cash charge to reclamation expenses for the year ended December 31, 2020 related to the areas of Yanacocha's operations no longer in production. The decrease in respect of the reclamation obligation of US\$ 17 million in 2020 is mainly due to water treatment costs.

Workers' profit participation increased by 31%, from US\$13 million in 2019 to US\$ 17 million in 2020. This increase was driven by higher revenues. Workers' profit participation expense is calculated based on taxable net income, in accordance with Peruvian labor legislation.

The portion of leach pad inventory write-downs associated with costs applicable to sales decreased from US\$41.2 million to US\$ 34.6 million due to higher realizable price.

Depreciation, depletion and amortization decreased by 4% from US\$145 million in 2019 to US\$ 140 million in 2020. This decrease was attributable principally to lower net book value assets and lower remain useful life.

Administrative expenses

Administrative expenses for the years ended December 31, 2020 and 2019 were composed of:

	<u>2020</u>	<u>2019</u>
	(US\$ in thousands)	
Management expenses	874	1,341
Other	353	403
	<u>1,227</u>	<u>1,744</u>

Other operating expenses, net

Other operating expenses, net for the years ended December 31, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
	(US\$ in thousands)	
Exploration and advance project	19,279	33,669
Severance program	4,454	2,210
Cost of sales from the sale of fixed assets	30	2,092
Tax fine	11	2,019
Write-off of fixed assets	460	1,204
Revenue from sale of fixed assets	(40)	(8,088)
Social responsibility commitments	6,730	-
Others, net	3,398	2,881
	<u>34,322</u>	<u>35,987</u>

Exploration and advanced project costs decreased from US\$34 million in 2019 to US\$20 million in 2020. This decrease was mainly driven by Sulfides Studies re-scheduled looking for more challenges to increase project's value due to re-schedule of Stage 3 Supplemental 2 IC and Exploration Projects expenditures, mainly related to drilling was paralyzed in 2020.

Impairment of long-lived assets

In 2020, Yanacocha Management identified as an impairment reversal indicator the significant increase in the long-term gold price, as a result the Company had to determine the recoverable amount for its CGU Yanacocha and CGU Conga. As a result of this analysis the Company concluded that no additional impairment or impairment reversal was required to be recorded as the recoverable amount exceeded the carrying amount of the CGUs' assets.

Income tax provision.

Yanacocha's financial and operating results included income and mining tax expense of US\$53 million in 2020 compared to US\$65 million in 2019. This decrease was driven by the higher valuation allowance on deferred income tax assets in 2020 for US\$57 million (US\$46 million in 2019), favorable effect of change in translation to US dollars for US\$23 million (unfavorable US\$4 million in 2019), offset by the higher loss before income tax in 2020 for US\$112 million (US\$30 million loss in 2019).

Net loss

Net loss increased by US\$70.3 million, from net loss of US\$95.2 million in 2019 to net loss of US\$ 165.5 million in 2020, mainly explained by the lower gold sales.

Results of Operations for the Years Ended December 31, 2019 and 2018

See "Item 5. Operating and Financial Review and Prospects" in our 2019 20-F for a comparative discussion of Yanacocha's consolidated results of operations for the year ended December 31, 2019 and 2018.

B. Liquidity and Capital Resources

As of December 31, 2020, Yanacocha had cash and cash equivalents of US\$871 million, substantially all of which were held in U.S. Dollars, as compared to US\$819 million as of December 31, 2019.

Cash provided by operating activities

Yanacocha generated net cash flow from operations of US\$122 million in 2020 and US\$272 million in 2019. The net cash flow from operations in 2020 was -123% or US\$150 million lower than in 2019. The decrease was primarily driven by lower Gold Sales.

Cash used in investing activities

Net cash used in investing activities was US\$100 million in 2020 compared to US\$176 million in 2019. The decrease in cash used in investing activities was mainly due to timing delays driven by COVID-19 restrictions during 2020.

Cash used in financing activities

Net cash used in financing activities was US\$0.3 million in 2020, as compared to cash used was US\$0.3 million in 2019. There was no material variance.

Capital Expenditures

In 2020, Yanacocha's principal capital expenditures of US\$143 million were mainly related to Sulfides project, Quecher Main development capital spend and asset components.

C. Research and Development

Not applicable.

D. Trend Information

Other than as disclosed in this Annual Report and the Yanacocha Consolidated Financial Statements (included elsewhere 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.

E. Off-Balance Sheet Arrangements

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.

F. Tabular Disclosure of Contractual Obligations

The following table shows Yanacocha's contractual obligations as of December 31, 2020:

	Payments due by Period (US\$ in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt instruments	45	-	45	-	-
Right of use liability	0.3	0.3	-	-	-
Trade accounts payable	45	45	-	-	-
Other short-term obligations	12	12	-	-	-
Total Contractual Cash Obligations	102.3	57.3	45	-	-

CERRO VERDE

Introduction

The following discussion should be read in conjunction with the Cerro Verde Financial Statements as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020 and the related Notes thereto included elsewhere in this Annual Report, and (ii) Item 5 to our 2019 20-F. The Cerro Verde Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB.

A. Operating Results

Overview

We hold a 19.58% interest in Cerro Verde, which operates an open-pit copper 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, and was previously owned by the Peruvian government before its privatization in 1993. Freeport-McMoRan Inc. holds a majority interest in Cerro Verde.

The Cerro Verde mine is a porphyry copper deposit that has leachable oxide and secondary sulfide mineralization, and millable primary sulfide mineralization. The predominant oxide copper minerals are brochantite, chrysocolla, malachite and copper "pitch." Chalcocite and covellite are the most important secondary copper sulfide minerals. Chalcopryite and molybdenite are the dominant primary sulfides.

In September 2015, Cerro Verde's expansion project commenced operations. The project achieved full capacity operating rates during the first quarter of 2016. The project, with a cost of US\$5.3 billion, expanded the processing capacity from 120,000 metric tons of ore per day to 360,000 metric tons of ore per day.

Cerro Verde's operation consists of an open-pit copper mine, with a processing capacity of 548,500 metric tons-per-day that includes (i) concentrator facilities with a 409,500 metric ton-per-day capacity (361,500 metric tons-per-day prior to the expansion approved by the MEM during 2018), (ii) solution extraction and electrowinning (SX/EW) leaching facilities with leach copper production derived from a 39,000 metric ton-per-day crushed leach facility and (iii) a run-of-mine (ROM) leach system with a capacity of 100,000 metric tons-per-day. This SX/EW leaching operation has a production capacity of approximately 200 million pounds of copper per year.

As a result of the COVID-19 outbreak in Perú, in March 2020 Cerro Verde temporarily transitioned to a care and maintenance status and adjusted its operations to prioritize critical activities in compliance with the Supreme Decree and declaration of National Emergency issued by the Peruvian government in its efforts to contain the outbreak of COVID-19. Cerro Verde has been gradually restoring its operations from the second quarter 2020 onwards. Also, due to the significant negative impacts of the COVID-19 pandemic on the global economy, Cerro Verde evaluated its near-term operating plans with a focus on maximizing cash flow and protecting liquidity in a weak and uncertain economic environment, and to preserve asset values for anticipated improved copper prices as economic conditions recover. The Company will continue to closely monitor health and market conditions to make further adjustments to mine plans as required.

Cerro Verde has sufficient equipment to move an average of 947,000 tons of material per day using a fleet of haul trucks. 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.

Cerro Verde receives electrical power under long-term contracts with electric utility companies. Water for Cerro Verde's processing operations comes from renewable sources through a series of storage reservoirs, which Cerro Verde believes will be sufficient to support its currently planned operations.

Presented in the table below are certain summary financial and operating data regarding Cerro Verde for the years ended December 31, 2019 and 2020:

	As of and for the year ended December 31,	
	2019	2020
Income statement data ⁽¹⁾		
Sales (US\$ in thousands)	2,896,894	2,538,593
Profit for the year (US\$ in thousands)	390,377	274,544
Proven and Probable Reserves ⁽²⁾		
Proven:		
Leachable ore reserves (metric tons in thousands)	65,000	49,000
Millable ore reserves (metric tons in thousands)	809,000	701,000
Probable:		
Leachable ore reserves (metric tons in thousands)	31,000	25,000
Millable ore reserves (tons in thousands)	3,361,000	3,302,000
Average copper grade of leachable ore reserves (%)	0.32	0.29
Average copper grade of millable ore reserves (%)	0.36	0.36
Production ⁽³⁾		
Cathodes (in thousands of recoverable pounds)	88,098	82,487
Concentrates (in thousands of recoverable pounds)	915,678	737,614
Average realized price of copper sold (US\$ per ton payable)	6,375	6,766

(1) Derived from Cerro Verde's financial statements. See the Cerro Verde Financial Statements, including the Notes thereto, appearing elsewhere in this Annual Report.

(2) Reserve calculations are derived from "Item 3. Key Information – A. Selected Financial Data." Cerro Verde used US\$2.50 per pound of copper to determine copper as of December 31, 2020. The calculation or estimation of proven and probable ore reserves for Cerro Verde may differ in some respects from 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 include assessments of 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 "Item 3. Key Information – A. Selected Financial Data"

Cerro Verde Mining Royalties

On June 23, 2004, Law 28528 was approved, which requires the holder of a mineral concession to pay a royalty in return for the exploitation of metallic and non-metallic minerals. The royalty is calculated using rates ranging from 1% to 3% of the value of concentrate or its equivalent according to the international price of the commodity published by the Ministry of Energy and Mines. Prior to January 1, 2014, the Company determined that these royalties were not applicable because it operated under the 1998 Stability Agreement with the Peruvian government. However, beginning January 1, 2014, the Company began paying royalties calculated on operating income with rates between 1% to 12% and a new special mining tax for its entire production base under its current 15-year tax stability agreement, which became effective January 1, 2014. The amount to be paid for the mining royalty will be the greater of a progressive rate of the quarterly operating income or 1% of quarterly sales.

SUNAT assessed mining royalties on materials processed by the Company's concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2013. The Company contested each of these assessments because it considers that its 1998 Stability Agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing such minerals. No assessments can be issued for years after 2013, as the Company began paying royalties on all of its production in January 2014 under its new 15-year stability agreement.

Since 2017, the Company recorded charges of S/2.8 billion (approximately US\$771.2 million based on the December 31, 2020, exchange rate, including deferred interest, interest and penalties of US\$496.5 million) for the royalty and special mining tax assessments for the period December 2006 through the year 2013. Since 2014, the Company has been paying the disputed assessments under protest for the period from December 2006 through December 2013 under installment payment programs. Through December 31, 2020, the Company has made payments totaling S/1.6 billion under these installment programs (US\$476.7 million based on the date of payment exchange rate and US\$435.2 million based on the December 31, 2020, exchange rate).

On July 13, 2020, the Company requested the application of the Deferral and / or Installment Regime, approved by Legislative Decree No. 1487, which contemplates a reduced interest rate on the debts administered by SUNAT related to the current installment payment programs of special mining tax for the period October 2011 through December 2013. The request includes a six month of deferred interest and thirty installment payments. This request was approved by SUNAT in August 2020.

During February 2020, the Company requested the initiation of an arbitration proceeding against the Republic of Peru before the International Centre for Settlement of Investment Disputes (ICSID).

On March 31, 2020, Superintendence Resolution 066-2020/SUNAT was published in which new default monthly interest rates were established effective April 1, 2020. The default interest rate in national currency changes from 1.2% to 1% and in the case of foreign currency it changes from 0.6% to 0.5%. Likewise, interest rates for the return of undue or excess payments in national currency (soles) change from 0.50% to 0.42% and in the case of foreign currency (US Dollars) change from 0.30% to 0.25%. Finally, the interest rate on returns due to withholding and/or non-applied perceptions of VAT changes from 1.2% to 1%.

Critical Accounting Policies

Cerro Verde has furnished us with a discussion of its critical accounting policies and 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.

Contingencies

By their nature, contingencies will only be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential amount of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Stripping cost

Cerro Verde incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalized as asset stripping activities, where certain criteria are met.

Inventories

Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices, less estimated costs to complete production and bring the inventory to sale. Additionally, in calculating the net realizable value of Cerro Verde's long-term stockpiles, Cerro Verde's management also considers the time value of money.

Mill and leach stockpiles generally contain lower grade ores that have been extracted from the ore body and are available for copper recovery. Mill stockpiles contain sulfide ores and recovery of metal is through milling and concentrating. Leach stockpiles contain oxide ores and certain secondary sulfide ores and recovery of metal is through exposure to acidic solutions that dissolve contained copper and deliver it in a solution to extraction processing facilities.

Because it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, a reasonable estimation method is employed. 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 cuttings determine the estimated copper grades of material delivered to 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 produced into copper concentrate almost immediately.

Determination of mineral reserves

Mineral reserves are the parts of mineral deposit ore that can be economically and legally extracted from the mine concessions. Cerro Verde estimates its mineral reserves based on information compiled by individuals qualified in reference to geological data about the size, depth and form of the ore body, and requires geological judgments in order to interpret the data.

The estimation of recoverable reserves involves numerous uncertainties with respect to the ultimate geology of the ore body, including quantities, grades and recovery rates. Estimating the quantity and grade of mineral reserves requires Cerro Verde to determine the size, shape and depth of the ore body by analyzing geological data. In addition to the geology, assumptions are required to determine the economic feasibility of mining the reserves, including estimates of future commodity prices and demand, future requirements of capital and production costs and estimated exchange rates. Revisions in reserve or resource estimates have an impact on the value of mining properties, property, plant and equipment, provisions for cost of mine closure, recognition of assets for deferred taxes and depreciation and amortization of assets.

Units of production Depreciation

Estimated mineral reserves are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, is impacted by both its physical life limitations and present assessments of economically recoverable reserves of the mine property where the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, historical trends and other factors, including mineralogy of the ore and rock type. Total copper recovery in leach stockpiles can vary significantly depending on several variables, including type of copper recovery, mineralogy and the size of the rock. For newly placed material of active stockpiles, as much as 80% of total copper recovery may be extracted during the first year, and the remaining copper may be recovered over many years. Processes and recovery rates are monitored continuously, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

Provision for remediation and Mine Closure

Cerro Verde assesses its provision for remediation and mine closure quarterly. It is necessary to make estimates and assumptions in determining this provision, including cost estimates of activities that are necessary for the rehabilitation of the site, technological and regulatory changes, interest rates and inflation rates. As discussed in Note 2(k) to the Cerro Verde Financial Statements, estimated changes in the fair value of the provision for remediation and mine closure or the useful life of the related assets are recognized as an increase or decrease in the book value of the provision and related asset retirement cost ("ARC") in accordance with IAS 16, "Property, Plant and Equipment."

According to Cerro Verde's accounting policies, the provision for remediation and mine closure represents the present value of the costs that are expected to be incurred in the closure period of the operating activities of Cerro Verde. 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 work required, which would reflect future economic conditions. Also, the timing of disbursements depends on the useful life of the mine, which is based on estimates of future commodity prices.

If any change in the estimate results in an increase to the provision for remediation and mine closure and related ARC, Cerro Verde shall consider whether or not this is an indicator of impairment of the assets and will apply impairment tests in accordance with IAS 36, "Impairments of Assets."

Impairment of Long-lived Assets

Cerro Verde has determined that its operations consist of one cash generating unit. Therefore, Cerro Verde's operations are evaluated at least annually in order to determine if there are impairment indicators. If any such indication exists, Cerro Verde makes an estimate of the recoverable amount, which is the greater of the fair value less costs to sell and the value in use. These assessments require the use of estimates and assumptions, such as long-term commodity prices, discount rates, operating costs and others.

Fair value is defined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between willing and knowledgeable parties. The fair value of assets is generally determined as the current value of future cash flows derived from the continuous use of the asset, which includes estimates, such as the cost of future expansion plans and eventual disposal, while applying assumptions that an independent market participant may take into account. The cash flows are discounted by applying a discount rate that reflects the current market, the time value of money and the risks specific to the asset.

Once Cerro Verde has identified its production stripping costs for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is the specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes (e.g., in tons) of waste to be stripped and ore to be mined in each of these components.

Results of Operations for the Years Ended December 31, 2020 and 2019

Sales. Sales, including mark-to-market adjustments for pounds of copper pending settlement, decreased by 12%, from US\$2,896.9 million in 2019 to US\$2,538.6 million in 2020, principally due to lower sales volume (associated with lower copper production derived from revised operating plans because of COVID-19 pandemic impact). The following table reflects the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2019 and 2020:

	Year ended December 31,		
	2019	2020	Variation
<u>Average price</u>			
Copper (US\$ per ton)	6,375	6,766	6%
<u>Volume sold (unaudited)</u>			
Copper (in tons)	454,430	375,185	-17%

Average realized copper prices per ton increased from US\$6,375 in 2019 to US\$6,766 in 2020. The volume of copper sold decreased from 454,430 tons in 2019 to 375,185 tons in 2020. The combined effect of these changes resulted in a US\$358.3 million decrease in income from sales in 2020 compared to 2019.

Total costs of sales of goods. Total costs of sales of goods decreased from US\$1,961.6 million in 2019 to US\$1,809.3 million in 2020, due mainly to the net effect of the following:

- (a) Materials and supplies decreased by 16%, from US\$693.3 million in 2019 to US\$581.7 million in 2020, mainly due to lower operations and maintenance supplies consumption associated with lower tons mined and lower throughput in mills (primarily due to care and maintenance period in year 2020 due to COVID-19 situation)
- (b) Depreciation and amortization decreased by 9%, from US\$535.0 million in 2019 to US\$484.2 million in 2020 primarily related to lower units-of-production depreciation (lower copper production), lower amortization of capitalized stripping (lower tons mined).
- (c) Energy costs decreased by 12%, from US\$228.9 million in 2019 to US\$200.8 million in 2020 due to lower diesel price and consumption and lower power consumption.
- (d) Benefits associated with work in process inventories increased by 112%, from US\$(23.4) million in 2019 to US\$(49.6) million in 2020 due to lower mill pounds removed.
- (e) In year 2020 the company recognized charges totaling US\$95.7 million, associated with the COVID-19 pandemic and revised operating plans.

Total operating expenses. Operating expenses decreased by 12%, from US\$146.9 million in 2019 to US\$130.0 million in 2020 due mainly to the following:

- (a) Selling expenses decreased by 11%, from US\$109.5 million in 2019 to US\$97.7 million in 2020, mainly due to a lower land and ocean freight as a result of lower concentrate sold.

Income tax. Income tax expense, including current and deferred expense, decreased by 21%, from an expense of US\$298.1 million in 2019 to an expense of US\$236.9 million in 2020 primarily due to lower profit generated in 2020.

Profit of the year. As a result of the foregoing, profit of the year decreased by 30%, from US\$390.4 million in 2019 to US\$274.5 million in 2020. As a percentage of net sales, net income was 11% in 2020, compared to 13% in 2019.

Results of Operations for the Years Ended December 31, 2019 and 2018

See "Item 5. Operating and Financial Review and Prospects" in our 2019 Form 20-F for a comparative discussion of Cerro Verde's consolidated results of operations for the year ended December 31, 2019 and 2018.

B. Liquidity and Capital Resources

As of December 31, 2020, Cerro Verde had cash and cash equivalents of US\$533.7 million, compared to US\$481.5 million as of December 31, 2019.

Cash provided by operating activities for the years ended December 31, 2020 and 2019. Net cash and cash equivalents provided by operating activities were US\$638.3 million in 2020, compared to net cash provided by operating activities of US\$820 million in 2019. This change in net cash flow provided by operating activities in 2020 compared to 2019 was mainly attributable to the following factors:

- A decrease in proceeds from sales from US\$2,885 million in 2019 to US\$2,418 million in 2020.
- A decrease in operational payments from US\$1,662 million in 2019 to US\$1,554 million in 2020.
- A decrease in income tax payments and royalty case payments from US\$403 million in 2019 to US\$226 million in 2020

Cash used in investing activities for the years ended December 31, 2020 and 2019. Net cash used in investing activities decreased from US\$479.3 million in 2019 to US\$271.7 million in 2020, mainly due to lower payments related to the purchase of property, plant and equipment in year 2020 associated to COVID-19 pandemic (revised capital needs).

Cash used in financing activities for the years ended December 31, 2020 and 2019. Net cash and cash equivalents used in financing activities was US\$314.4 million in 2020, compared to net cash used in financing activities of US\$360.5 million in 2019. The decrease in net cash in financing activities was primarily due to the decision of not making dividends payments in year 2020 (US\$150 million was paid in year 2019) partially offset by higher syndicated bank loan payment repayments for US\$105 million.

Long-term Debt

As of December 31, 2020, Cerro Verde had total long-term debt of US\$592.4 million mainly in connection with the senior unsecured credit facility and lease liabilities.

C. Research and Development

Not applicable.

D. 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.

E. Off-Balance Sheet Arrangements

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.

F. Tabular Disclosure of Contractual Obligations

The following table shows Cerro Verde's contractual obligations as of December 31, 2020:

	Total	Payments due by Period (US\$ in millions)		
		Less than 1 year	1-5 years	More than 5 years
Trade and other payables	207,625	207,625	-	-
Accounts payable – related parties	3,446	3,446	-	-
Other financial liabilities	602,668	10,223	560,750	31,695
Other accounts payable	411,857	126,465	285,392	-
Total Contractual Cash Obligations	1,225,596	347,759	846,142	31,695

ITEM 6. Directors, Senior Management and Employees

A. Board of Directors and Senior Management

Our Board 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. The Board, which must be composed of seven members, is elected at the Annual Mandatory Meeting of shareholders (the “Annual Mandatory Meeting”) for a three-year term. The most recent Board election took place in March 2017 and the next one is scheduled to take place in the next Annual Mandatory Meeting, which as of the date of this report is still to be rescheduled once the current emergency restrictions on public gatherings are lifted. See “Item 10. Additional Information—B. Memorandum and Articles of Association.”

Our current directors and executive officers are as follows:

Name	Age	Position	Date First Appointed	Current Term Ends
Directors				
Roque Benavides ⁽¹⁾	66	Chairman of the Board	1980	March 2023
Felipe Ortiz-de-Zevallos	73	Director	2003	March 2023
Marco Antonio Zaldívar	60	Director	2020	March 2023
William Champion	67	Director	2016	March 2023
Diego de la Torre	58	Director	2017	March 2023
Nicole Bernex	71	Director	2018	March 2023
Raúl Benavides ⁽¹⁾	65	Director	2020	March 2023
Executive Officers				
Leandro Garcia	53	Chief Executive Officer	2020	
Daniel Dominguez	43	Vice President and Chief Financial Officer	2020	
Aldo Massa	49	Vice President of Business Development and Commercial	2021	
Alejandro Hermoza	59	Vice President Community Relations	2008	
Juan Carlos Ortiz	50	Vice President Operations	2018	
Gulnara la Rosa	56	General Counsel	2012	

(1) Roque Benavides is the brother of Raúl Benavides.

Set forth below is biographical information concerning members of our board and management.

Roque Benavides, Chairman of the Board and member of the Nominating Committee. Mr. Benavides received his degree in Civil Engineering from the Pontifical Catholic University of Peru (PUCP) in 1977 and his Master of Business Administration from the Henley Business School at the University of Reading in the U.K. in 1980. He completed the Management Development Program at the Harvard Business School in 1985 and the Advanced Management Programme at Oxford University in 1997. He is currently Chairman of the Board and a member of the board of directors of some of the Company's related entities. He is also a member of the board of directors of Banco de Crédito del Perú and UNACEM. He was previously President of the Peruvian Mining, Oil, and Energy Association (SNMPE) and the Peruvian Confederation of Private Business Institutions (CONFIEP).

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 member of the Board since August 2003. He was the Rector of the Universidad del Pacífico from 2004 to 2006. He is the founder of Grupo APOYO and has been the president of the organization since 1977. He received his degree in Industrial Engineering from the National University of Engineering (UNI) (and obtained his MSc in Administration and Systems from the University of Rochester. He graduated from the OPM Program at Harvard Business School in 1996. He also served as Peruvian Ambassador to the United States from September 2006 to March 2009.

Marco Antonio Zaldivar, Director. Mr. Zaldivar, a certified Public Accountant, graduated from the Universidad de Lima. He also graduated from PAD's the Management Development Program at the Universidad de Piura and holds a Master of Business Administration from the Adolfo Ibáñez School of Management, USA. He is also a member of the board of directors of various companies, including Backus & Johnston, Banco Santander and Cementos Pacasmayo. He was previously Chairman of the board of directors of the Lima Stock Exchange and the second Vice President of Confiep.

Diego de la Torre, Director. Mr. de la Torre holds a bachelor's degree in Business Administration from Universidad del Pacífico in Lima and his Master in Business Administration from the London Business School in England. He is a cofounder and Chairman of the Board of La Viga and Quikrete Perú. He is also a member of the Advisory Committee of the David Rockefeller Center for Latin American Studies at Harvard University, as well as an economics columnist for the newspaper El Comercio. He was previously a professor at the Universidad del Pacífico for twelve years and a member of the board of directors of several companies and institutions, including Endeavor Perú, IPAE and Perú 2021. Since 2005, he has been the president of the United Nations Global Compact in Peru. In 2013, he received the "Empresario Integral" award given by the Latin American Business Council. Also, in 2015, he was selected among the "Top 100 Influential Leaders" by AACSB International. He has been a member of the Board of Directors since 2017.

Nicole Bernex, Director. Ms. Bernex received her PhD in Geography from the Paul Valéry University of Montpellier (France). She has served as professor of the Department of Humanities of the Pontifical Catholic University of Peru (PUCP), academic director of the Research Center in Applied Geography (CIGA) of the PUCP, president of the Geographic Society of Lima and president emeritus of the Peruvian Forum for Water (GWP Peru). Ms. Bernex is also a member of the National Academy of Sciences of Peru, the esteemed Water Program of the Inter-American Network of Academies of Sciences (IANAS) and the Steering Committee of 2030 WRG. She has been the director of several research projects and programs, including the "Scientific, legal and financial design of the Scientific Institute of Water – ICA" (CONCYTEC-IRD-PUCP) and the "Water, Climate and Development Program – PACyD" of Global Water Partnership South America. She has been published more than 160 times in many books, articles and other publications.

William Champion, Director. Mr. Champion earned his bachelor's degree in Chemical Engineering and Biology from the University of Arizona, in Tucson, Arizona, United States. He has been a Member of the Board since January 2016 and also serves as a director of Gladiator Mining Group LLC, a private mining investment company based in the United States. With over 40 years of executive, management, and operating experience in the mining sector, Mr. Champion worked at Rio Tinto PLC from 2002 to 2014 in various positions, was managing director of Rio Tinto Coal Australia and Rio Tinto Diamonds, served as president and chief executive officer of Kennecott Utah Copper and worked at Phelps Dodge Mining Company from 1984 to 1995, where he held different positions, including president of Phelps Dodge de Chile.

Raúl Benavides Ganoza, Director. Mr. Benavides earned his bachelor's degree in Mining Engineering from the University of Missouri—Rolla, Master of Mining Administration from Pennsylvania State University, and completed the Advanced Management Program at Harvard Business School (AMP-160). He has served as President of the IIMP, as well as being the Founder and President of the Mining Safety Institute (ISEM). He is currently the President of the vocational mining school CETEMIN. He has worked at Buenaventura since 1980, and is the Director of 11 related companies.

Leandro Garcia, Chief Executive Officer. Mr. Garcia earned his bachelor's degree in business administration and a bachelor's degree in accounting from Universidad del Pacífico and his Master of Business Administration from the University of Miami in Florida. He completed the Management Development Program at Harvard Business School in 2017. He held the position of Treasury Head at Buenaventura from 1990 to 1997. He also worked as the finance manager at Sociedad Minera El Brocal until 2000, as general manager of Boticas BTL until 2005, and general manager of Boticas Inkafarma until June 2011. He rejoined Buenaventura as Controller General in July 2011. He has also served as director of Química Suiza Retail, the business that manages the Mi Farma pharmacy chain, from January 2016 until January 2018. Mr. Garcia has also served as Chief Executive Officer of Consorcio Energético de Huancavelica and a director of Sociedad Minera El Brocal, Compañía Minera Condesa y Empresa de Generación Huanza.

Daniel Dominguez, Vice President and Chief Financial Officer. Mr. Dominguez earned his bachelor's degree in Economics and a Master of Business Administration from Universidad del Pacífico. He also successfully completed the Harvard Business School General Management Program (GMP-16) in 2015 and the London Business School Corporate Finance Program in 2010. Mr. Dominguez has served in several positions at Buenaventura, most recently as Supply Chain Manager since 2017. Prior to this role, he was the Company's Financial Planning and Investor Relations Manager from 2016 to 2017, Director of Treasury and Financial Planning from 2012 to 2016, and Head of Treasury from 2003 to 2012. He began his career in 2000 as Head of Treasury at IMINSUR, previously a subsidiary of Buenaventura. Since September 2020, he has been appointed as Vice President and Chief Financial Officer.

Aldo Massa, Vice President of Business Development and Commercial. Mr. Massa earned his bachelor's degree in Business Administration from the Universidad de Lima and received an MBA from Universidad del Pacífico, also in Lima. Mr. Massa served as Buenaventura's Commercial Manager since February 2020. He has more than 23 years of mining industry experience with Companies including Southern Copper Corporation, part of the Mexico Group, where he held the role of Corporate Commercial Director for Peru, Mexico, the United States and Spain. Since January 2021, he has been appointed as Vice President of Business Development and Commercial.

Juan Carlos Ortiz, Vice President of Operations. Mr. Ortiz earned his bachelor's degree in mining engineering from the Pontificia Universidad Católica del Perú in 1992. He also holds a Master's in Engineering, with a focus on Mineral Engineering Management, from Pennsylvania State University. Prior to assuming his new role at Buenaventura, Mr. Ortiz was the Technical Services Manager at Volcan Compañía Minera, a polymetallic mining company and one of the largest producers of zinc, lead and silver in the world, where he was responsible for the departments of Engineering, Projects, Planning and Environmental Matters as well as Volcan's Alpamarca and Cerro de Pasco operations. Prior to this post, he served Chief Operations Officer at Compañía Minera Milpo (now part of the Nexa Resources Group), where he was responsible for the Cerro Lindo, Atacocha and El Porvenir operations.

Alejandro Hermoza Maravi, Vice President of Labor, Social and Environmental Affairs. Mr. Maravi graduated from the University of Maryland with a bachelor's degree in Mechanical Engineering and a Master in Engineering and from the Peruvian University of Applied Sciences (UPC) with a Master in Administration. He previously worked as the Development Manager of the Peruvian Confederation of Private Business Institutions (CONFIEP) and has worked at Buenaventura since 2003, where he has held the position of community relations manager from 2008 to 2011 and deputy manager of Administration and Human Resources from 2003 to 2008. In 2011, he completed the Advanced Management Program at Harvard Business School.

Gulnara La Rosa, General Counsel. Ms. La Rosa received her law degree from Pontificia Universidad Católica del Perú in 1992. She also completed the Corporate Law Specialization Program at Universidad de Navarra, Spain, in 1991 and the High Specialization Program of Finance and Corporate Law at ESAN Graduate School of Business, Peru, in 2001. In addition, Ms. La Rosa attended the Management Program for Lawyers at Yale School of Management in 2005 and the Corporate Governance and Performance Program at Yale School of Management in 2012. Ms. La Rosa has worked at Buenaventura since 1990. She was the legal director from 2006 to 2012 and was appointed as legal manager and general counsel in July 2012. Ms. La Rosa served as the head of the Legal Department from 1997 to 2006 and as a staff attorney from 1991 to 1997.

B. Compensation

During the year ended December 31, 2020, the aggregate amount of compensation that we paid to all directors and executive officers was approximately US\$13.4 million, including director's fees accrued in 2019 and paid in 2020. We do not disclose to our shareholders or otherwise make public information with respect to the compensation of our individual directors or executive officers. Please refer to Note 30(d) to the Consolidated Financial Statements for further information.

C. Board Practices

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 in the appointment of independent auditors, upon delegation of such responsibility by the shareholders at the general meeting of shareholders (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 consolidated financial statements, reviews consolidated financial statements before their presentation to the Superintendencia del Mercado de Valores, or the "SMV" (formerly known as the Comisión Nacional Supervisora de Empresas y Valores (National Supervisory Commission of Business and Securities) ("CONASEV")), the Bolsa de Valores de Lima (Lima Stock Exchange) and the SEC and maintains the integrity of the preparation of audits. The members of the Audit Committee are Messrs. Zaldívar, Ortiz-de-Zevallos and de la Torre.

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 for 2020 were Messrs. Ortiz-de-Zevallos, Roque Benavides and de la Torre.

Nominating Committee

The Nominating Committee is responsible for preparing the proposals for the General Meetings in respect of the composition of the Board along with the director remuneration to be approved by the shareholders. The members of the Nominating Committee for 2020 were Messrs. Roque Benavides, Morales and Ortiz-de-Zevallos.

Corporate Governance Committee

The corporate governance committee is responsible for monitoring issues and practices related to corporate governance and proposing necessary actions in respect thereof. The members of the Corporate Governance Committee for 2020 were Messrs. Roque Benavides, Morales and Ortiz-de-Zevallos.

Innovation and Sustainability Committee

The Innovation and Sustainability Committee is responsible for monitoring initiatives and practices related to Innovation and Sustainability. The members of the Innovation and Sustainability Committee for 2020 were Miss Nicole Bernex, Messrs. Roque Benavides, and de la Torre.

D. Employees

As of December 31, 2020 we, including our subsidiaries and Coimolache, had 2,934 employees (including permanent and temporary employees). In addition, we have entered into arrangements with independent contractors that employed 8,985 workers 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, 2020, the average tenure of Buenaventura's permanent laborers was approximately 10 years.

Of the 2,897 permanent employees (considers employees working on an indefinite term contract) employed by Buenaventura, its subsidiaries and Coimolache, approximately 51% are members of 14 different labor unions (including five unions for clerical workers and nine unions for laborers), representing all aforementioned clerical workers and laborers in collective negotiations. There are also five unions for workers employed by independent contractors that were formed over the last eight years in our mines at Uchucacua, Orcopampa and Julcani, El Brocal and Coimolache.

Each of the labor unions is company-based 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 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 town sites 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 8% of the annual pre-tax profits of their employer, 50% of such profits to be distributed based on the number of days each employee worked during the preceding year and the remaining 50% 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 FONDOEMPLEO, 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, and subject to the worker's acceptance. 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 special bank account selected by each employee and for the benefit of such employee, in both May and November of each year (approximately 50% of a monthly salary each time).

Our permanent employees receive the benefit of one of two types of pension arrangements. All workers can choose to enroll in a public pension fund managed by the state (the "ONP" system) or in a private pension fund (the "AFP" system). We are required to withhold from each of the salaries of the employees enrolled in the ONP system 13% 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 12.5% 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% is withheld from their salaries, and we contribute an additional 2% to increase their pension funds. We have no liability for the performance of these pension plans. Our independent contractors are responsible for covering severance and pension payments with respect to their employees.

In addition, we pay EsSalud, the Social Health Insurance Institute of Peru, 9% of our total payroll for general health services for all permanent employees. Further, Law No. 26790 also requires us to provide private insurance representing an average payment equal to 1.30% of the payroll of covered employees for employment-related incapacity and death for blue collar employees and other employees exposed to mining-related hazards.

E. Share Ownership

As of March 31, 2021, our directors and executive officers, as a group, owned 27,740,370 Common Shares, representing 10.93% of all 253,986,867 Common and Investment Shares outstanding.

The share ownership of the Company's directors and executive officers on an individual basis as of March 31, 2021 is set forth below:

Shareholder	Number of Common Shares	Percentage Beneficial Ownership of Common Shares	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
Roque Benavides †	13,912,006	5.48	—	—	13,912,006	5.48
William Champion	—	—	—	—	—	—
Nicole Bernex	—	—	—	—	—	—
Felipe Ortiz-de-Zevallos	—	—	—	—	—	—
Raúl Benavides ††	13,813,836	5.44	—	—	13,813,836	5.44
Diego de la Torre	14,528	0.01	—	—	14,528	0.01
Marco Antonio Zaldivar	—	—	—	—	—	—
Leandro Garcia	—	—	—	—	—	—
Juan Carlos Ortiz	—	—	—	—	—	—
Alejandro Hermoza	—	—	—	—	—	—
Daniel Dominguez	—	—	—	—	—	—
Aldo Massa	—	—	—	—	—	—
Gulnara la Rosa	—	—	—	—	—	—
Directors and Executive Officers as a Group †	27,740,370	10.93	—	—	27,740,370	10.93

† Includes Common Shares owned by the applicable director or officer and his or her spouse.

†† Includes Common Shares owned by the applicable director his sons and daughters.

ITEM 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2021 we had 253,715,190 Common Shares outstanding, exclusive of 21,174,734 were treasury shares, and 271,677 Investment Shares, exclusive of 472,963 were 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 March 31, 2021, with respect to each shareholder known to us to own more than 2.5% of the outstanding Common Shares and with respect to all directors and executive officers as a group.

Shareholder	Number of Common Shares	Percentage Beneficial Ownership of Common Shares ⁽¹⁾⁽²⁾	Number of Investment Shares	Percentage Beneficial Ownership of Investment Shares ⁽¹⁾⁽³⁾	Number of Common Shares and Investment Shares	Percentage Beneficial Ownership of Common Shares and Investment Shares ⁽¹⁾⁽⁴⁾
Van Eck Associates Corp	25,716,376	10.14	—	—	25,716,376	10.13
T. Rowe Price Associates, INC	18,244,364	7.19	—	—	18,244,364	7.18
Blanca Benavides de Morales	14,133,836	5.57	—	—	14,133,836	5.56
Roque Benavides Ganoza	13,912,006	5.48	—	—	13,912,006	5.48
Raul Benavides Ganoza (5)	13,813,836	5.44	—	—	13,813,836	5.44
Fidelity Management & Research Company	11,492,676	4.53	—	—	11,492,676	4.52
AFP Integra S.A.	10,713,607	4.22	—	—	10,713,607	4.22
Blackrock Fund Advisors	7,035,042	2.77	—	—	7,035,042	2.77
Scotiabank Wealth Management	7,019,009	2.77	—	—	7,019,009	2.76
State Street Global Advisors (SSGA)	6,872,015	2.71	—	—	6,872,015	2.71
Westwood Global Investments, LLC	6,382,161	2.52	—	—	6,382,161	2.51

(1) The table above excludes treasury shares. As of March 31, 2021 Buenaventura held 14,474 Common Shares and 1,230 Investment Shares and our wholly-owned subsidiary, Condesa, held 21,160,260 Common Shares and 471,733 Investment Shares.

(2) Percentage calculated on the basis of 253,715,190 Common Shares outstanding, which excludes 21,174,734 treasury shares.

(3) Percentage calculated on the basis of 271,677 Investment Shares outstanding, which excludes 472,963 treasury shares.

(4) Percentage calculated on the basis of 253,986,867 Common Shares and Investment Shares outstanding, which excludes 21,647,697 treasury shares.

(5) Common Shares owned by Raul Benavides' children.

As of March 31, 2021, we estimate that 215,339,787 Common Shares were held in the U.S., which represented approximately 84.87% of Common Shares outstanding. The number of institutional record holders of our Common Shares (or of ADSs representing our Common Shares) in the U.S. was 53 institutions.

B. 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 otherwise 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.

The compensation of our key executives (including the related income taxes we assumed in connection therewith) amounted to US\$15.5 million in 2018, US\$14.4 million in 2019 and US\$13.4 million in 2020. Please refer to Note 30(d) to the Consolidated Financial Statements for further information.

Chaulpiloma is the legal owner of the mineral rights operated by Yanacocha and receives a 3% royalty based on quarterly sales, after deducting refinery and transportation costs. Royalties amounted to US\$20.4 million, US\$22.3, and US\$18.6 million in 2018, 2019 and 2020, respectively, and are presented as royalty income in our consolidated statements of income.

Condesa did not receive cash dividends from its investment in Yanacocha in 2018, 2019, or 2020.

In 2018 and 2019, we received cash dividends from Sociedad Minera Cerro Verde S.A.A. in an amount of US\$39.2 million, US\$29.4 million, respectively. We did not receive cash dividends in 2020 from this investment.

We received cash dividends from Coimolache of approximately US\$7.6 million in 2018, US\$4.0 million in 2019, and US\$3.6 million in 2020.

During 2017, we received an advanced payment of US\$124.8 million for the long-term loan held with Sociedad Minera Cerro Verde S.A. from 2015.

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. In June 2006, an addendum to this contract extended the completion date to June 2007. Concurrently, we and Yanacocha signed a 10-year agreement covering electric energy transmission and infrastructure operation beginning in 2007. In exchange for us operating and managing the transmission project, Yanacocha pays a fee of US\$3.7 million with annual maturities. The annual revenues for these services amounted to approximately US\$0.4 million in 2017 and 2018, US\$0.3 million in 2019, and US\$0.3 million in 2020.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. Financial Information

A. Consolidated Statements and Other Financial Information

Consolidated Financial Statements

See “Item 19. Exhibits” for a list of consolidated financial statements filed under Item 18.

Other Financial Information

Export Sales

See “Item 4. Information on the Company—Buenaventura—B. Business Overview—Sales of Metal Concentrates—Sales and Markets” for information on export sales.

Legal Proceedings

SUNAT litigation

Buenaventura is involved in legal proceedings against SUNAT in connection with SUNAT’s refusal to recognize Buenaventura’s deductions in respect to contracts for physical deliveries and certain contractual payments made by the Company during the years 2007 and 2008, as well as tax loss which was offset in 2009 and 2010.

During 2007 and 2008, Buenaventura modified its gold client contracts, shifting from a fixed price arrangement to a variable price arrangement which allowed the Company to appropriately benefit from improved market prices. This change incurred significant expenses for Buenaventura during the 2007-2008 two-year transition period, which also impacted the income tax payable by Buenaventura for said fiscal years. However, the modified pricing structure also favorably impacted Buenaventura’s financial results with a corresponding increase in Buenaventura’s income tax payment to SUNAT.

SUNAT’s position is that Buenaventura should disregard the additional expenses incurred in connection with the shift to variable price arrangement for purposes of calculating its income tax for fiscal years 2007 and 2008. According to SUNAT, said payments correspond to an early settlement of financial derivative contracts in situations where the Company did not establish the purpose or risks covered by such instruments. Additionally, SUNAT does not recognize the tax losses which the Company offset during fiscal years 2009 and 2010, related to the losses incurred during fiscal years 2007 and 2008.

The claim for the years 2007, 2008, 2009 and 2010 initially amounted to 373.3 million soles (approximately US\$103.7 million) which, according to SUNAT’s estimations, amounted to 2,107.5 million soles (approximately US\$585.4 million) including penalties and accrued interest as of the date of commencement of the collection proceedings.

On November 26, 2020, following the intervening tax court’s decision to dismiss the Company’s appeal against certain Administrative Resolutions issued by SUNAT in connection with the above-referenced matter, SUNAT began collection proceedings in respect of such amounts. Following the commencement of such collection proceedings by SUNAT, the Company filed a request for deferral and payment plan of the amounts claimed by SUNAT in order to make such tax payments over a 67 month term, in addition to making interest payments in connection with such payments. The requested payment plan consists of an initial payment in an amount equal to 14% of the amount claimed by SUNAT and 66 equal installments for the remaining amounts. In order to finalize the deferral and payment agreement with SUNAT, the Company was required to deliver Letters of Credit in an amount equal to the aggregate claimed amount in accordance with applicable law. To satisfy this requirement, on December 30, 2020, the Company entered into the Syndicated L/C Agreement with a group of financial entities and following delivery of the Letters of Credit, SUNAT approved the Company’s payment plan.

See Note 29 (d) to the Consolidated Financial Statements for additional information.

Dividends and Dividend 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. 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, following the end of each fiscal year, makes a recommendation at the Annual Mandatory Meeting regarding the amount and timing of payments, if any, to be made as dividends on our Common Shares and Investment Shares. The Shareholders Meeting can delegate to the Board the approval to pay interim dividends.

The dividend policy establishes that Buenaventura will distribute an annual cash dividend of at least 20% of net income generated by majority-owned operations and subsidiaries. In the case of Buenaventura’s Associates (Coimolache, Cerro Verde and Yanacocha), 20% of attributable to Buenaventura’s net income will be included if they distribute cash dividends to Buenaventura. In principle there are two kinds of dividend payments: 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 Mandatory Meeting and Board meeting, as well as to the availability of earnings to distribute. According to the Peruvian Companies Law, holders of at least 20% of the total Common Shares outstanding can request a dividend of 50% or less of the previous year’s after-tax profits, net of amounts allocated to the legal reserve.

Available earnings are subject to the following priorities. First, the mandatory employee profit sharing of 8% of pre-tax profits (which may differ from pre-tax profits determined under IFRS 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 is 29.50%. Not less than 10% 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, in which case it must be replenished again. Amounts reserved are nevertheless included in taxable income. The obligation to fund this reserve continues until the reserve constitutes 20% 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.

Dividends are subject to an additional withholding tax for shareholders that are either (i) individuals, whether domiciled or non-domiciled in Peru, or (ii) non-domiciled companies or entities. For dividends paid out of our accumulated net profits, the withholding tax rate is 5% when the dividend originated from profits earned on or after January 1, 2017. 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 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% to the holders of Common Shares and 0.27% 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 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. Amounts distributed with respect to ADSs were subject to a Peruvian withholding income tax of 6.8% for profits earned during 2016, which was the withholding tax rate applicable to distributions in respect of Common Shares during 2016. The withholding tax rate decreased to 5% for dividends paid out of our accumulated net profits after December 31, 2016. See “Item 10. Additional Information—E. 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. 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, must distribute stock dividends representing the profits capitalized.

Dividends not collected within 10 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 statement of financial position at any given time). We, however, may pay provisional dividends. Payment of provisional dividends will be approved on the basis of consolidated financial statements which show the existence of net distributable income obtained during the current fiscal year. If, 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 2017 to 2020. Dividends with respect to the years 2017 to 2020 were paid per Common Share and ADS.

Year ended December 31, ⁽¹⁾	Per Common Share			Per ADSs			Per Investment Share		
	Interim	Final	Total	Interim	Final	Total	Interim	Final	Total
2017	0.030	0.030	0.060	0.030	0.030	0.060	0.030	0.30	0.60
2018	0.060	0.060	0.120	0.060	0.060	0.120	0.060	0.060	0.012
2019	0.027	0.027	0.054	0.027	0.027	0.054	0.027	0.027	0.054
2020	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

(1) Interim and final dividend amounts are expressed in U.S. Dollars.

Non-controlling Shareholders

Law No. 28370, published on October 30, 2004, included in the Peruvian Companies Law certain provisions for the protection of non-controlling shareholders of public companies that are *sociedades anónimas abiertas* such as us and that were formerly contained in Law No. 26985, which was abrogated. Legislative Decree No. 1061, effective since June 29, 2008, Law No. 29782, effective since July 29, 2011, and most recently Law No. 30050, effective since June 27, 2013, have abrogated or amended certain of these provisions. Pursuant to Article 262-A of the Peruvian Companies Law, we will furnish on our website and on the SMV's website, upon the earlier to occur of (1) sixty days after the Annual Mandatory Meeting, or (2) the expiration of the three-month period after the end of the prior fiscal year in which such Annual Mandatory Meeting is required to be held, the information regarding total number and value of any shares not claimed by shareholders, the name of such shareholders, the share quote in the securities market for such shares, the total amount of uncollected dividends, the name of shareholders having uncollected dividends and where shares and dividends pending claim are available for the non-controlling shareholders. Article 262-B describes the procedure to request share certificates and/or dividends, that the holder of the shares can instruct us to deposit the dividends in a specific bank account, and that delivery of such share certificates and/or dividends is to be made within 30 days from the request. Article 262-F describes the procedure for handling any claim that the non-controlling shareholders may file, such claims to be resolved by the SMV. SMV may apply warnings and fines between approximately US\$ 1,300 and US\$32,500 in case the Company fails to comply such provisions for the protection of non-controlling shareholders.

B. Significant Changes

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

ITEM 9. The Offer and Listing

A. Offer and Listing Details

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 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.

	Common Shares(1)			ADSs(2)			Investment Shares(1)		
	Trading Volume	High	Low	Trading Volume	High	Low	Trading Volume	High	Low
	(in millions)	(in nominal S/. per share)		(in millions)	(in US\$ per ADS)		(in millions)	(in nominal S/. per share)	
Annual highs and lows									
2017	0.47	48.10	35.95	350.69	14.96	10.87	0.01	24.50	22.10
2018	0.85	54.94	39.00	325.87	16.80	11.67	0.01	22.15	19.60
2019	0.80	57.05	45.30	295.27	17.85	13.77	0.01	17.00	16.00
2020	0.59	44.80	25.00	407.18	15.36	5.12	0.00	0.00	0.00
Quarterly highs and lows 2019									
1st quarter	0.08	57.00	50.75	77.43	17.78	14.80	0.01	17.00	16.80
2nd quarter	0.05	57.05	49.00	68.15	17.71	14.15	0.00	16.80	16.00
3rd quarter	0.04	55.80	47.30	82.52	17.85	13.91	0.00	0.00	0.00
4th quarter	0.63	51.10	45.30	67.16	15.83	13.77	0.00	0.00	0.00
2020									
1st quarter	0.01	42.50	25.00	106.11	15.36	5.12	0.00	0.00	0.00
2nd quarter	0.11	29.00	26.00	113.82	9.50	6.68	0.00	0.00	0.00
3rd quarter	0.46	43.45	42.60	121.94	14.32	8.89	0.00	0.00	0.00
4th quarter	0.01	44.80	40.20	65.31	13.44	10.22	0.00	0.00	0.00
Monthly highs and lows 2020									
October	0.00	44.80	43.74	17.53	13.44	11.88	0.00	0.00	0.00
November	0.00	40.72	40.20	26.63	13.06	10.22	0.00	0.00	0.00
December	0.00	43.80	43.80	21.15	13.28	11.38	0.00	0.00	0.00
2021									
January	0.00	44.80	36.62	26.37	12.83	9.81	0.00	0.00	0.00
February	0.00	0.00	0.00	23.49	11.88	9.85	0.00	0.00	0.00
March	0.00	37.02	37.02	20.38	11.80	9.92	0.00	0.00	0.00

(1) Source: Lima Stock Exchange

(2) Source: Bloomberg; Yahoo Finance

As of March 31, 2021, 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% of our outstanding share capital and treasury shares. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. As of March 31, 2021, there were 979 owners of record of the Common Shares and 886 owners of record of the Investment Shares.

B. Plan of Distribution

Not applicable.

C. Markets

The Common Shares and ADSs representing the Common Shares (each ADS representing one Common Share) have been listed and traded on the New York Stock Exchange under the symbol "BVN." In addition, the Common Shares and Investment Shares are listed and traded on the Lima Stock Exchange.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. Additional Information

A. Share Capital

Our capital stock comprises Common Shares and investment shares. Common Shares have full voting rights while investment shares do not. As of December 31, 2020, there were 253,715,190 Common Shares outstanding, exclusive of 21,174,734 Common Shares held in treasury. In the case of Investment Shares, there were 271,677 Investment Shares outstanding, exclusive of 472,963 Investment Shares held in treasury. In total there are 253,986,867 outstanding shares, and this number has not changed throughout the year 2020. The capital stock is fully subscribed and paid. Additionally, the par value per share (for both Common Shares and Investment Shares) is S/.10.

B. 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 registered under file number 02136988 at the Companies Registry of Lima.

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

Objectives and Purposes

Our legal purpose, as set forth in our Articles of Association and By-laws, 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.

Directors

The Board, which must be composed of seven members, is elected at the Annual Mandatory Meeting. Any changes in the Board require the approval of the shareholders. The removal of the Board must be approved at a shareholders' meeting, attended by holders of 75% of the Common Shares in the first summons and 70% 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 may appoint substitute directors who will serve until the next shareholders' meeting.

Members of the Board ("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, in its first meeting after the Annual Mandatory 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 non-controlling 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. In addition, Article 3 of Law No. 29720, which has been in force since June 26, 2011, as amended by Law No. 30050 in force since June 27, 2013, provides that directors and managers are liable for economic damages or any other kind of damages caused to us by any transaction they have approved that favors such director's, or a related party's, interest instead of the Company's, when: (i) one of the parties involved in the transaction is a company whose shares are listed in the local stock exchange, as in our case; (ii) the shareholder controlling such listed company also controls the other party involved in the transaction; and (iii) the transaction is not made under arm's-length conditions and represents at least 10% of such company's assets. Directors not participating in the Board meeting or that voted against the transaction are not liable.

In addition, Article 51 of the Securities Market Law contains additional prohibitions for directors and managers of companies whose shares are traded in the stock exchange. Pursuant to Article 51(a) of such law, directors and managers are forbidden to receive loans from listed companies and from using goods and services of the listed company without the Board's authorization for their own use, in their own profit or to benefit persons related to the directors and managers. Additionally, subsection (b) thereof further provides that directors and managers are forbidden from using their positions to obtain improper benefits for them or for persons related to them. 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 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 receive compensation of no more than 4% 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 Mandatory Meeting, at which time it approves the statement of financial position, 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 if the agreement relates to operations the Company performs in the regular course of business and in an arms-length transaction. Furthermore, 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. 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. In addition, as mentioned above, Article 3 of Law No. 29720, as amended, provides that directors and managers are liable for economic or other damages that they may cause because of the approval of resolutions that favor such director's, or a related party's, interest instead of the Company's, when: (i) one of the parties involved in the transaction is a company whose shares are listed in the local stock exchange, as in our case; (ii) the shareholder controlling such listed company also controls the other party involved in the transaction; and (iii) the transaction is not made under arm's-length conditions and represents at least 10% of such Company's assets.

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% 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, where each such holder is entitled to one vote per share per nominee. Each holder's votes may all be cast for a single nominee or they may be distributed among the nominees at the holder's discretion. Holders of Common Shares may attend and vote at shareholders' 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 shareholders' meeting. Capital reductions may be voluntary or mandatory and must be approved by holders of Common Shares at a shareholders' meeting. Capital reductions are mandatory when accumulated losses exceed 50% 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 the SMV, the Lima Stock Exchange and the 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 shareholders' 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, as well as to participate in increases of the Investment Shares account.

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 if 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% 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 Mandatory 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* (publicly held corporation), we are subject to the special control of the SMV, as provided in Article 253 of the Peruvian Companies Law, to determine whether we have incurred any breach of the Peruvian Companies Law or regulations of the SMV and to impose sanctions. Shareholders' meetings are convened by the Board when deemed convenient for us or when it is requested by the holders of at least 5% of the Common Shares, provided that such Common Shares do not have their voting rights suspended. If, at the request of holders of at least 5% of the Common Shares, the shareholders' meeting is not convened by the Board within 15 business days of the receipt of such request, such holders of at least 5% of the Common Shares may request a notary public or a judge to convene the meeting. The Board is deemed to have implicitly refused to convene the meeting if the Board (a) does not convene a shareholders' meeting within 15 business days of receipt of the request, (b) suspends or amends the terms of the agenda or in any other way amend the terms of the summons already made upon the request of at least 5% of the Common Shares or (c) schedules the shareholders' meeting more than 40 days after the date on which the summons is published. The notary public or the judge of the domicile of the Company shall call for the shareholders meeting. Resolución CONASEV No. 111-2003-EF-94.10, as amended by Resolución CONASEV No. 078-2010-EF/94.01.1, approved provisions related to the right of the non-controlling shareholders to obtain information regarding a *sociedad anónima abierta* (publicly held corporation) such as ourselves. Notwithstanding the notice requirements as described in the preceding two sentences, any shareholders' meeting will be deemed called and legally commenced, 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 shareholders' meeting and accepts the business to be discussed therein. Holders of Investment Shares have no right to request the Board to convene shareholders' meetings.

Since we are a *sociedad anónima abierta* (publicly held corporation), notice of shareholders' meetings must be given by publication of a notice, with the publication occurring at least 25 days before 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 shareholders' meeting by holders of 100% of the outstanding Common Shares. According to Article 25 of our By-laws and Article 257 of the Peruvian Companies Law, shareholders' meetings called for the purpose of considering a capital increase or decrease, the issuance of obligations, a change in our By-laws, the sale in a single act of assets with an accounting value that exceeds 50% 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% of our total voting shares. For the second call, the presence of shareholders holding at least 25% 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 shareholders' 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 shareholders' meetings called for the purpose of considering the removal of members of the Board, at least 75% and 70% of the total number of Common Shares outstanding are required to be represented at the shareholders' meeting on the first quorum call and second quorum call. 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. The special quorum and voting requirements described above cannot be modified at a shareholders' meeting called for the purpose of considering the removal of members of the Board.

Under our By-laws, the following actions are to be taken at the Annual Mandatory shareholders' meetings: approval of our statements of financial position, profit and loss statements and annual reports; the approval of management performance; the allocation of profits; the election of external auditors; the election of the members of the Board; and any other matters submitted by the Board. 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 our 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 our share register not less than 10 days in advance of a meeting will be entitled to attend shareholders' 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 SMV, which became effective on May 3, 2006, as amended by Regulation No. 020-2006-EF.94.10, Regulation No. 05-2009-EF-94.01.1 and Regulation No. 034-2025-SMV-01 of the SMV, when, an individual or financial group acquires, in one act or various successive acts, a significant percentage (more than 25%) of the voting shares of a company with shares listed in a stock exchange, as well as upon any person or group increasing its ownership above the 50% and 60% thresholds, a procedure known as *Oferta Pública de Adquisición*, or a “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 SMV, 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, the SMV and the Lima Stock Exchange must be notified of any transfer of more than 5% of our paid-in capital.

Changes in Capital

Our By-laws do not establish special conditions for increases or reductions of capital that are more stringent than 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 (*matrícula de acciones*) or in CAVALI ICLV S.A., unless they refer to shares that are not listed in a stock exchange, which is not the of our shares

Economic Group

On January 1, 2017 new Regulations on Indirect Property, Relation and Economic Groups (*Reglamento de Propiedad Indirecta, Vinculación y Grupos Económicos*) (the “Regulations”) approved by Regulation No. 019-2015-SMV-01 became effective, replacing the prior Regulations that were in effect since 2006. The new Regulations, which have been amended by Regulations 048-2016-SMV-01 and 026-2017-SMV-01, define more precisely who are considered independent directors, increase the standards of information we are required to provide, require us to identify the individuals that control our economic group, require us to report related individuals and entities; reduce the number of shareholders required to determine that there exists a “representative participation” from 10% of the total capital stock to 4% of voting shares and extend the definition of control. The “representative participation” definition is mainly used by listed companies such as us to determine the existence of indirect property. Regulation No. 083-2016-SMV-01 approved the new forms to be used to provide the SMV all the information about our economic group.

Criminal liability of companies

On April 2016, Law No. 30424 was enacted to establish the administrative liability of legal entities, such as us, in connection with transnational active bribery. The law has been amended by Legislative Decree No. 1352, which was published on January 7, 2017 and became effective on January 1, 2018. Regulations to this law have been recently approved by Supreme Decree No., 002-2019-JUS. The amendment expanded the definition of bribery beyond transnational active bribery to include asset laundering, illegal mining and organized crime. The law provides rules to be followed in case of a merger or spin-off and states that a legal entity is administratively liable for the above crimes when they have been committed in its name or for its benefit by its shareholders, directors, managers or employees that are subject to the control and authority of the legal entity. Several sanctions can be imposed on a company as result of such crimes, including fines, prohibitions on performing certain activities, cancellation of permits and even dissolution. A legal entity is not liable if its shareholders, directors, managers or employees engage in bribery or related crimes solely for their own benefit or for the benefit of third parties other than the legal entity. The Company will be exempted from any liability for such crimes if it adopts within its organization, and before the crime is committed, a so-called prevention model consistent with the Company’s nature, risks, necessities and characteristics, consisting in control, monitoring and surveillance measures suitable to prevent such crimes. Such model includes the appointment by the Board of a person in charge of prevention that must perform autonomously. In order to file a criminal accusation against the Company, a technical report from the SMV that analyzes the prevention model is required. We have prepared the prevention model required under Law No. 30424, as amended, in addition to the other compliance measures and policies we currently have. The regulations contain, among other provisions, several definitions, types of risks and the criteria to identify them, as well as the minimum elements a prevention model must contain.

Dividends and Dividend 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. 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, following the end of each fiscal year, makes a recommendation at the Annual Mandatory Meeting regarding the amount and timing of payments, if any, to be made as dividends on our Common Shares and Investment Shares. The Shareholders Meeting can delegate to the Board the approval to pay interim dividends.

The dividend policy establishes that Buenaventura will distribute an annual cash dividend of at least 20% of net income generated by majority-owned operations and subsidiaries. In the case of Buenaventura's Associates (Coimolache, Cerro Verde and Yanacocha), 20% of attributable to Buenaventura's net income will be included if they distribute cash dividends to Buenaventura. In principle there are two kinds of dividend payments: 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 Mandatory Meeting and Board meeting, as well as to the availability of earnings to distribute. According to the Peruvian Companies Law, holders of at least 20% of the total Common Shares outstanding can request a dividend of 50% or less of the previous year's after-tax profits, net of amounts allocated to the legal reserve.

Available earnings are subject to the following priorities. First, the mandatory employee profit sharing of 8% of pre-tax profits (which may differ from pre-tax profits determined under IFRS 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 is 29.50%. Not less than 10% 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, in which case it must be replenished again. Amounts reserved are nevertheless included in taxable income. The obligation to fund this reserve continues until the reserve constitutes 20% 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.

Dividends are subject to an additional withholding tax for shareholders that are either (i) individuals, whether domiciled or non-domiciled in Peru, or (ii) non-domiciled companies or entities. For dividends paid out of our accumulated net profits, the withholding tax rate is 5%, when the dividend originated from profits earned on or after January 1, 2017. 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 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% to the holders of Common Shares and 0.27% 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 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. Amounts distributed with respect to ADSs were subject to a Peruvian withholding income tax of 6.8% for profits earned during 2016, which was the withholding tax rate applicable to distributions in respect of Common Shares during 2016. The withholding tax rate decreased to 5% for dividends paid out of our accumulated net profits after December 31, 2016. See Item 10. Additional Information—E. 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. 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 10 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 statement of financial position at any given time). We, however, may pay provisional dividends. Payment of provisional dividends will be approved on the basis of consolidated financial statements which show the existence of net distributable income obtained during the current fiscal year. If, 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.

Non-controlling Shareholders

Law No. 28370, published on October 30, 2004, included in the Peruvian Companies Law certain provisions for the protection of non-controlling shareholders of public companies that are *sociedades anónimas abiertas*, such as us, and that were formerly contained in Law No. 26985, which had been abrogated. Legislative Decree No. 1061, effective since June 29, 2008, Law No. 29782, effective since July 29, 2011, and most recently Law No. 30050, effective since June 27, 2013, have abrogated or amended certain of these provisions. Pursuant to Article 262-A of the Peruvian Companies Law, we will furnish on our website and on the SMV’s website, upon the earlier to occur of (1) sixty days after the Annual Mandatory Meeting, or (2) the expiration of the three-month period after the end of the prior fiscal year in which such Annual Mandatory Meeting is required to be held, the information regarding total number and value of any shares not claimed by shareholders, the name of such shareholders, the share quote in the securities market for such shares, the total amount of uncollected dividends, the name of shareholders having uncollected dividends and where shares and dividends pending claim are available for the non-controlling shareholders. Article 262-B describes the procedure to request share certificates and/or dividends, that the holder of the shares can instruct us to deposit the dividends in a specific bank account, and that delivery of such share certificates and/or dividends is to be made within 30 days from the request. Article 262-F describes the procedure for handling any claim that the non-controlling shareholders may file, such claims to be resolved by the SMV. SMV may apply warnings and fines between approximately US\$ 1,300 and US\$ 32,500 in case the Company fails to comply such provisions for the protection of minority shareholders.

C. Material Contracts

Not Applicable.

D. 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. Before 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% 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.

E. Taxation

The following summarizes the material Peruvian and U.S. federal income 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 partnerships and other entities classified as partnerships for U.S. federal income tax purposes, banks, dealers and traders in securities or foreign currencies, 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, holders who actually or constructively own 10% or more of our shares by either vote or value, certain taxpayers who file applicable financial statements required to recognize income no later than when the associated revenue is reflected on such financial statements and holders who acquired our ADSs or Common Shares pursuant to the exercise of any employee stock option or otherwise as compensation. This discussion does not address all aspects of U.S. federal income taxation that may be applicable to a U.S. Holder (as defined below), including gift, estate, any U.S. state or local taxes, non-U.S. taxes, other than Peruvian taxes as provided below, the U.S. federal alternative minimum tax or the U.S. Medicare tax on net investment income. There is no tax treaty currently in effect between Peru and the U.S., 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 U.S. which are subject to change and possibly with retroactive effect.

“U.S. Holder” means a beneficial owner of ADSs or Common Shares that is (i) a U.S. citizen or resident, (ii) a domestic corporation, (iii) a trust subject to the control of one or more U.S. persons (as described in Section 7701(a)(30)) of the U.S. Internal Revenue Code of 1986, as amended, “Code”) and the primary supervision of a U.S. court or that has validly elected to be treated as a U.S. person or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If a partnership or other entity taxable as a partnership for U.S. federal income tax purposes holds ADSs or Common Shares, the tax treatment of a partner will generally depend on the status of the partner in such partnership and the activities of the partnership. Partners of partnerships holding ADSs or Common Shares should consult their tax advisors.

Peruvian Tax Considerations

Cash Dividends and Other Distributions

Cash dividends paid with respect to Common Shares and amounts distributed with respect to ADSs are subject to Peruvian withholding income tax, at a rate of 5% for dividends paid or to be paid beginning January 1, 2017, when the dividend originated from profits earned on or after January 1, 2017. If the dividend originated from profits earned between January 1, 2015 and December 31, 2016, the withholding income tax rate for the dividend is 6.8%. If the dividend originated from profits earned as of December 31, 2014, the withholding income tax rate for dividends is 4.1%. The dividends distribution is related to prior accumulated results. This regime is applicable on dividends that are paid to shareholders that are: (i) individuals, whether resident or nonresident in Peru or (ii) nonresident entities. As a general rule, the distribution of additional Common Shares representing profits, distribution of shares which differ from the distribution of earnings or profits, as well as the distribution of preemptive rights with respect to Common Shares, which are carried out as part of a pro rata distribution to all shareholders, will not be subject to Peruvian Income Tax or withholding taxes.

Capital Gains

Pursuant to Article 6 of the Income Tax Law (the “ITL”), individuals and entities resident in Peru are subject to Peruvian Income Tax on their worldwide income while non-resident individuals or entities are subject to Peruvian Income Tax on their Peruvian source income only.

Furthermore, the ITL states that income deriving from the disposal of securities issued by Peruvian entities is considered Peruvian source income subject to the Income Tax.

With respect to this matter, Article 2 of the ITL, as amended by Legislative Decree 945, defines: (i) capital gains as any revenue deriving from the disposal of capital goods; and (ii) capital goods as those whose purpose is not to be traded in the regular course of a business. Moreover, Article 2 of the ITL states that income deriving from the disposal of shares and similar securities is considered a capital gain.

Accordingly, capital gains deriving from the disposal of securities issued by legal entities incorporated in Peru are considered Peruvian source income subject to Peruvian Income Tax.

Currently, regardless of whether or not the transferor is domiciled in Peru, the ITL establishes that taxable income resulting from the disposal of securities is determined by the difference between the sale price of the securities and its tax basis. However, before December 31, 2009, capital gains resulting from the disposal of ADSs or Common Shares issued by legal entities incorporated in Peru were exempt from Peruvian Income Tax if: (i) in the case of non-regular individuals (i.e., individuals who do not frequently trade securities), the transaction was carried out before December 31, 2009; and (ii) in the case of shareholders other than individuals, the transaction was carried out on the Lima Stock Exchange (floor session) before December 31, 2009.

Effective January 1, 2010, the exemption was repealed and, as such, capital gains resulting from the disposal of ADSs or Common Shares issued by legal entities incorporated in Peru became subject to Peruvian Income Tax, or the "Income Tax." For non-resident entities or individuals, capital gains will be subject to an Income Tax rate of either 5% or 30%, depending where the transaction takes place. If the transaction is consummated within Peru, the Income Tax rate is 5%; if the transaction is consummated outside of Peru, capital gains are taxed at a rate of 30%.

The ITL Regulations have defined transactions consummated within Peru to mean that the securities at issue are transferred through the Lima Stock Exchange. In contrast, the transaction is considered to have been consummated abroad when (i) the securities at issue are not registered on the Lima Stock Exchange or (ii) registered securities are not transferred through the Lima Stock Exchange.

Before December 31, 2012, for nonresident individuals, the first five tax units (approximately US\$6,800) of capital gains deriving from the transfer of securities were exempted from the Income Tax. Effective January 1, 2013, this exemption was repealed. If the transferor is a resident entity, capital gains deriving from the disposal of securities will be treated as any other taxable income subject to the 30% corporate Income Tax rate.

Furthermore, before December 31, 2012, if the transferor was a resident individual, the first five tax units (approximately US\$6,800) of capital gains deriving from the transfer of securities were exempted from the Income Tax. Effective January 1, 2013, such exemption was repealed. Any capital gain earned by a resident individual is subject to the 5% annual Income Tax rate regardless of whether or not the transaction is carried out on the Lima Stock Exchange and regardless of how many transactions are carried out by such individual. In this case, the 5% Income Tax rate will be applicable over the annual net capital gain, which is calculated by deducting from the annual gross capital gain of the annual losses resulting from the disposal of shares during the same fiscal year.

Moreover, if the transferor, either a resident or nonresident individual or entity, acquired the ADSs or Common Shares that were exempt from the Income Tax before January 1, 2010, pursuant to a special provision of the ITL, the tax basis is the higher of: (i) the acquisition cost; (ii) the face or nominal value of the shares; or (iii) the stock market value at closing on December 31, 2009.

If the transferor, whether resident or nonresident in Peru, acquires the ADSs or Common Shares on or after January 1, 2010, the tax basis is: (i) for shares purchased by the transferor, the acquisition price paid for the shares; (ii) for shares received by the transferor as a result of a capital stock increase because of a capitalization of net profits, the face or nominal value of such shares; (iii) for other shares received free of any payment, the stock market value of such shares if listed on the Lima Stock Exchange or, if not, the face or nominal value of such shares; and (iv) for shares of the same type acquired at different opportunities and at different values, the tax basis will be the weighted average cost.

The aforementioned rules are also applicable to ADSs or Common Shares acquired before January 1, 2010 that were not exempt from the Income Tax as of December 31, 2009.

On December 31, 2010, Law No. 29645 was promulgated and took effect from January 1, 2011. This law states that in any transaction of Peruvian securities through the Lima Stock Exchange, CAVALI ICLV S.A. (the Peruvian clearing house) will act as withholding agent. As a result of this amendment, the nonresident will no longer have to self-assess and pay its Income Tax liability directly to the Peruvian Tax Administration.

Law No. 29645 has technically been in force since January 1, 2011. Implementing regulations were enacted in July 2011, and CAVALI ICLV S.A. began acting as a withholding agent on November 1, 2011. As a result, with regard to securities transferred through the Lima Stock Exchange by a nonresident transferor after November 1, 2011, such nonresident transferor is no longer obliged to self-assess and pay its Income Tax liability directly to Peruvian tax authorities within the first 12 working days following the month in which Peruvian source income was earned.

If the purchaser is a resident in Peru and the sale is not performed through the Lima Stock Exchange, the purchaser will act as withholding agent, except in cases in which the transferor is a resident individual.

However, if the transferor is a resident entity, such transferor is solely responsible for its Peruvian Income Tax on capital gains resulting from the disposal of ADSs or Common Shares, regardless of whether such securities are listed on the Lima Stock Exchange or elsewhere.

On September 12, 2015 Law No. 30341 was published. This law entered into effect on January 1, 2016 and states that capital gains from the disposal of ADSs or Common Shares through December 31, 2018 issued by legal entities incorporated in Peru, executed through the Lima Stock Exchange, are exempt from Peruvian Income Tax if: (i) within a period of twelve (12) months the holder and its related parties do not transfer 10% or more of the issued shares of the legal entity in one or more transactions; and (ii) the Common Shares issued by such legal entity shall have been continuously traded in the stock market (the rules to determine if such shares are continuously traded are set forth in Law No. 30341, as amended). Law No. 30341 was amended by Legislative Decree No. 1262, published on December 10, 2016 and effective since January 1, 2017, which introduced minor amendments related to capital gains deriving from the disposal of ADSs and Common Shares and extended this income tax exemption through December 31, 2019. Law No. 30341 was amended for a second time by Urgent Decree No. 005-2019, published on October 24, 2019 and effective on January 1, 2020, which introduced minor amendments regarding to the rules to determine when shares are continuously traded; and extended this income tax exemption through December 31, 2022.

Exchange Transactions

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 (0.021% of value sold), fees payable to the SMV (0.0135% of value sold), brokers' fees (about 0.05% to 1% of value sold) and VAT (at the rate of 18%) 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.

Other Considerations

As explained in Item 10. Memorandum and Articles of Association – *Final Beneficial Owners*, on August 2, 2018, Legislative Decree No. 1372 was published. This law entered into effect on August 3, 2018 and its regulations were enacted by Supreme Decree No. 003-2019-EF, published on January 8, 2019. According to this law and its regulations, legal entities domiciled or established in Peru must report the identity of its ultimate beneficial owners, as a tool for law enforcement agencies to confront tax evasion, money laundering and terrorist financing. For this reporting obligation, legal entities include any corporation, partnership or similar entity, trust, investment fund or joint venture. This obligation is also applicable to legal entities which are not domiciled in Peru but have a branch, subsidiary, joint venture or permanent establishment in Peru or, in the case of trusts, which have a grantor, settlor, beneficiaries or trustees domiciled in Peru. Ultimate beneficial owner is defined as the individual that effectively owns or controls a legal entity. For this purpose, ownership is when at least 10% of the capital of the legal entity is directly or indirectly under the ownership of an individual and its related parties. On September 25, 2019, the Tax Authority issued Superintendence Resolution No. 185-2019/SUNAT, establishing rules for this mandatory report and, for the legal entities that qualify as principal taxpayers as of November 30, 2019, the first deadline for filing this mandatory report was established within the first half of December 2019. The first deadline to present the affidavit with information regarding the final beneficiaries as of November 30, 2019 was set in the first half of December 2019.

Peruvian law was amended with the objective to grant greater guarantees to the taxpayers through application of the general anti-evasive rule (Rule XVI of the Preliminary Title in the Tax Code) and with the objective of providing more tools to the Tax Administration for effective implementation of the rule.

U.S. 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 U.S. federal income tax purposes as the beneficial owners of the Common Shares represented by those ADSs. U.S. Holders should be aware that the U.S. Internal Revenue Service (the "IRS") has expressed concerns that parties to whom ADSs are pre-released before common shares are delivered to the depository, or intermediaries in the chain of ownership between holders of ADSs and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by holders of ADSs. Accordingly, the creditability of any Peruvian taxes could be affected by actions taken by such parties or intermediaries.

Cash Dividends and Other Distributions

In general, distributions with respect to the ADSs or Common Shares will, to the extent made from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, constitute dividends for U.S. federal income tax purposes. If a distribution exceeds the amount of our current and accumulated earnings and profits, as so determined under U.S. federal income tax principles, the excess will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in the ADSs or Common Shares, and thereafter as capital gain. We do not intend to maintain calculations of our earnings and profits under U.S. federal income tax principles and, unless and until such calculations are made, U.S. Holders should assume all distributions are made out of earnings and profits and constitute dividend income. As used below, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

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 domestic corporation are not eligible for the dividends received deduction available to such corporations. Under current law, a reduced 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 that is not a passive foreign investment company ("PFIC") (as discussed below) and either (i) its shares are readily tradable on an established securities market in the United States or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. Clause (i) should apply with respect to the ADSs as long as 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 reduced rate. In the case of our Common Shares held directly by U.S. Holders and not underlying ADSs, it is not clear whether dividends paid with respect to such shares will represent "qualified dividend income." U.S. Holders holding our Common Shares directly and not through an ADS are urged to consult their own independent tax advisors.

Dividends paid in Soles are includible in a U.S. 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 or other taxable disposition of the Soles for a different amount of U.S. dollars will be U.S. source ordinary income or loss for U.S. federal income tax purposes. Distributions to U.S. Holders of additional Common Shares or preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax but in other circumstances may constitute a taxable dividend.

A U.S. Holder will generally be entitled to claim a U.S. foreign tax credit in respect of any Peruvian taxes imposed on dividends received on our Common Shares or Common Shares represented by ADSs, 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 Code. U.S. Holders who do not elect to claim a credit for foreign taxes may instead claim a deduction in respect of such Peruvian taxes. Dividends received with respect to our Common Shares or Common Shares represented by ADSs will be treated as foreign source income for U.S. federal income tax purposes, and will be "passive category income" for purposes of calculating foreign tax credits in most cases, subject to various limitations. 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 U.S. 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 taxable gain or loss on the sale or other taxable disposition of ADSs or Common Shares (or preemptive rights with respect to such shares) held by the U.S. Holder or by the Depositary in an amount equal to the difference between the amount realized on the sale or other taxable disposition and the U.S. Holder's adjusted tax basis in the ADSs or Common Shares. Generally, such 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 U.S. federal income tax. The deductibility of capital losses is subject to limitations under the Code. Any gain recognized by a U.S. Holder generally will be treated as U.S. source income for U.S. foreign tax credit purposes. Consequently, in the case of a sale or other taxable disposition of Common Shares or ADSs in a transaction subject to Peruvian tax, the U.S. Holder may not be able to claim a U.S. 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.

For U.S. federal income tax purposes, 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.

A non-U.S. Holder of ADSs or Common Shares will not be subject to U.S. federal 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

Based on our audited financial statements as well as relevant market and shareholder data, we believe that we were not a PFIC for U.S. federal income tax purposes with respect to our 2020 taxable year. In addition, assuming no substantial change in our future operations, based on our audited or projected financial statements and current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2021 taxable year. However, because this determination is based on our income, assets and the nature of our business, as well as the income, assets and business of entities in which we hold at least a 25% interest, from time to time, involves the application of complex tax rules, including the application of proposed United States Treasury Regulations, on which we are entitled to rely until they are finalized, and since our view is not binding on the courts or the IRS, no assurances can be provided that we will not be considered a PFIC for the current, or any past or future tax year. The potential application of the PFIC rules is further discussed below.

A foreign corporation is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries pursuant to the applicable look-through rules, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income generally includes interest, dividends, rents, royalties and certain gains (including certain commodity related gains), but active business gains from the sale of commodities is not considered "passive income" for purposes of determining whether a company is a PFIC. Our PFIC status for any taxable year is likely to depend upon the extent to which our gross profit from our mining activities is considered active business gains.

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 reduced U.S. tax rate noted above. A U.S. Holder would also 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) unless such U.S. Holder makes an election to be taxed currently on its pro rata portion of our income, whether or not such income is distributed in the form of dividends, or otherwise makes a "mark-to-market" election with respect to the ADSs or Common Shares as permitted by the Code. A U.S. Holder has an excess distribution to the extent that distributions on ADSs or Common Shares during a taxable year exceed 125% 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 taxable disposition of its interest in the actual holder as gain on the sale or taxable disposition of the ADSs or Common Shares.

U.S. Holders are urged to consult their own independent tax advisors regarding the potential application of the PFIC rules and related reporting requirements to the Common Shares or ADSs and the availability and advisability of making an election to avoid the adverse tax consequences of the PFIC rules should we be considered a PFIC for any taxable year.

Information Reporting and Backup Withholding

Dividends in respect of the ADSs or Common Shares and the proceeds from the sale, exchange, redemption or other disposition of the ADSs or Common Shares may be reported to the IRS and a backup withholding tax may apply to such amounts unless the holder (i) is a corporation (which may be required to establish its exemption by certifying its status on IRS 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 IRS Form W-8BEN or W-8BEN-E or other applicable Form W-8, or (iv) otherwise establishes a basis for exemption. The amount of any backup withholding from a payment to a U.S. Holder generally may be allowed as a credit against the U.S. Holder's U.S. federal income tax liability.

"Specified Foreign Financial Asset" Reporting

U.S. Holders of "specified foreign financial assets" with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold), may be required to file an information report with respect to such assets with their U.S. federal income tax returns. "Specified foreign financial assets" generally include any financial accounts maintained by foreign financial institutions as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-U.S. persons, (ii) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties and (iii) interests in foreign entities.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

I. Subsidiary Information

See "Item 4. Information of the Company Buenaventura—C. Organizational Structure"

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 outside 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\$/ 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 earnings 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. We and our wholly-owned subsidiaries are completely unhedged as to the price at which our gold and silver will be sold. See "Item 3. Key Information—D. Risk Factors—Factors Relating to the Company—Our financial performance is highly dependent on the prices of gold, silver, copper and other metals."

As of March 31, 2021, we had no silver derivative contracts or gold convertible put option contracts in place.

From January to December 2021, El Brocal had outstanding hedging commitments amounting to 22,750 fines tons of copper at an average fixed price of US\$7,150 per 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 as of March 31, 2021.

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 (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 33(a.3) to the Consolidated 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

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

The Depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depositary may collect its annual fee for depositary services by deductions from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid. The following table summarizes the fees and expenses payable by holders of ADSs:

Persons depositing or withdrawing shares must pay:	Payable to:	For:
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Depository	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
US\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	Depository	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	Depository	Distribution of securities distributed to holders of deposited securities which are distributed by the depository to ADS registered holders
Registration or transfer fees	Depository	Transfer and registration of shares on our share register to or from the name of the Depository or its agent when you deposit or withdraw shares
Expenses of the Depository	Depository	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
Expenses of the Depository	Depository	Converting foreign currency to U.S. Dollars
Taxes and other governmental charges the Depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes	Depository	As necessary

Fees Incurred in Past Annual Period

From January 1, 2019 to April 29, 2021, we received no fees from the Depository related to our ADR facility, including continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

Fees to be Paid in the Future

The Depository has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The Depository has agreed to reimburse us for our continuing annual stock exchange listing fees. The Depository has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the Depository has agreed to provide additional payments to us based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the Depository will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the Depository collects from investors.

The Depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

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, 2020, 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 Exchange Act 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 consolidated 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, 2020. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) 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, 2020.

Our independent registered public accounting firm Paredes, Burga & Asociados S. Civil de R.L., has issued an attestation report on our internal control over financial reporting, which is included below.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Compañía de Minas Buenaventura S.A.A. and subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Compañía de Minas Buenaventura S.A.A. and subsidiaries internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, Compañía de Minas Buenaventura S.A.A. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial position of the Company as of December 31, 2020 and 2019, the related consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and our report dated April 29, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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 International Financial Reporting Standards as issued by the International Accounting Standard Board. 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 International Financial Reporting Standards as issued by the International Accounting Standard Board, 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.

Paredes, Burga & Asociados S. Civil de R.L.
A member practice of Ernst & Young Global Limited

/s/ Katherine Villanueva

Lima, Peru.
April 29, 2021

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2020 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. Marco Antonio Zaldívar is the Audit Committee financial expert as defined in Item 16A of Form 20-F. The Board of Directors has also determined that Mr. Zaldívar and each of the other members of the Audit Committee are “independent directors” as defined in Section 303A.02 of the New York Stock Exchange’s, (“NYSE”), 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, 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 Paredes, Burga & Asociados S. Civil de R.L., a member firm of Ernst & Young Global Limited, be elected as the independent auditor for 2020. Paredes, Burga & Asociados S. Civil de R.L. has served as our independent public accountant for each of the fiscal years in the two-year period ended December 31, 2019 and 2020, for which audited consolidated 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 Paredes, Burga & Asociados S. Civil de R.L. for 2019 and 2020.

	Year ended December 31,	
	2019	2020
Audit Fees	US\$ 1,019,361	1,162,253
Tax Fees	US\$ 26,000	120,788
All other fees	US\$ 34,024	-
Total	US\$ 1,079,385	1,283,041

Audit Fees. Audit fees in the above table are the aggregate fees billed by Paredes, Burga & Asociados S. Civil de R.L. in connection with the audit of our annual consolidated financial statements, the review of our quarterly consolidated 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 2019 and 2020.

Tax Fees. Tax fees in the above table are fees billed by Paredes, Burga & Asociados S. Civil de R.L. in connection with review of income tax filings.

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 before commencement of the specified service. The Audit Committee approved all audit and tax fees in 2019 and 2020.

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, 2020, neither we nor any person acting on our behalf made any purchase of our Common Shares.

ITEM 16F. Change in Registrant's Certifying Accountant

None.

ITEM 16G. Corporate Governance

There are significant differences in the corporate governance practices followed by us as compared to those followed by U.S. domestic companies under the NYSE, listing standards. The NYSE listing standards provide that the board of directors of a U.S. 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 U.S. 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 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 U.S. domestic companies to adopt and disclose corporate governance guidelines. In July 2002, the SMV and a committee composed of 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 SMV's website at <http://www.smv.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.

ITEM 16H. Mine Safety Disclosure

Not applicable.

PART III

ITEM 17. Consolidated Financial Statements

Not applicable.

ITEM 18. Consolidated Financial Statements

Please refer to Item 19.

ITEM 19. Exhibits

	<u>Page</u>
(a) Index to Consolidated Financial Statements and Schedules	
COMPAÑÍA DE MINAS BUENAVENTURA S.A.A. AND SUBSIDIARIES	F-1
MINERA YANACOCHA S.R.L.	F-134
SOCIEDAD MINERA CERRO VERDE S.A.A.	F-216
(b) Index to Exhibits	
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).	
1.2 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).	
2.1 Credit and Guaranty Agreement, dated as of June 27, 2016 among Compañía de Minas Buenaventura S.A.A., as Borrower, Banco de Crédito del Perú, as Administrative Agent, Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A., as Guarantors, and BBVA Banco Continental, Banco de Crédito del Perú, Corpbanca New York Branch, Banco Internacional del Perú S.A.A. – Interbank, Industrial and Commercial Bank of China, Dubai (DIFC) Branch, Banco Latinoamericano de Comercio Exterior, S.A. and Banco de Sabadell, Miami Branch, as Lenders (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2016, filed on May 1, 2017).	
2.2 Amendment No. 3 and Waiver to Credit and Guaranty Agreement, dated as of April 28, 2021 among Compañía de Minas Buenaventura S.A.A., as borrower, Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A., as guarantors; the lenders party to the Syndicated Term Loan and Banco de Crédito del Perú, as administrative agent.†	
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 Cerro 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).	
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, 2013, filed on April 30, 2014).	
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.†](#)

[13.2 Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†](#)

101 Interactive Data Files†

† 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/ DANIEL DOMÍNGUEZ
Daniel Dominguez
Chief Financial Officer

Dated: April 30, 2021

Exhibit Index

Exhibit No.	Document Description
1.1	By-laws (<i>Estatutos</i>) 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).
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2.2	Amendment No. 3 and Waiver to Credit and Guaranty Agreement, dated as of April 28, 2021 among Compañía de Minas Buenaventura S.A.A., as borrower, Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A., as guarantors; the lenders party to the Syndicated Term Loan and Banco de Crédito del Perú, as administrative agent.†
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 Cerro 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).
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, 2013, filed on April 30, 2014).
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.†
13.2	Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†
101	Interactive Data Files†

† Filed herewith.

Exhibits

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated Financial Statements for the years 2020, 2019 and 2018, together with the Report of Independent Registered Public Accounting Firm

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated Financial Statements for the years 2020, 2019 and 2018, together with the Report of Independent Registered Public Accounting Firm

Content

[Report of Independent Registered Public Accounting Firm](#) [F-3](#)

Consolidated Financial Statements

[Consolidated statements of financial position](#) [F-9](#)

[Consolidated statements of profit or loss](#) [F-10](#)

[Consolidated statements of other comprehensive income](#) [F-11](#)

[Consolidated statements of changes in equity](#) [F-12](#)

[Consolidated statements of cash flows](#) [F-13](#)

[Notes to the consolidated financial statements](#) [F-14](#)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Compañía de Minas Buenaventura S.A.A.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Compañía de Minas Buenaventura S.A.A., and Subsidiaries (together the Group) as of December 31, 2020 and 2019, and related consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) the Group’s internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated April 29, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Report of Independent Registered Public Accounting Firm (continued)

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Description of the Matter	<p>Impairment of mining concessions, development costs, right-of-use asset, property, plant and equipment</p> <p>At December 31, 2020, the net carrying value of the Group mining concessions, development costs, right-of-use asset, property, plant and equipment is US\$1,650 million. Related disclosures are included in Note 2.4(n) and Note 11(b) to the consolidated financial statements. The Group reviews and evaluates its mining concessions, development costs, right-of-use asset, property, plant and equipment for impairment at least annually, or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable at the Cash Generating Unit level (CGUs). When the Group determines the existence of significant impairment indicators, management performs an assessment to determine whether an impairment has occurred. An impairment exists when the carrying value of an asset or cash generating unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The Group identified impairment indicators for its GCU of (i) Buenaventura, (ii) Sociedad Minera El Brocal and (iii) La Zanja and as a result of performing its impairment test, it did not record any impairment for the year ended as of December 31, 2020. As a result of the analysis of the recoverable amount as of December 31, 2020, Buenaventura recognized a reversal for impairment of long-lived assets for US\$2.1 million derived from the evaluation of its Julcani mining unit (a CGU of Buenaventura).</p>
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Report of Independent Registered Public Accounting Firm (continued)

The impairment tests required the use of significant assumptions. These assumptions are described in note 11(b) of the consolidated financial statements, and are based on, among others, production volumes, current life of mine plans, market based commodity price assumptions, operating and capital costs, discount rates that reflect the current market assessments of the time value of money and the risks specific to the CGU, estimated quantities of recoverable minerals and residual value.

Auditing the above-noted CGUs is complex; accordingly, we have determined this to be a critical audit matter.

How We Addressed the Matter in Our Audit

We performed the following procedures, among others, to audit the impairment assessment of the CGUs noted above.

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the impairment review assessment. We tested controls over the Group's process for identifying and evaluating potential impairment indicators, management's review of the significant assumptions, projected financial information and methodology used to develop such estimates. During our audit we evaluated and tested significant assumptions, judgments and operating data used in the GCU's of (i) Buenaventura, (ii) Sociedad Minera El Brocal and (iii) La Zanja analysis to determine the recoverable amounts..

We involved our valuation specialists to assist in comparing market based commodity price assumptions against market data including a range of analysts forecasts. We also involved our valuation specialists to evaluate the discount rates against current industry and economic trends as well as Group-specific risk premiums. We also involved our valuation specialists to perform sensitivity analyses over changes in the discount rates and commodity price assumptions to the recoverable amounts of the CGUs.

To evaluate the estimated quantity of recoverable minerals used in the impairment analyses, we obtained reports from external specialists hired by management which validate mineral reserves determination performed by management's qualified persons. We evaluated the competency and objectivity of the external specialists and management's qualified persons through the consideration of their professional qualifications, experience and their use of accepted industry practices.

Report of Independent Registered Public Accounting Firm (continued)

We also assessed the future cash flows by comparing forecasted commodity prices to available market information and future planned cash flows to internal business plans to assess the projected financial information. Furthermore, we evaluated management's estimated quantities of recoverable minerals by comparing these estimates with the historical operating performance of the CGUs.

The estimated operating and capital costs as well as the future production levels used in the impairment analyses are based on life of mine plans. To assess the accuracy of the Group's ability to estimate future costs and future production levels for the CGUs of (i) Buenaventura, (ii) Sociedad Minera El Brocal and (iii) La Zanja, we compared historical estimates against actual results and reviewed supporting analyses underlying the estimates used within the discounted cash flows. We also involved our valuation specialists to assist in comparing operating and capital costs against current market data and historical information relating to the performance of the mentioned-above CGUs.

Furthermore, we evaluated the disclosure of this matter in Note 2.4(n) and Note 11(b) to the consolidated financial statements.

Uncertain tax positions

Description of the Matter

As discussed in Note 29(e) to the consolidated financial statements, Buenaventura has disclosed it has certain tax-related contingencies related to the tax years 2007 through 2010. In these years, relevant taxing authorities have challenged the application of income tax regulations by the Company. Buenaventura has disclosed, but not recorded at December 31, 2020, as the criteria for recognition has not been met, that it is subject to uncertain tax positions related to income tax assessments of US\$560.4 million, including penalties and interest. In addition, Buenaventura has recognized an income tax receivable for an amount of US\$53.6 million, resulting from payments made to the tax authorities that are being disputed as part of this assessment.

Uncertainty in a tax position may arise because tax laws are subject to interpretation. The Company uses significant judgment to (1) determine whether, based on the technical merits, a tax position is more likely than not to be sustained and (2) measure the amount of tax benefit that qualifies for recognition.

Report of Independent Registered Public Accounting Firm (continued)

Auditing the recognition and measurement of uncertain tax positions and the related recoverability of income tax receivables requires a high degree of auditor judgment and significant audit effort because management's assessment is highly judgmental and based on interpretations of tax laws and legal rulings; accordingly, we have determined this to be a critical audit matter.

How We Addressed the Matter in Our Audit

We performed the following procedures, among others, to audit uncertain tax positions, income tax contingencies and income tax receivables.

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over Buenaventura's accounting process for income taxes, including uncertain tax positions and tax contingencies. This included testing controls over management's review of the technical merits of tax positions and disputed tax assessments.

We evaluated Buenaventura's accounting for these tax positions specifically taking into consideration relevant local income tax laws. We inquired of Company management responsible for tax matters and inspected internal and external supporting documentation, including obtaining opinions from external counsel advising the Company in these matters, to evaluate the technical merits of the tax authority's assessment against the Company, and to determine if the Company is more likely than not to sustain the treatment of these specific items in its 2007 through 2010 tax returns. We analyzed management's assumptions, its analysis of relevant tax laws and case law and data used to determine the accounting treatment of these tax assessments and tested the accuracy of the calculations.

Report of Independent Registered Public Accounting Firm (continued)

We involved our tax specialists to assess the technical merits of the Company's tax position and to evaluate the application of relevant tax law and accounting guidance in assessing the Company's recognition and recoverability of income tax receivables.

Furthermore, we evaluated the disclosure of this matter in Note 29(e) to the consolidated financial statements.

Paredes, Burga & Asociados S. Civil de R.L.
A member practice of Ernst & Young Global Limited

/s/ Katherine Villanueva
We have served as the Group's auditor since 2002
Lima, Peru
April 29, 2021

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2020 and 2019

	Notes	2020 US\$(000)	2019 US\$(000)
Assets			
Current assets			
Cash and cash equivalents	6	235,449	210,046
Trade and other receivables, net	7(a)	230,830	287,712
Inventories, net	8(a)	77,327	97,973
Income tax credit		19,837	31,919
Prepaid expenses	9(a)	25,709	20,969
		<u>589,152</u>	<u>648,619</u>
Non-current assets			
Trade and other receivables, net	7(a)	102,347	88,515
Inventories, net	8(a)	23,637	394
Investments in associates and joint venture	10(a)	1,488,775	1,488,247
Mining concessions, development costs, right-of-use asset, property, plant and equipment, net	11(a)	1,650,361	1,754,372
Investment properties, net		186	204
Deferred income tax asset	28(b)	73,850	74,556
Prepaid expenses	9(a)	24,806	25,692
Other assets, net	12(a)	26,503	26,675
		<u>3,390,465</u>	<u>3,458,655</u>
Total assets		<u><u>3,979,617</u></u>	<u><u>4,107,274</u></u>
Liabilities and shareholders' equity, net			
Current liabilities			
Bank loans	13	65,793	55,000
Trade and other payables	14(a)	179,956	166,244
Provisions, contingent liabilities and other liabilities	15(a)	68,000	72,771
Income tax payable		3,162	5,650
Financial obligations	16(a)	25,086	265,692
Hedge derivative financial instruments	32	18,439	-
		<u>360,436</u>	<u>565,357</u>
Non-current liabilities			
Trade and other payables	14(a)	-	616
Provisions, contingent liabilities and other liabilities	15(a)	252,338	221,736
Financial obligations	16(a)	506,567	305,996
Contingent consideration liability	27(b)	22,100	16,410
Deferred income tax liabilities	28(b)	38,319	28,959
		<u>819,324</u>	<u>573,717</u>
Total liabilities		<u><u>1,179,760</u></u>	<u><u>1,139,074</u></u>
Shareholders' equity, net			
Capital stock	17	750,497	750,497
Investment shares		791	791
Additional paid-in capital		218,450	218,450
Legal reserve		163,194	163,168
Other reserves		269	269
Retained earnings		1,503,785	1,639,658
Other reserves of equity		(9,526)	(1,311)
Shareholders' equity, net attributable to owners of the parent		<u>2,627,460</u>	<u>2,771,522</u>
Non-controlling interest	18(a)	172,397	196,678
Total shareholders' equity, net		<u><u>2,799,857</u></u>	<u><u>2,968,200</u></u>
Total liabilities and shareholders' equity, net		<u><u>3,979,617</u></u>	<u><u>4,107,274</u></u>

Compañía de Minas Buenaventura S.A.A. and Subsidiaries
Consolidated statements of profit or loss

For the years ended December 31, 2020, 2019 and 2018

	Notes	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Continuing operations				
Sales				
Sales of goods	20(b)	637,619	821,930	1,106,329
Sales of services	20(b)	20,285	23,661	24,001
Royalty income	20(b)	18,638	22,297	20,385
Total sales		<u>676,542</u>	<u>867,888</u>	<u>1,150,715</u>
Operating costs				
Cost of sales of goods, excluding depreciation and amortization	21(a)	(393,888)	(512,874)	(613,381)
Unabsorbed cost due to production stoppage	1(f)	(27,758)	–	–
Cost of sales of services, excluding depreciation and amortization	21(b)	(1,554)	(3,378)	(4,318)
Depreciation and amortization		(189,620)	(226,335)	(238,879)
Exploration in operating units	22	(28,044)	(44,163)	(89,730)
Mining royalties	23	(11,749)	(12,832)	(21,388)
Total operating costs		<u>(652,613)</u>	<u>(799,582)</u>	<u>(967,696)</u>
Gross profit		<u>23,929</u>	<u>68,306</u>	<u>183,019</u>
Operating expenses, net				
Administrative expenses	24	(67,185)	(76,297)	(77,099)
Selling expenses	20(e)	(18,533)	(24,313)	(26,948)
Write –off of stripping activity asset	11(g)	(11,633)	–	–
Exploration in non-operating areas	25	(8,475)	(11,879)	(36,307)
Reversal (provision) of contingencies and others		(4,150)	2,968	11,248
Impairment recovery (loss) of long-lived assets	11(b)	2,083	(2,083)	5,693
Other, net	26	2,690	(14,715)	(1,308)
Total operating expenses, net		<u>(105,203)</u>	<u>(126,319)</u>	<u>(124,721)</u>
Operating profit (loss)		<u>(81,274)</u>	<u>(58,013)</u>	<u>58,298</u>
Finance income	27	2,411	9,675	9,685
Finance costs	27	(37,822)	(42,173)	(38,422)
Share in the results of associates and joint venture	10(b)	(9,517)	47,710	(1,144)
Net loss from currency exchange difference		(4,116)	(734)	(1,384)
Profit (loss) before income tax		<u>(130,318)</u>	<u>(43,535)</u>	<u>27,033</u>
Current income tax	28(c)	(9,924)	(11,911)	(16,882)
Deferred income tax	28(c)	(15,506)	37,501	(9,997)
Total income tax		<u>(25,430)</u>	<u>25,590</u>	<u>(26,879)</u>
Profit (loss) from continuing operations		<u>(155,748)</u>	<u>(17,945)</u>	<u>154</u>
Discontinued operations				
Net profit (loss) from discontinued operations attributable to equity holders of the parent	1(e)	5,409	(10,514)	(11,808)
Loss for the year		<u>(150,339)</u>	<u>(28,459)</u>	<u>(11,654)</u>
Attributable to:				
Equity holders of the parent		(135,718)	(12,208)	(13,445)
Non-controlling interest	18(a)	(14,621)	(16,251)	1,791
		<u>(150,339)</u>	<u>(28,459)</u>	<u>(11,654)</u>
Basic and diluted loss per share attributable to equity holders of the parent, stated in U.S. dollars	17(e)	(0.53)	(0.05)	(0.05)
Loss for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in US dollars	17(e)	(0.56)	(0.01)	(0.02)

Compañía de Minas Buenaventura S.A.A. and Subsidiaries
Consolidated statements of other comprehensive income
For the years ended December 31, 2020, 2019 and 2018

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Net loss	<u>(150,339)</u>	<u>(28,459)</u>	<u>(11,654)</u>
Other comprehensive profit (loss):			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods			
Net change in unrealized gain (loss) on cash flow hedges, note 32	(18,439)	(2,759)	31,464
Income tax effect, note 28(a)	5,440	813	(9,916)
Unrealized gain on investments	<u>264</u>	<u>(291)</u>	<u>1,053</u>
	(12,735)	(2,237)	22,601
Total other comprehensive profit (loss), net of income tax	<u><u>(163,074)</u></u>	<u><u>(30,696)</u></u>	<u><u>10,947</u></u>
Attributable to:			
Equity holders of the parent	(143,933)	(12,816)	(260)
Non-controlling interests	<u>(19,141)</u>	<u>(17,880)</u>	<u>11,207</u>
	<u><u>(163,074)</u></u>	<u><u>(30,696)</u></u>	<u><u>10,947</u></u>

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2020, 2019 and 2018

Attributable to equity holders of the parent

	Capital stock, net of treasury shares							Total US\$(000)	Non-controlling interest US\$(000)	Total equity US\$(000)	
	Number of shares outstanding	Common shares US\$(000)	Investment shares US\$(000)	Additional paid-in capital US\$(000)	Legal reserve US\$(000)	Other reserves US\$(000)	Retained earnings US\$(000)				
As of January 1, 2018	253,715,190	750,497	791	218,450	163,071	269	1,728,847	(13,888)	2,848,037	215,590	3,063,627
Net profit (loss)	-	-	-	-	-	-	(13,445)	-	(13,445)	1,791	(11,654)
Other comprehensive income	-	-	-	-	-	-	-	13,185	13,185	9,416	22,601
Total other comprehensive income (loss)	-	-	-	-	-	-	(13,445)	13,185	(260)	11,207	10,947
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(22,860)	-	(22,860)	(5,560)	(28,420)
Change in investments, note 18(a)	-	-	-	-	-	-	(16,633)	-	(16,633)	-	(16,633)
Expired dividends, note 17(c)	-	-	-	-	44	-	-	-	44	-	44
As of December 31, 2018	253,715,190	750,497	791	218,450	163,115	269	1,675,909	(703)	2,808,328	221,237	3,029,565
Effect of new standards	-	-	-	-	-	-	(1,160)	-	(1,160)	(179)	(1,339)
As of January 1, 2019	253,715,190	750,497	791	218,450	163,115	269	1,674,749	(703)	2,807,168	221,058	3,028,226
Net loss	-	-	-	-	-	-	(12,208)	-	(12,208)	(16,251)	(28,459)
Other comprehensive loss	-	-	-	-	-	-	-	(608)	(608)	(1,629)	(2,237)
Total other comprehensive loss	-	-	-	-	-	-	(12,208)	(608)	(12,816)	(17,880)	(30,696)
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(22,098)	-	(22,098)	(6,500)	(28,598)
Change in investments, note 18(a)	-	-	-	-	-	-	(785)	-	(785)	-	(785)
Expired dividends, note 17(c)	-	-	-	-	53	-	-	-	53	-	53
As of December 31, 2019	253,715,190	750,497	791	218,450	163,168	269	1,639,658	(1,311)	2,771,522	196,678	2,968,200
Net loss	-	-	-	-	-	-	(135,718)	-	(135,718)	(14,621)	(150,339)
Other comprehensive loss	-	-	-	-	-	-	-	(8,215)	(8,215)	(4,520)	(12,735)
Total other comprehensive income (loss)	-	-	-	-	-	-	(135,718)	(8,215)	(143,933)	(19,141)	(163,074)
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	-	-	-	(5,140)	(5,140)
Other changes in equity	-	-	-	-	-	-	(155)	-	(155)	-	(155)
Expired dividends, note 17(c)	-	-	-	-	26	-	-	-	26	-	26
As of December 31, 2020	253,715,190	750,497	791	218,450	163,194	269	1,503,785	(9,526)	2,627,460	172,397	2,799,857

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2020, 2019 and 2018

	Notes	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Operating activities				
Proceeds from sales		708,196	783,000	1,216,294
Recovery from value added tax and other taxes		42,967	45,712	106,656
Royalty received		18,954	23,001	20,013
Dividends received from related parties	30(a)	3,649	33,388	46,792
Dividends received from investments		2,500	–	–
Proceeds from insurance claim	26(b)	4,381	–	38,793
Interest received		1,658	4,265	2,383
Payments to suppliers and third parties, and other net		(454,140)	(610,737)	(861,282)
Payments to employees		(129,353)	(137,300)	(151,602)
Income tax and Royalties paid to Peruvian State		(25,708)	(24,935)	(30,898)
Payments for tax litigation	7(g)	(22,386)	(36,322)	–
Interest paid		(21,653)	(28,266)	(27,699)
Payments of royalties		(6,180)	(4,741)	(13,190)
Net cash and cash equivalents provided by operating activities		122,885	47,065	346,260
Investing activities				
Proceeds from sale of property, plant and equipment to third parties	7(h)	24,416	726	2,240
Additions to mining concessions, development costs, property, plant and equipment	11(a)	(71,546)	(102,627)	(111,270)
Acquisition of investment in associate	10(c)	(13,453)	–	–
Payments for acquisition of other assets	12(a)	(1,641)	(3,700)	(8,529)
Net cash and cash equivalents used in investing activities		(62,224)	(105,601)	(117,559)
Financing activities				
Proceeds from bank loans	13	18,019	55,000	95,000
Payments of bank loans	13	(7,197)	(95,000)	(95,000)
Proceeds from financial obligations	16(f)	–	161,894	–
Payments of financial obligations	16(f)	(38,994)	(186,152)	(45,222)
Dividends paid to controlling shareholders	14(c)	–	(22,098)	(22,860)
Short-term and low value lease payments	16(f)	(4,080)	(7,596)	–
Decrease (increase) of bank accounts in trust	7(e)	2,134	(166)	(410)
Dividends paid to non-controlling shareholders	17(d)	(5,140)	(6,500)	(5,560)
Net cash and cash equivalents used in financing activities		(35,258)	(100,618)	(74,052)
Increase (decrease) in cash and cash equivalents for the year, net		25,403	(159,154)	154,649
Cash and cash equivalents at beginning of year		210,046	369,200	214,551
Cash and cash equivalents at year-end		235,449	210,046	369,200
Financing and investing activities not affecting cash flows:				
Changes in estimates of mine closures plans	15(b)	31,558	26,722	42,874
Change of the fair value for contingent consideration liability	27(b)	(5,690)	(655)	1,815
Accounts receivable from sale of assets	7(h)	8,233	21,648	2,715

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Notes to the consolidated financial statements

For the years 2020, 2019 and 2018

1. Identification and business activity

- (a) Identification -
Compañía de Minas Buenaventura S.A.A. (hereafter “the Company” or “Buenaventura”) is a publicly traded corporation incorporated in Peru in 1953. The Company 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. The Company’s legal domicile is at Las Begonias Street N°415, San Isidro, Lima, Peru. The Company is the ultimate controlling party.
- (b) Business activity -
The Company and its subsidiaries (hereinafter “the Group”) are principally engaged in the exploration, mining, concentration, smelting and marketing of polymetallic ores and metals.

The Company operates directly four operating mining units in Peru (Uchucchacua, Orcopampa, Julcani and Tambomayo), two discontinued mining units (Poracota and Shila-Paula), and one mining unit under development stage (San Gabriel). In addition, the Company has a controlling interest in (i) Sociedad Minera El Brocal S.A.A. (hereinafter “El Brocal”), which operates the Colquijirca mining unit; (ii) Minera La Zanja S.R.L. (hereinafter “La Zanja”), which operates La Zanja mining unit; (iii) El Molle Verde S.A.C. (hereinafter “Molle Verde”) which operates Trapiche, a mining unit at the development stage; and (iv) other entities dedicated to energy generation and transmission services, and other activities. All these activities are carried out in Peru. In addition, the Group has non-significant subsidiaries in Mexico and Chile related to exploration activities.

- (c) Approval of consolidated financial statements -
The consolidated financial statements as of December 31, 2020 were approved and authorized for issue by the Board of Directors on April 29, 2021 and subsequent events have been considered through that date. They will then be presented for approval by the Company’s shareholders meeting. Those shareholders have the authority to approve and or otherwise modify the consolidated financial statements.

Notes to the consolidated financial statements (continued)

(d) The consolidated financial statements include the financial statements of the following companies:

	Country of incorporation and business	Ownership as of December 31,			
		2020		2019	
		Direct %	Indirect %	Direct %	Indirect %
Mining activities:					
Compañía de Minas Buenaventura S.A.A. (*)	Peru	100.00	-	100.00	-
Compañía Minera Condesa S.A.	Peru	100.00	-	100.00	-
Compañía Minera Colquirrumi S.A.	Peru	100.00	-	100.00	-
Sociedad Minera El Brocal S.A.A. (**)	Peru	3.19	58.24	3.19	58.24
Inversiones Colquijirca S.A. (**)	Peru	89.76	10.24	89.76	10.24
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	20.00	40.00	20.00	40.00
Minera La Zanja S.R.L.	Peru	53.06	-	53.06	-
Minera Julcani S.A. de C.V.	Mexico	99.80	0.20	99.80	0.20
Compañía de Minas Buenaventura Chile Ltda. (***)	Chile	90.00	10.00	90.00	10.00
El Molle Verde S.A.C.	Peru	99.98	0.02	99.98	0.02
Apu Coropuna S.R.L.	Peru	70.00	-	70.00	-
Cerro Hablador S.A.C.	Peru	99.00	1.00	99.00	1.00
Minera Azola S.A.C.	Peru	99.00	1.00	99.00	1.00
Compañía Minera Nueva Italia S.A. (liquidated)	Peru	-	-	-	93.36
Energy generation and transmission services:					
Consorcio Energético de Huancavelica S.A.	Peru	100.00	-	100.00	-
Empresa de Generación Huanza S.A.	Peru	-	100.00	-	100.00
Insurance brokerage:					
Contacto Corredores de Seguros S.A.	Peru	99.98	0.02	99.98	0.02
Contacto Risk Consulting S.A.	Peru	-	98.00	-	98.00
Industrial activities:					
Procesadora Industrial Río Seco S.A.	Peru	100.00	-	100.00	-
(*) Includes four operating mining units in Peru (Uchucchacua, Orcopampa, Julcani and Tambomayo), two discontinued mining units (Poracota and Shila-Paula), and one mining unit under development stage (San Gabriel)					
(**) As of December 31, 2020 and 2019, the participation of the Company in the voting rights of El Brocal is 61.43 percent. Inversiones Colquijirca S.A. (hereafter "Colquijirca"), a Group's subsidiary (99.99 percent as of December 31, 2020 and 2019), has an interest in El Brocal's capital stock, through which the Company holds an indirect participation in El Brocal of 58.24 percent as of December 31, 2020 and 2019.					
(***) On January 21, 2021, the Company sold 100% of its shares of Compañía de Minas Buenaventura Chile Ltda., which were presented as financial investments as of December 31, 2020. The sale value was US\$30,000 which are fully collected as of the date of this report.					

Notes to the consolidated financial statements (continued)

(e) Discontinued operations

During 2020, the Group sold its Mally mining unit classified as discontinued during 2019 under IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. The sale price was US\$10 million (US\$8.5 million plus VAT) with a related cost of US\$3.6 million net of income from the reversal of provision for mining unit closure of US\$5.1 million. As of December 31, 2020, the Group has collected US\$2.0 million and the remaining balance will be paid in two settlements of US\$4 million each in November 2021 and 2022.

The net cash flows used by the mining units with discontinued operations are presented below:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Operating activities	-	(2)	1,800
Investing activities	-	-	(1,817)
Decrease in cash and cash equivalents for the year	<u>-</u>	<u>(2)</u>	<u>(17)</u>

Notes to the consolidated financial statements (continued)

The results of the discontinued operations mining units for the years 2020, 2019 and 2018 are presented below:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Sales	(1)	97	16,666
Cost of sales	-	(2)	(15,261)
Gross profit (loss)	(1)	95	1,405
Operating income (expenses), net			
Income from sale of development costs, property, plant and equipment (sale of Mally mining unit)	7,976	-	-
Reversal of provision for closure of mining unit (sale of Mally mining unit), nota 15(b)	5,093	-	-
Reversal of provision for impairment of value of inventory (sale of Mally mining unit), note 8(c)	1,220	-	-
Income from sale of supplies (sale of Mally mining unit)	606	-	-
Reversal (provision) of contingent and others	13	(134)	(9)
Cost of sale of development costs, property, plant and equipment, nota 11(a)	(3,099)	(44)	(5,100)
Administrative expenses	(3,243)	(8,048)	(1,661)
Cost of sale of supplies (sale of Mally mining unit)	(1,711)	-	-
Provision for impairment of value of inventory, note 8(c)	(377)	(320)	-
Changes in provision for closure of mining units	(58)	(1,912)	(6,013)
Reversal of Impairment loss of long-lived assets, note 11(b)	-	-	2,837
Others, net	(846)	117	(3,162)
Total operating expenses, net	5,574	(10,341)	(13,108)
Operating profit (loss)	5,573	(10,246)	(11,703)
Finance costs, note 15(b)	(176)	(266)	(88)
Net gain (loss) from currency exchange difference	12	(2)	30
Profit (loss) before income tax	5,409	(10,514)	(11,761)
Income tax	-	-	(47)
Profit (loss) from discontinued operations	5,409	(10,514)	(11,808)
Profit (loss) from the discontinued operations, per basic and diluted share, express in U. S. dollars	<u>0.03</u>	<u>(0.04)</u>	<u>(0.03)</u>

- (f) COVID-19 (Corona Virus Disease 2019) in Peru
The Group's operations are subject to risks related to outbreaks of infectious diseases. For example, the recent outbreak of coronavirus COVID-19, a virus causing potentially deadly respiratory tract infections originating and concentrated in China during the year 2019 which was declared a pandemic by the World Health Organization on March 11, 2020, has already and will continue to have a negative effect on the volatility in prices of precious metals. Additionally, a severe market disruption will likely entail decreased demand for our products and otherwise impact our operations and the operations of our customers, suppliers and other stakeholders.

Notes to the consolidated financial statements (continued)

On March 15, 2020, and by means of Supreme Decree No. 044-2020, the Peruvian State declared a State of National Emergency and mandatory social isolation for an initial period of fifteen calendar days, with subsequent extensions. During the first phases of this period, constitutional rights related to personal freedom and security, inviolability of the home and freedom of assembly were restricted, except for the provision and access to certain services and essential goods, such as those related to financial institutions, insurance and pensions, as well as complementary and related services. Operations at national level have been resumed according to a phase plan issued by the Peruvian State.

The Peruvian Government, through a supreme decree has authorized mining operators to gradually restart key activities, permitting mining companies in Peru to resume operations on May 11, 2020 that were scaled back sharply during the State of National Emergency. During this initial trial, companies are obligated to implement strict health and safety protocols approved by the Peruvian Mining Ministry to prevent the spread of infections. Health authorities will also conduct regular inspections in plants and mine sites to monitor compliance. In order to comply with these new regulations, the Group has elected to restart operations through a two-phased approach; prioritizing those mines with the most significant production. It is worth highlighting that Group has already presented the required documentation for restarting operations in all its mines:

Phase 1 (initiated on May 16, 2020)

- Tambomayo
- Uchucchacua
- El Brocal (Tajo Norte and Marcapunta)

Phase 2 (initiated on June 16, 2020)

- Orcopampa
- Julcani
- La Zanja

Considering that the start of the quarantine began in the second half of March, the Group's mining units have operated below the planned volume for year 2020, which is reflected in the variation in sales. During 2020 sales decreased by US\$191.3 million in relation to the previous year mainly explained by the suspension of dispatches, which resulted in lower sales, see note 20. In 2020, the Group's unabsorbed cost due to production stoppage amounted to a total amount of US\$27.8 million (net of intercompany eliminations), and is made up as follows:

Notes to the consolidated financial statements (continued)

	2020 US\$(000)	2019 US\$(000)
Services provided by third parties	13,885	-
Direct labor	11,057	-
Supplies	2,816	-
	<u>27,758</u>	<u>-</u>

Depreciation and amortization incurred during the production stoppage amounts to US\$10.8 million for the year 2020, which is included in “Depreciation and amortization” caption in the consolidated statements of profit or loss.

In January 2021, in response to the significant increase in the number of infections, the number of deaths and the saturation of the health system, the Peruvian Government decreed compulsory social immobilization in ten regions of the country, with the exception of some sectors such as agriculture, energy, hydrocarbons, mining, construction, etc., so it did not affect the Company’s operations. This second immobilization had an initial period of fifteen days from January 31, being extended by 14 days until February 28, 2021. Since March 1, 2021 and for the next 14 days, new measures will be applied to face the COVID-19 pandemic. The Peruvian Government established a curfew at nights, and mandatory social immobilization will be in force all day long on Sundays.

The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore the Group cannot predict the possible impact on the world, the Peruvian economy, the international financial markets, or ultimately on the Group financial condition. However, as part of the business continuity and progress of operations, the Group has been executing its business plan, which expects substantially that currently registered sales levels will increased in the short and medium term, considering: normal regularization of operations, commercial landscape and increase in metal prices.

2. Basis for preparation, consolidation and accounting policies

2.1. Basis of preparation -

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, based on the records of the Company, except for the derivative financial instruments and financial assets and liabilities that have been measured at fair value and discontinued operations that have been valued at the lower of (i) their carrying amount and (ii) its fair value less cost to sell.

The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

The preparation of consolidated financial statements requires that Management use judgments, estimates and assumptions, as detailed on the following note 3.

Notes to the consolidated financial statements (continued)

These consolidated financial statements provide comparative information in respect of prior periods.

2.2. Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries to the date of the consolidated statements of financial position.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights or a combination of rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Notes to the consolidated financial statements (continued)

- 2.3. Changes in accounting policies and disclosures -
Certain standards and amendments applied for the first time in 2020; however, they did not have material impact on the annual consolidated financial statements of the Group and therefore, have not been disclosed. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.
- 2.4. Summary of significant accounting policies -
(a) Foreign currencies -
The Group's consolidated financial statements are presented in US dollars, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and the items included in the financial statements of each entity are measured using that functional currency. For consolidation purposes, each entity presents its financial statements in US dollars.

Transactions and balances

Transactions in foreign currency are initially recorded by the Group at the exchange rates prevailing at the dates of the transactions, published by the Superintendence of Banking and Insurance and Pension Fund Administrators (AFP for its acronym in Spanish).

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising from the settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of a hedge. These are recognized in other comprehensive income (OCI) until the hedge items are disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary assets and liabilities recognized in terms of historical cost are translated using the exchange rates prevailing at the dates of the initial transactions.

Notes to the consolidated financial statements (continued)

(b) Financial instruments -

Initial recognition and subsequent measurement -

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a period established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortized cost.
- Financial assets at fair value through OCI.
- Financial assets at fair value through profit or loss.

Notes to the consolidated financial statements (continued)

Financial assets at amortized cost -

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

This category generally applies to other receivables included in the "Trade and other receivables, net" caption.

Financial assets at fair value through OCI -

Financial assets are classified and measured at fair value through OCI if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

This category generally applies to the "Hedge derivative financial instruments" caption.

Financial assets at fair value through profit or loss -

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of profit or loss.

This category generally applies to the trade receivables included in the "Trade and other receivables, net" caption.

Notes to the consolidated financial statements (continued)

Derecognition -

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset or, (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets -

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements (continued)

The Group considers a financial asset in default when contractual payments are past due according to each contract. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

- (ii) Financial liabilities -
Initial recognition and measurement -
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans, borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial obligations, bank loans, financial liabilities for contingent consideration liability and Hedge derivative financial instruments.

Subsequent measurement -

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for repurchasing in the near term. This category also includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has designated financial liabilities for contingent consideration liability as at fair value through profit or loss.

Notes to the consolidated financial statements (continued)

Financial liabilities at amortized cost (loans and borrowings) -

After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortization is included in the "Financial costs" caption in the consolidated statements of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition -

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of profit or loss.

(iii) Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements (continued)

- (c) Cash and cash equivalents -
“Cash and cash equivalents” caption presented in the consolidated statements of financial position comprise cash at banks and on hand, and short-term highly liquid deposits with a current maturity and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management. In addition, the Group has restricted cash. See Note 6.

- (d) Inventories -
Inventories are valued at the lower of cost or net realizable value. Cost is determined using the average method.

In the case of finished goods and work in progress, cost includes the cost of materials and direct labor and a portion of indirect manufacturing expenses, excluding borrowing costs.

The current portion of the inventories is determined based on the expected amounts to be processed within the next twelve months. Inventories not expected to be processed within the next twelve months are classified as non-current.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to make the sale.

Provision (or reversal) for losses on the net realizable value are calculated based on a specific analysis conducted annually by the Management and is charged to profit or loss in the period in which it determines the need for the provision (or reversal).

Any provision for obsolescence of spare parts and supplies is determined by reference to specific items of stock based on inventory turnover level. A regular review is undertaken to determine the extent of any provision for obsolescence.

- (e) Business combinations and goodwill -
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in “Administrative expenses” caption.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Notes to the consolidated financial statements (continued)

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value, with changes in fair value recognized in either profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured under the fair value at the reporting date with changes in the fair value recorded in the consolidated statement of profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interests held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified again all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statements of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, this difference is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities, of the acquiree, are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(f) Investments in associates and joint venture -

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

Notes to the consolidated financial statements (continued)

Under this method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate and joint ventures since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates and joint ventures. Any change in OCI of those investees is presented, as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate and joint ventures, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in shareholders' equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint ventures is shown on the face of the consolidated statements of profit or loss outside operating profit and represents profit or loss after tax in the associates and joint ventures.

The financial statements of the associates and joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After the application of the equity method, the Group determines whether it is necessary to recognize an impairment loss of its investment in associates and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates and joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss in the consolidated statements of profit or loss.

Upon loss of significant influence over the associate and joint ventures, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate and joint ventures upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statements of profit or loss.

- (g) Prepaid expenses -
Non-monetary assets, which represent an entity's right to receive goods or services, are presented as prepaid expenses. The asset is subsequently derecognized when the goods are received, and the services are rendered.
- (h) Property, plant and equipment -
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Notes to the consolidated financial statements (continued)

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the obligation for mine closing and, borrowing costs for qualifying assets.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. In addition, when a major inspection is performed, its cost is recognized in the carrying amount of plant and equipment as a replacement if the recognition criteria are satisfied. All other maintenance and repair costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation -

Unit-of-production method:

In mining units with long useful lives, depreciation of assets directly related to the operation of the mine is calculated using the units-of-production method, which is based on economically recoverable reserves of the mining unit. Other assets related to these mining units are depreciated using the straight-line method with the lives detailed in the next paragraph.

Straight-line method:

Depreciation of assets in mining units with short useful lives or used for administrative purposes is calculated using the straight-line method of accounting. The useful lives are the following:

	Years
Buildings, construction and other	6 to 20
Machinery and equipment	5 to 10
Transportation units	5
Furniture and fixtures	10
Computer equipment	4

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Disposal of assets -

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal, or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of profit or loss when the asset is derecognized.

Notes to the consolidated financial statements (continued)

(i) Leases -

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

Group as a lessee -

The Group applies a single recognition and measurement approach for all leases, except for short-term leases with no renewal options and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets -

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the related assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities -

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. The Group does not have variable lease payments that depend on an index or a rate.

Notes to the consolidated financial statements (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included "Financial obligation" caption.

iii) *Short-term leases and leases of low-value assets -*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment without renew option. It also applies the lease of low-value assets recognition exemption to leases of office equipment, which are considered low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor -

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in "Other, net" in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(j) *Mining concessions -*

Mining concessions represent ownership of the right of exploration and exploitation to the Group on mining properties that contains ore reserves acquired. Mining concessions are irrevocable, provided the holder of a mining concession complies with the obligations set forth in the General Mining Law. Such concessions have an indefinite term, subject to payment of an annual concession fee per hectare granted and achievement of minimum annual production for each hectare. Mining concessions are stated at cost and are amortized on units of production method, using as the basis proven and probable reserves. If the Group leaves these concessions, the costs associated are written off in the consolidated statements of profit or loss.

Cost includes the fair value attributable to mineral reserves and the portion of mineral resources considered probable of economic extraction at the time of a business combination.

At year-end, the Group evaluates if there is any indicator of impairment. If any indicator exists, the Group estimates the mining concession's recoverable amount.

Mining concessions are presented in the caption of "Mining concessions, development costs, right-of-use asset, property, plant and equipment, net".

Notes to the consolidated financial statements (continued)

- (k) Exploration and mine development costs -
Exploration costs –

Exploration costs are expensed as incurred. These costs primarily include materials and fuels used, surveying costs, drilling costs and payments made to the contractors.

Exploration and evaluation activity include:

- Researching and analyzing historical exploration data.
- Gathering exploration data through geophysical studies.
- Exploratory drilling and sampling.
- Determining and examining the volume and grade of the resource.
- Surveying transportation and infrastructure requirements.
- Conducting market and finance studies.

Development costs –

When the Group's Management approves the feasibility of the conceptual study of a project, the costs incurred to develop such property, including additional costs to delineate the ore body and remove impurities it contains, are capitalized as development costs under the "Mining concessions, development costs, right-of-use asset, property, plant and equipment, net" caption. These costs are amortized when production begins, on the units-of-production basis over the proven and probable reserves.

The development costs include:

- Metallurgical and engineering studies.
- Drilling and other costs necessary to delineate ore body.
- Removal of the initial clearing related to an ore body.

Development costs necessary to maintain production are expensed as incurred.

- (l) Stripping (waste removal) costs -

As part of its mining operations, the Group incurs waste removal costs (stripping costs) during the development and production phases of its mining operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine starts production.

Stripping costs incurred during the production phase (production stripping costs) are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits are probable.
- The component of the ore body for which access will be improved can be accurately identified.
- The costs associated with the improved access can be reliably measured.

Notes to the consolidated financial statements (continued)

To identify components of mineral deposit, the Group works closely with the operating personnel to analyze the mine plans. Mostly, an ore body can have several components. The mine plans, and therefore, the identification of components, will vary among mines for several reasons.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity directly incurred during the stripping activity. The production stripping cost is presented within "Mining concessions, development costs, right-of-use asset, property, plant and equipment, net" caption in the consolidated statements of financial position.

The production stripping cost is subsequently depreciated using the units of production method over the expected useful life of the component identified of the ore body that has been made more accessible by the activity. This production stripping cost is stated at cost, less accumulated depreciation and accumulated impairment losses, if any.

Notes to the consolidated financial statements (continued)

(m) Investment properties -

Investment properties are measured at cost, net of accumulated depreciation and impairment loss, if any. Depreciation of the investment properties is determined using the straight-line method with useful life of 20 years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to an item of property, plant and equipment, the deemed cost for subsequent accounting is the fair value at the date of change in use. If an item of property, plant and equipment becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(n) Impairment of non-financial assets -

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of (i) an asset's or cash-generating unit's (CGU) fair value less costs of disposal and (ii) its value in use. The recoverable amount 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 or CGU 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows limited to the life of the mine.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statements of profit or loss in expense categories consistent with the function of the impaired asset.

Notes to the consolidated financial statements (continued)

For non-financial assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 statements of profit or loss.

(o) Provisions -
General -

Provisions are recognized when the Group 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when 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 finance cost.

Provision for closure of mining units -

The Group records a provision for closure of mining units when a legally enforceable obligation arises, which is independent of the full depletion of the mine reserves.

The Group recognizes a provision for closure of mining units once the obligation has been properly measured. The liability is initially recognized at the present value of the estimated costs and is capitalized as part of the carrying amount of the related mining assets (property, plant and equipment). The discounted liability is increased for the change in present value based on discounted rates that reflects current market assessments and the risks specific to the liability. In addition, the capitalized cost is depreciated and/or amortized based on the useful life of the asset. Any gain or loss resulting from the settlement of the obligation is recorded in the current results.

Changes in the estimated timing of closure or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the provision for closure and a corresponding adjustment to the related mining asset. Any reduction in the provision for closure and, therefore, any deduction from the mining asset to which it relates, may not exceed the carrying amount of the mining asset. If it does, any excess over the carrying amount is recognized immediately to the consolidated statements of profit or loss.

If the change in estimate results in an increase in the provision for closure and, therefore, an addition to the carrying value of the mining asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, the Group performs an impairment test.

Notes to the consolidated financial statements (continued)

For closed mines, changes to estimated costs are immediately recognized in the consolidated statements of profit or loss.

- (p) Treasury shares -
The Group's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional capital in equity. The voting rights related to treasury shares are cancelled for the Group and no dividends on such shares are allocated.
- (q) Revenue recognition -
Revenue from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

The Group has concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sales of goods (concentrates and metals) -

The Group recognizes revenue from sale of concentrates and metals at the point in time when control of the asset is transferred to the customer. Transfer of control is determined in accordance with the terms of each of the contracts entered with the Group's customers; however, under such contracts, transfer of control generally occurs upon shipment or delivery of the goods, including transportation. The recognized revenue corresponds to an amount that reflects the consideration the Group expects to receive in exchange for those products.

Revenue from sale of concentrates and metals is recorded net of "Commercial deductions". Commercial deductions correspond to adjustments in price for treatment and refining charges and can include certain penalties that, in accordance with the applicable contract, are deducted from the international fine metal spot price, and that are incurred after the time of sale of the applicable concentrate. The Group deems these deductions to be part of the transaction price. The normal credit term is 30 to 90 days of delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations, to which a portion of the transaction price needs to be allocated. The Group considers that the only performance obligation is the delivery of the goods. In determining the transaction price for the sale of concentrates and metals, the Group considers the effect of variable consideration and the existence of significant financing components.

Notes to the consolidated financial statements (continued)

Variable consideration -

If the consideration in the contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal for revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Group's sales of concentrates and metals allow for price adjustments based on the market price at the end of the relevant quotation period (QP) stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can generally range between one and four months.

The Group's sales of concentrates and metals are also subject to slight variations in yield that can occur while such goods are in transit to their destination due to variations in humidity, weight and ore grades. Such variations are recognized directly as part of "Sales of goods" once the Group reaches an agreement with the applicable customer in respect of final amounts sold.

Sales of concentrates and metals at provisional prices include a gain (loss) to be received at the end of QP; this is considered a variable consideration. Changes in the price during the quotation period are recognized in the "Sales of goods" caption as "fair value of accounts receivables". See note 20(b).

For provisional pricing arrangements, any future change that occurs over the QP are embedded within the provisional price trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cashflow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition and until the date of settlement. The subsequent changes in fair value are recognized in the consolidated statements of profit or loss for each period and presented separately from revenue from contracts with customer as part of "fair value of trade receivables". See note 20(b). Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations set out in IFRS 13, including interest rate and credit risk adjustments.

Notes to the consolidated financial statements (continued)

Sales of services -

Services are recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. For measuring progress of the services, the Group used the output method in measuring progress of the services due to the Group has the right to invoice an amount that corresponds directly to the performance completed to date.

Significant financing components

The Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when customer pays for that good will be one year or less.

Contract Balances -

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2020 and 2019, the Group has not contractual assets.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If customer pays consideration before the Group transfer goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. As of December 31, 2020 and 2019, the Group has not contractual liabilities.

Cost to obtain a contract

The Group pays sales commissions as part of the sales of services in the insurance brokerage segment. The Group has elected to apply the optional practical expedient for cost to obtain a contract which allows the Group to immediately expense sales commissions because the amortization period of the assets that the Group otherwise would have used is one year or less.

Interest income -

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of profit or loss.

Notes to the consolidated financial statements (continued)

Royalty income -

The royalty income is recognized when the later of the following events occurs: the subsequent sales occur or the performance obligation is satisfied (or partially satisfied).

Dividends -

Dividends from investments is recognized when the Group's right to receive the payment is established, which is generally, when the investments' shareholders approve the dividend.

Rental income -

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in "Other, net" in the consolidated statement of profit or loss due to its operating nature.

(r) *Benefits to employees -*

Salaries and wages, bonuses and vacations are calculated in accordance with IAS 19 "Employee Benefits" and are calculated in accordance with current Peruvian legislation based on the accrual basis.

Workers' profit sharing -

The Group recognizes workers' profit sharing in accordance with IAS 19 "Employees Benefits". Workers' profit sharing is calculated in accordance with the Peruvian law (Legislative Decree No. 892), and the applicable rate is 8% over the taxable net base of current year. According to Peruvian law, the limit in the workers' profit sharing that an employee can receive is equivalent to 18 months of wages, and any excess above such limit has be transferred to the Regional Government and "National Fund for Employment's Promotion and Training" ("FONDOEMPLEO").

(s) *Borrowing costs -*

Costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as finance part of the cost of an asset. The Group defines a qualifying asset as one which value is greater than US\$5 million and requires a longer period to 12 months to get ready for its intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

(t) *Taxes -*

Current income tax -

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid or the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting period.

Notes to the consolidated financial statements (continued)

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except for taxable temporary differences associated with investments in associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in profit and loss, OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to compensate current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Uncertain tax treatment -

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

Notes to the consolidated financial statements (continued)

Peruvian mining royalties and special mining tax –

In accordance with Law No.28258, as amended by Law No. 29788, mining royalties are either payable as the higher of as a specified percentage of operating profit or 1% of revenues. If the mining royalty is calculated as a percentage of operating profit, marginal rates ranging from 1% to 12% that increase progressively for companies with higher operating margins will apply.

Mining royalties and special mining tax are accounted for in accordance with IAS 12 “Income Tax” because they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income-rather than physical quantities produced or as a percentage of revenue-after adjustment for temporary differences. Legal rules and rates used to calculate the amounts payable are those in effect on the date of the consolidated statements of financial position.

Therefore, obligations arising from Mining Royalties and Special Mining Tax are recognized as income tax under the scope of IAS 12. Both, Mining Royalties and Special Mining Tax generated deferred tax assets and liabilities, which must be measured using the average rates expected to apply to operating profit in the quarter in which the Group expects to reverse temporary differences.

Sales tax -

Expenses and assets are recognized net of the amount of sales tax, except:

- (i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- (ii) When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

(u) Fair value measurement

The Group measures its financial instruments at fair value at the date of the consolidated statements of financial position.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Notes to the consolidated financial statements (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the Group's Management analyzes the movements in the values of assets and liabilities, which are required to be re-measured or re-assessed as per the Group's accounting policies.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

- (v) Derivative financial instruments and hedge accounting -
Initial recognition and subsequent measurement -

The Group uses derivative instruments to hedge its commodity price risk (forward commodity contracts) and interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of the hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Notes to the consolidated financial statements (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Notes to the consolidated financial statements (continued)

The Group's hedge is classified as cash flow hedge. The effective portion of gain or loss on the hedging instrument is initially recognized in the consolidated statements of changes in equity, under the "Other equity reserves" caption, while the ineffective portion is recognized immediately in the consolidated statements of profit or loss in the "Finance costs" caption.

(w) Discontinued operations -

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Additional disclosures are provided in note 1(c). All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

(x) Other assets -

The "Other assets" caption includes patents and industrial property, right-of-use related to rights of way, and software licenses. Patents and industrial property and right-of-use are amortized over their useful economic lives. Software licenses are amortized over the straight-line method, using useful lives from 1 to 10 years.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Internally generated intangibles, excluding capitalized development costs, are not capitalized. Instead, the related expenditure is recognized in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Notes to the consolidated financial statements (continued)

3. Significant judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and assumptions are continuously evaluated and based on Management's experience and other facts, including the expectations about future events, which are reasonable under current situation. Uncertainty about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of assets and liabilities affected in future periods. Further information on each of these areas and how they affect the various accounting policies are described below and in the relevant notes to the consolidated financial statements.

3.1. Judgments

In the process of applying the Group's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Contingencies -

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

(b) Development start date -

The Group assesses the status of each exploration project of its mining units to determine when the development phase begins. One of the criteria used to evaluate the development start date is when the Group determines that the property can be economically developed.

(c) Production start date -

The Group assesses the stage of each mine under development to determine when a mine moves into the production phase. The criteria used to assess the start date are determined based on the unique nature of each mining project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared to the original construction cost estimates.
- Completion of a reasonable period of testing of the mine plant and equipment.
- Ability to produce metal in saleable form (within specifications).
- Ability to sustain ongoing production of metal.

Notes to the consolidated financial statements (continued)

When a mine development /construction project moves into the production phase, the capitalization of certain mine development costs cease and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements. It is also at this point that depreciation or amortization commences.

- (d) Useful life of property, plant and equipment
Depreciation is calculated under the straight-line method of accounting considering the lower of estimated useful lives of the assets or estimated reserves of the mining unit. See note 2.4(h) for useful lives.
- (e) Revenue from contracts with customers -
The Group applies judgement for determining the timing of satisfaction of services of revenue from contracts with customers. The Group has concluded that revenue related to services such as energy generation and transmission, industrial services, and other services is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group has determined that the output method is the best method in measuring progress of the services mentioned above due to the Group has the right to invoice an amount that corresponds directly to the performance completed to date.

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- (a) Determination of mineral reserves and resources -
Recoverable proven and probable reserves and resources are the part of a mineral deposit than can be economically and legally extracted or produced at the time of the reserve and resources determination. The determination of reserves involves numerous uncertainties with respect to the ultimate geology of the ore bodies, including quantities, grades and recovery rates. Estimating the quantity and grade of reserves and resources requires the Group to determine the size, shape and depth of its ore bodies by analyzing geological data, such as sampling of drill holes, tunnels and other underground workings. In addition to the geology of the Group's mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods the Group used and the related cost incurred to develop and mine its reserves and resources. The process to estimate proven and probable ore reserves and resources is audited by an independent consultant each year.

All estimated reserves and resources represent estimated quantities of mineral proven and probable that under current conditions can be economically and legally processed. Reviews could occur on reserve and resources estimates due to, among others, revisions to the data or geological assumptions, changes in prices, production costs and results of exploration activities. Changes in estimated reserves and resources could affect mainly the depreciation of development costs, property, plant and equipment related directly to mining activity, the provision for mine closure, the assessment of the deferred asset's recoverability and the amortization period for development costs.

Notes to the consolidated financial statements (continued)

- (b) Units of production depreciation -
Reserves and resources are used in determining the depreciation and amortization of mine-specific assets.

This results in a depreciation or amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each mine's life is assessed annually to evaluate: (i) physical life limitations and (ii) present assessments of economically recoverable reserves of the mine property. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes are recorded prospectively.

- (c) Provision for closure of mining units -
The Group assesses its provision for closure of mining units at each reporting date using a discounted future cash flow method. In determining the amount of the provision, it is necessary to make significant assumptions and estimates, because exist many factors that can affect the final amount of this provision. These factors include estimates of the extent and costs of closure activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates and periods where are expected that such costs will be incurred. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents Management's best estimate of the present value of the future closure costs required.

- (d) Inventories -
Inventories are classified as current or non-current depending on the length of time that Management estimates will be needed to reach the production state of concentrate extraction for each mining unit.

Notes to the consolidated financial statements (continued)

Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Additionally, Management considers the time value of money in calculating the net realizable value of its non-current inventories.

Classified minerals, which are materials with metal content that were removed from the pit of the Colquijirca mining unit for treatment at the expansion operation plant, contain lower grade ore than the average of treated minerals and are available to continue in the process of recovery of mineral and concentrates. Because it is generally impracticable to determine the mineral contained in the classified mineral located in the deposit field near Tajo Norte of Colquijirca mining unit by physical count, reasonable estimation methods are employed. The quantity of minerals delivered to classified mineral is based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated copper, lead and zinc grades of material delivered to classified minerals.

For minerals outside leach platform inventories, finished and in-progress goods are measured by estimating the number of tons added and removed. The number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Tonnages and ounces of mineral are verified by periodic surveys.

For minerals inside leach platform inventories, reasonable estimation methods are employed because it is generally impracticable to determine the mineral contained in leach platforms by physical count. The quantity of material delivered to leach platforms are based on surveyed volumes of mined material and daily production records. Sampling and assaying of blasthole cuttings determine the estimated ore grades of material delivered to leach platforms.

(c) Impairment of non-financial assets -

The Group assesses each asset or cash generating unit in each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of (i) the fair value less costs of disposal and (ii) value in use. The assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, among others. These estimates and assumptions are subject to risk and uncertainty.

The fair value of mining assets is generally calculated by the present value of future cash flows arising from the continued use of the asset, which include some estimates, such as the cost of future expansion plans, using assumptions that a third party might consider. The future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the value of money over time, as well as specific risks of the asset or cash-generating unit under evaluation. The Group has determined the operations of each mining unit as a single cash generating unit.

Notes to the consolidated financial statements (continued)

- (f) **Deferred income tax asset and recoverability -**
Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.
- (g) **Fair value of contingent consideration -**
The contingent consideration arising from a business combination is measured at fair value at the date of acquisition, as part of the business combination. If the contingent consideration is eligible to be recognized as a financial liability, the fair value is subsequently re-measured at each date of the consolidated financial statements. Determining the fair value of the contingent consideration is based on a model of discounted future cash flows. The key assumptions take into account the likelihood of achieving each goal of financial performance as well as the discount factor.

4. **Standards issued but not effective**

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current -

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Notes to the consolidated financial statements (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 -

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 -

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 –

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform -

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide several reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

5. Transactions in soles

Transactions in soles are completed using exchange rates published by the Superintendent of Banks, Insurance and A.F.P. As of December 31, 2020, the exchange rates for U.S. dollars published by this Institution were US\$0.2764 for buying and US\$0.2759 for selling (US\$0.2968 for buying and US\$0.2959 for selling as of December 31, 2019), and have been applied by the Group for the assets and liabilities accounts, respectively.

Notes to the consolidated financial statements (continued)

As of December 31, 2020 and 2019, the Group presents the following assets and liabilities originally denominated in soles by its equivalent in U.S. dollars:

	2020 US\$(000)	2019 US\$(000)
Assets		
Cash and cash equivalents	8,606	6,796
Trade and other receivables	159,099	139,624
Income tax credit	19,837	31,919
	<u>187,542</u>	<u>178,339</u>
Liabilities		
Trade and other payables	(47,705)	(60,311)
Income tax payable	(3,162)	(5,650)
Provisions, contingent liabilities and other liabilities	(38,574)	(41,515)
	<u>(89,441)</u>	<u>(107,476)</u>
Net asset position	<u>98,101</u>	<u>70,863</u>

6. Cash and cash equivalents

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Cash	173	304
Bank accounts (b)	185,276	37,836
Time deposits (c)	50,000	171,906
	<u>235,449</u>	<u>210,046</u>

(b) Bank accounts earn interest at floating rates based on market rates.

(c) As of December 31, 2020 and 2019, time deposits were kept in prime financial institutions, which generated interest at annual market rates and have current maturities, according to the immediate cash needs of the Group.

Notes to the consolidated financial statements (continued)

7. Trade and other receivables, net

(a) This caption is made up as follows

	2020 US\$(000)	2019 US\$(000)
Trade receivables, net (b)		
Domestic clients	129,283	141,005
Foreign clients	46,612	78,860
Related entities, note 30(b)	6,073	6,247
	<u>181,968</u>	<u>226,112</u>
Allowance for expected credit losses (f)	(22,128)	(22,016)
	<u>159,840</u>	<u>204,096</u>
Other receivables		
Tax claims (g)	62,373	44,014
Value added tax credit	44,389	54,328
Accounts receivables to third parties	28,277	31,478
Advances to suppliers	20,569	9,275
Tax deposits (d)	12,413	6,644
Due from for sales of assets (h) and note 1(e)	8,233	21,648
Interest receivable	2,648	3,244
Related entities, note 30(b)	2,312	2,967
Refund applications of value added tax (c)	581	1,657
Loans to personnel	408	1,128
Bank accounts in trust (e)	376	2,510
Dividends receivable	-	2,501
Other minor	475	743
	<u>183,054</u>	<u>182,137</u>
Allowance for expected credit losses (f)	(9,717)	(10,006)
	<u>173,337</u>	<u>172,131</u>
Total trade and other receivables, net	<u>333,177</u>	<u>376,227</u>
Classification by maturity:		
Current portion	230,830	287,712
Non-current portion	102,347	88,515
Total trade and other receivables, net	<u>333,177</u>	<u>376,227</u>
Classification by nature:		
Financial receivables	288,207	320,242
Non-financial receivables	44,970	55,985
Total trade and other receivables, net	<u>333,177</u>	<u>376,227</u>
Classification by measurement:		
Trade receivables (not subject to provisional pricing)	33,287	38,550
Trade receivables (subject to provisional pricing)	126,553	165,546
Other accounts receivables	173,337	172,131
Total trade and other receivables, net	<u>333,177</u>	<u>376,227</u>

(b) Trade accounts receivable are denominated in U.S. dollars, are neither due nor impaired, do not yield interest and have no specific guarantees.

(c) Corresponds mainly to current year refunds applications that are pending as of December 31, 2020.

Notes to the consolidated financial statements (continued)

- (d) Corresponds to deposits held in the Peruvian State bank, which only can be used to offset tax obligations that the Group have with the Tax Authorities.
- (e) Corresponds mainly to collections that are deposited into restricted bank accounts that only can be used for the payment of financial obligations held by the subsidiary Empresa de Generación Huanza S.A. (hereafter "Huanza"), according to the finance lease signed with Banco de Crédito del Perú in 2009. Below is presented the movement:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	2,510	2,782	2,372
Increase	-	166	410
Decrease	(2,134)	(438)	-
Final balance	<u>376</u>	<u>2,510</u>	<u>2,782</u>

- (f) Below is presented the movement in the allowance for expected credit losses:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	32,022	32,102	32,184
Provision for trade receivables, note 24	126	-	18
Provision for other receivable, note 26	4	25	1,334
Provision of the period	<u>130</u>	<u>25</u>	<u>1,352</u>
Foreign exchange difference	(307)	57	(173)
Write off of the period	-	(162)	(410)
Reversals of the period, note 26	-	-	(45)
Other minor	-	-	(806)
Final balance	<u>31,845</u>	<u>32,022</u>	<u>32,102</u>
Trade receivables	22,128	22,016	22,013
Other receivables	<u>9,717</u>	<u>10,006</u>	<u>10,089</u>
	<u>31,845</u>	<u>32,022</u>	<u>32,102</u>

The allowance for expected credit losses of other receivables is related to accounts receivables from third parties.

In the opinion of the Group's Management, the balance of the allowance for expected credit losses is sufficient to cover adequately the risks of failure to date of the consolidated statement of financial position.

- (g) Corresponds to forced payments of tax debts that are in litigation and that, in the opinion of Management and its legal advisors, a favorable result should be obtained in the judicial and administrative processes that have been initiated, see note 29(d):

Notes to the consolidated financial statements (continued)

Detail	Disbursement date	2020 US\$(000)	2019 US\$(000)
Buenaventura -			
SUNAT seizure for payment on account from January to December 2009; January and February 2010.	December 2019	33,240	36,321
Forced payment of part of the tax liability debt for fiscal year 2007.	November and December 2020	19,918	-
Inminsur's tax liability debt (absorbed by Buenaventura), by the inspection process for the years 1996-1997 and claimed in court.	May 2017	1,403	1,412
Payment of the tax liability debt imputed by SUNAT in the IGV inspection process January-December 2014 to benefit from the gradual nature of the fine.	November 2020	1,311	-
Forced payment of part of the tax debt for fiscal year 2010.	December 2020	498	-
		<u>56,370</u>	<u>37,733</u>
Rio Seco -			
Forced payment of part of the VAT tax liability for 2012.	July to September 2019	3,279	3,398
El Brocal -			
Payment under protest of the tax liability for fiscal year 2011.	June 2014	2,303	2,517
Payment of the fine for the benefit of reducing the fine for fiscal year 2015.	January 2020	402	-
Other minor	-	19	101
		<u>2,724</u>	<u>2,618</u>
Consorcio Energético de Huancavelica S.A. -			
Payment of a fine for the benefit of reducing the fine for fiscal year 2011.	July 2016	-	265
		<u>62,373</u>	<u>44,014</u>

- (h) On September 5, 2019, Consorcio Energético de Huancavelica S.A., entered into a contract for the sale of energy transmission systems in the areas of Huancavelica, Trujillo, Cajamarca, Callalli – Ares and Lorema with Conelsur LT S.A.C. for US\$21,023,000, which were collected during the first quarter of 2020.

Notes to the consolidated financial statements (continued)

8. Inventories, net

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Finished goods	2,525	2,084
Products in process (b)	52,619	47,652
Spare parts and supplies	76,937	74,033
	<u>132,081</u>	<u>123,769</u>
Provision for impairment of value of inventory (c)	(31,117)	(25,402)
	<u>100,964</u>	<u>98,367</u>
Classification by use:		
Current portion	77,327	97,973
Non-current portion	23,637	394
	<u>100,964</u>	<u>98,367</u>

(b) Products in process include mainly to mineral in process of El Brocal for 1,527,521 Dried Metric Ton (DMT) amounting to US\$32.2 million (1,592,905 DMT amounting to US\$31.2 million as of December 31, 2019).

(c) The provision for impairment of value of inventory had the following movement:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	25,402	23,163	11,603
<i>Continuing operations:</i>			
Provision for impairment of finished and in progress goods, note 21(a)	8,920	7,329	4,640
Reversal for impairment of finished and in progress goods, note 21(a)	(3,866)	(9,472)	(119)
Provision for impairment of spare parts and supplies, note 26(a)	17,266	15,703	11,704
Reversal for impairment of spare parts and supplies, note 26(a)	(15,762)	(11,641)	(4,665)
<i>Sale of mining unit, note 1(e)</i>	(1,220)	-	-
<i>Discontinued operations, note 1(e):</i>			
Provision for impairment of spare parts and supplies	1,220	843	-
Reversal for impairment of spare parts and supplies	(843)	(523)	-
Final balance	<u>31,117</u>	<u>25,402</u>	<u>23,163</u>

During 2020, the increase in the provision of finished products and in process was generated by the higher cost incurred as a consequence of the lower production of the Tambomayo and Uchucchacua mining units due to lower recoveries.

Notes to the consolidated financial statements (continued)

In the opinion of Group's Management, the provision for impairment of value of inventory adequately covers this risk as of the date of the consolidated statements of financial position.

9. Prepaid expenses

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Prepaid energy services (b)	25,692	26,582
Prepaid insurance	15,794	13,568
Deferred costs of works for taxes	4,855	4,138
Other prepaid expenses	4,174	2,373
	<u>50,515</u>	<u>46,661</u>
Classification by maturity:		
Current portion	25,709	20,969
Non-current portion	24,806	25,692
	<u>50,515</u>	<u>46,661</u>

(b) Corresponds mainly to payments made in advance to EDEGEL for an original amount of US\$31,007,190 corresponding to the right to use the capacity of the hydraulic system of EDEGEL by the subsidiary Empresa de Generación Huanza S.A. This prepayment is being charged to results during the life of the underlying assets (35 years) since January 2015.

10. Investments in associates and joint venture

(a) This caption is made up as follows:

	Share in equity		2020 US\$(000)	2019 US\$(000)
	2020 %	2019 %		
Associates				
Sociedad Minera Cerro Verde S.A.A.	19.58	19.58	1,209,126	1,155,359
Minera Yanacocha S.R.L.	43.65	43.65	157,835	230,000
Compañía Minera Coimolache S.A.	40.10	40.10	104,833	98,426
Tinka Resources Ltd.	19.30	-	12,862	-
			<u>1,484,656</u>	<u>1,483,785</u>
Joint venture (d)			2,254	2,627
Other minor investments			1,865	1,835
			<u>1,488,775</u>	<u>1,488,247</u>

(b) The table below presents the net share in profit (loss) of investments:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Associates			
Sociedad Minera Cerro Verde S.A.A.	53,767	76,451	23,444
Compañía Minera Coimolache S.A.	10,055	12,883	10,994
Minera Yanacocha S.R.L.	(72,219)	(41,580)	(35,582)
Tinka Resources Ltd.	(868)	-	-
	<u>(9,265)</u>	<u>47,754</u>	<u>(1,144)</u>
Joint venture	(252)	(44)	-
	<u>(9,517)</u>	<u>47,710</u>	<u>(1,144)</u>

Notes to the consolidated financial statements (continued)

Investments held by the Group in its associates Minera Yanacocha S.R.L. (through its subsidiary Compañía Minera Condesa S.A.) and Sociedad Minera Cerro Verde S.A.A., represent the most significant investments of the Group. Its operations are strategic to the Group's activities and participation in their results has been significant in relation to profits (losses) of the Group in the years 2020, 2019 and 2018. The following relevant information on these investments is as follows:

Investment in Minera Yanacocha S.R.L.-

The Group, through its subsidiary Compañía Minera Condesa S.A., has an interest of 43.65 percent of Minera Yanacocha S.R.L. (hereinafter "Yanacocha"). Yanacocha is engaged in gold production and exploration and development of gold and copper in their own concessions or owned by S.M.R.L. Chaupiloma Dos de Cajamarca (subsidiary of the Group), with which signed a contract of use of mineral rights.

The Quecher Main project of Yanacocha, an oxide deposit, which is a new open pit within the existing footprint of Yanacocha which began operating in October 2019. This project will add oxide production at Yanacocha and will extend the life of the Yanacocha operation to 2027. During 2020, the ounce production of the project was 55,413 ounces.

In addition, Yanacocha owns the Conga project which consists in two deposits of gold and porphyry of copper located at northeast of Yanacocha operating area in the provinces of Celendín, Cajamarca and Hualgayoc (Peru).

Because of local communities and political protests for potential water impacts of the project development activities and construction, the projects are suspended since November 2011. To date, Yanacocha's management has been making only water support activities recommended by independent experts, mainly the construction of water reservoirs, before carrying out any development project.

In December 2017, Yanacocha acquired 63.92 million of shares (share of 5%) held by International Finance Corporation (IFC) in Yanacocha, for an amount of US\$47.9 million. In June 2018, Sumitomo Corporation (Sumitomo) paid US\$48 million for the five percent stake in the ownership interest in Yanacocha for the proportion held prior to the repurchase of the IFC's ownership stake in December. As a result of that acquisition, the Company recognized a lower value with respect to Yanacocha's equity participation.

Notes to the consolidated financial statements (continued)

In February 2020, the Supreme Court resolution was published, whereby Yanacocha received notification of an unfavorable result in the Tax Dispute related to the amortization of contractual rights (see note 29(d)) for which Yanacocha recorded a liability in term of tax payable for US\$8.1 million and recorded interests and penalties for US\$21.0 million in its financial statements as of December 31, 2019. The potential outstanding liability in this matter amounts to US\$61 million. During 2020, Yanacocha registered an amount of US\$2.1 million related to workers participation related to this resolution. Yanacocha's Management concluded that is not possible to fully predict the outcome of this litigation.

The table below presents key financial data from the financial statements of Yanacocha under IFRS:

	2020 US\$(000)	2019 US\$(000)	
Statements of financial position as of December 31:			
Current assets	1,099,590	1,060,455	
Non-current assets	1,213,848	1,251,617	
Current liabilities	(282,986)	(190,577)	
Non-current liabilities	(1,706,066)	(1,631,783)	
Shareholders' equity, net	324,386	489,712	
Groups' interest	141,594	213,759	
Goodwill	16,241	16,241	
	<u>157,835</u>	<u>230,000</u>	
	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Statements of profit or loss for the years ended December 31:			
Sales of goods	620,162	739,302	680,618
Other comprehensive profit (loss):	123	1,246	(91)
Net loss from continued operations	(165,449)	(95,257)	(81,517)
Share in results	(72,219)	(41,580)	(35,582)

During the years 2020, 2019 and 2018, the Yanacocha's Management evaluated and concluded that there are no indicators of impairment of its long-lived assets; in addition, the Group's management determined that there was no objective evidence that its investment in Yanacocha is impaired as of December 31, 2020 and 2019.

Investment in Sociedad Minera Cerro Verde S.A.A. (Cerro Verde) -

Cerro Verde is engaged in the extraction, production and marketing of cathodes and copper concentrate from its mining unit that is located in Uchumayo, Arequipa, Peru.

The table below presents the key financial data from the financial statements of Cerro Verde under IFRS:

	2020 US\$(000)	2019 US\$(000)
Statements of financial position as of December 31:		
Current assets	1,754,888	1,614,928
Non-current assets	6,012,571	6,194,496
Current liabilities	(450,680)	(420,786)
Non-current liabilities	(1,681,451)	(2,029,315)
Shareholders' equity, net	5,635,328	5,359,323
Group's interest	1,101,363	1,047,596
Goodwill	107,763	107,763
	<u>1,209,126</u>	<u>1,155,359</u>

Notes to the consolidated financial statements (continued)

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Statements of profit or loss for the years ended December 31:			
Sales of goods	2,538,593	2,896,894	3,061,930
Profit for the year	<u>274,544</u>	<u>390,377</u>	<u>119,710</u>
Share in results	<u>53,767</u>	<u>76,451</u>	<u>23,444</u>

The Group's management determined that there was no objective evidence that its investment in Cerro Verde is impaired as of December 31, 2020 and 2019.

Market capitalization:

As of December 31, 2020 and 2019, total market capitalization of shares maintained by the Group in Cerro Verde was US\$1,434 million and US\$1,323 million, respectively (market capitalization value by each share of US\$20.92 and US\$19.30, respectively).

Investment in Compañía Minera Coimolache S.A. (Coimolache) -

Coimolache is involved in the production and the sales of gold and silver from its open-pit mining unit located in Cajamarca, Peru.

The table below presents the key financial data from the financial statements of Coimolache under IFRS:

	2020 US\$(000)	2019 US\$(000)
Statements of financial position as of December 31:		
Current assets	205,893	145,692
Non-current assets	213,073	234,223
Current liabilities	(45,589)	(34,028)
Non-current liabilities	<u>(104,873)</u>	<u>(91,069)</u>
Shareholders' equity, net	268,504	254,818
Adjustments to conform to the accounting policies of the Group	<u>(7,037)</u>	<u>(9,330)</u>
Equity, adjusted	<u>261,467</u>	<u>245,488</u>
Group's interest	<u>104,833</u>	<u>98,426</u>

Notes to the consolidated financial statements (continued)

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Statements of profit or loss for the years ended December 31:			
Sales of goods	203,163	241,173	225,447
Net income from continued operations	22,786	28,459	25,584
Adjustments to conform to the accounting policies	2,293	3,674	1,837
Net income, adjusted	25,079	32,133	27,421
Share in results	10,055	12,883	10,994

The Group's management determined that there was no objective evidence that its investment in Coimolache is impaired as of December 31, 2020 and 2019.

- (c) In January 2020, Buenaventura acquired 19.30 per cent of common shares on a non-diluted basis from Tinka Resources Ltd. (hereinafter "Tinka"), through private placement financing, which represented 65,843,620 common shares of Tinka at a price of C\$0.243 per common share, for gross proceeds to Tinka of C\$16 million (equivalent to US\$13.4 million). The Common Shares issued under the Buenaventura Subscription have a twenty-four-month equity lock-up expiring on January 14, 2022 as well as certain customary standstill provisions. The Common Shares issued pursuant to the Private Placement were subject to a four-month hold period pursuant to Canadian securities laws that expired on May 14, 2020.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Tinka as at the date of acquisition were as follows:

	On acquisition US\$(000)
Current assets	16,548
Non-current assets	53,769
Current liabilities	(612)
Total identifiable net assets at fair value	69,705
Consideration transferred	13,453

Investment in Tinka Resources Ltd. (Tinka) -

Tinka is a Canadian junior exploration and development mining company with its flagship property being the project of Ayawilca. Ayawilca is carbonate replacement deposit (CRD) in the zinc-lead-silver belt of central Peru, in Cerro de Pasco, 200 kilometers northeast of Lima. Tinka is listed on the Lima and Canada Stocks Exchanges.

Notes to the consolidated financial statements (continued)

The table below presents the key financial data from the financial statements of Tinka under IFRS:

	2020 US\$(000)
Statements of financial position as of December 31:	
Current assets	14,075
Non-current assets	50,464
Current liabilities	(876)
Shareholders' equity, net	63,663
Adjustments to conform to the accounting policies of the Group	2,982
Shareholders' equity, net, adjusted	66,645
Group's interest	12,862

Notes to the consolidated financial statements (continued)

2020
US\$(000)

Statements of profit or loss for the years ended December 31:	
Sales of goods	-
Net loss from continued operations	(2,311)
Adjustments to conform to the accounting policies	(2,189)
Net loss, adjusted	(4,500)
Share in results	(868)

The Group's management determined that there was no objective evidence that its investment in Tinka is impaired as of December 31, 2020 and 2019.

Market capitalization:

As of December 31, 2020, total market capitalization of shares maintained by the Group was US\$11.9 million (market capitalization value by each share of US\$0.18).

- (d) The Group, through its subsidiary El Brocal, has an interest of 8 percent in Transportadora Callao S.A., a joint venture which objective was the construction of a fixed conveyor belt of minerals and deposits in the Port of Callao. On May 2014, Transportadora Callao started operations and currently its main activity is the operation of that terminal.

Notes to the consolidated financial statements (continued)

The table below presents the key financial data from the joint venture under IFRS:

	2020 US\$(000)	2019 US\$(000)
Statements of financial position as of December 31:		
Current assets	12,946	11,090
Non-current assets	93,847	100,106
Liabilities	87,005	88,608
Shareholders' equity, reported	19,788	22,588
Group interests	2,254	2,627
Statements of profit or loss for the years ended December 31:		
Revenue	20,571	24,521
Interest income	-	101
Interest expense	(5,252)	(5,694)
Income tax expense or income	311	186
Net loss from continued operations	(2,800)	(665)
Share in results	(252)	(44)

Notes to the consolidated financial statements (continued)

11. Mining concessions, development costs, right-of-use asset, property, plant and equipment, net

(a) Below is presented the movement:

	Balance as of January 1, 2019 US\$(000)	Additions US\$(000)	Disposals US\$(000)	Sales US\$(000)	Reclassifications and transfers US\$(000)	Implementation IFRS 16 US\$(000)	Balance as of December 31, 2019 US\$(000)	Additions US\$(000)	Disposals US\$(000)	Sales (note 1(e)) US\$(000)	Reclassifications and transfers US\$(000)	Balance as of December 31, 2020 US\$(000)
Cost:												
Lands	21,761	630	-	(135)	(4,739)	-	17,517	133	-	-	-	17,650
Mining concessions (f)	151,873	-	-	-	-	-	151,873	-	-	-	-	151,873
Development costs	743,259	46,047	(443)	-	(819)	-	788,044	33,233	-	(8,657)	612	813,232
Buildings, constructions and other	1,342,621	39	(3,559)	(5,380)	26,120	-	1,359,841	99	(132)	(45,624)	28,876	1,343,060
Machinery and equipment	958,466	12	(30,235)	(38,322)	22,783	-	912,704	4	(419)	(42,319)	13,222	883,192
Transportation units	10,885	33	(540)	(1,856)	370	-	8,892	-	-	(577)	-	8,409
Furniture and fixtures	13,306	2	(1,310)	(1)	13	-	12,010	3	(74)	(408)	-	11,737
Units in transit	2,682	-	(1)	-	1,073	-	3,754	-	(373)	-	-	3,381
Work in progress	56,662	44,319	(1,168)	(78)	(49,370)	-	50,365	27,322	(325)	(30)	(42,398)	34,934
Stripping activity asset (g)	141,726	11,545	-	-	819	-	154,090	10,752	(11,633)	-	(612)	152,597
Right-of-use asset (e)	-	3,721	(10,897)	-	-	18,528	11,352	6,221	(1,314)	-	-	16,259
Mine closure costs	284,162	26,722	-	-	-	-	310,884	31,558	-	(6,788)	-	335,654
	<u>3,727,403</u>	<u>133,070</u>	<u>(48,153)</u>	<u>(45,772)</u>	<u>(3,750)</u>	<u>18,528</u>	<u>3,781,326</u>	<u>109,325</u>	<u>(14,270)</u>	<u>(104,403)</u>	<u>-</u>	<u>3,771,978</u>
Accumulated depreciation and amortization:												
Mining concessions (f)	40,249	10	-	-	-	-	40,259	11	-	-	-	40,270
Development costs	298,553	29,964	-	-	-	-	328,517	21,139	-	(8,657)	-	340,999
Buildings, construction and other	591,643	83,274	(3,391)	(3,569)	(638)	-	667,319	74,719	(53)	(44,096)	435	698,324
Machinery and equipment	665,357	66,020	(28,619)	(35,459)	638	-	667,937	60,034	(265)	(40,805)	(435)	686,466
Transportation units	8,599	744	(538)	(1,779)	-	-	7,026	607	-	(550)	-	7,083
Furniture and fixtures	10,123	653	(1,172)	-	-	-	9,604	614	(46)	(348)	-	9,824
Stripping activity asset	70,518	18,405	-	-	-	-	88,923	22,532	-	-	-	111,455
Right-of-use asset (e)	-	7,778	(2,611)	-	-	-	5,167	5,145	(1,231)	-	-	9,081
Mine closure costs	168,471	15,373	-	-	-	-	183,844	14,785	-	(6,789)	-	191,840
	<u>1,853,513</u>	<u>222,221</u>	<u>(36,331)</u>	<u>(40,807)</u>	<u>-</u>	<u>-</u>	<u>1,998,596</u>	<u>199,586</u>	<u>(1,595)</u>	<u>(101,245)</u>	<u>-</u>	<u>2,095,342</u>
Provision for impairment of long-lived assets:												
Mine closure costs	13,207	2,083	-	-	-	-	15,290	(2,083)	-	-	-	13,207
Development costs	10,153	-	-	-	-	-	10,153	-	-	-	-	10,153
Property, plant and other	2,915	-	-	-	-	-	2,915	-	-	-	-	2,915
	<u>26,275</u>	<u>2,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,358</u>	<u>(2,083)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,275</u>
Net cost	<u>1,847,615</u>						<u>1,754,372</u>					<u>1,650,361</u>

Notes to the consolidated financial statements (continued)

(b) Impairment of long-lived assets

In accordance with its accounting policies and processes, each asset or CGU is evaluated annually at year-end, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

In assessing whether impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of (i) the CGU's fair value less costs of disposal (FVLCD) and (ii) its value in use (VIU). Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the recoverable amount for each CGU is estimated based on discounted future estimated cash flows expected to be generated from the continued use of the CGUs using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, and its eventual disposal, based on the latest life of mine (LOM) plans. These cash flows were discounted using a real post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements are obtained from the planning process, including the LOM plans, one-year budgets and CGU-specific studies.

During 2020, Buenaventura identified impairment indicators in its Julcani, Orcopampa, and Uchucchacua. The Group evaluated and concluded that there is no impairment as a result of the analysis of the recoverable amount of said units based on their value in use. The main factors considered in the impairment analysis were reserves, prices and mining useful lives.

As a result of the analysis of the recoverable amount as of December 31, 2020, Buenaventura recognized a reversal for impairment of long-lived assets for US\$2.1 million derived from the evaluation of its Julcani mining unit (recognized a provision for impairment for US\$2.1 million as of December 31, 2019). The main factors considered in the impairment analysis were the increase in metal price projections and the useful lives of the mine. The recoverable amounts of the Julcani mining unit are based in Managements estimations of the value in use.

As a result of the analysis of the recoverable amount as of December 31, 2019, La Zanja has determined not to recognize a provision or recovery for impairment of long-lived assets. As of December 31, 2018, the La Zanja recognized a reversal for impairment of long-lived assets for US\$5.7 million.

During 2018, as a result of derecognition of assets in Shila mining unit, Buenaventura recorded a reversal in the provision for impairment for US\$2.8 million previously recorded in 2016. In addition, La Zanja recorded a reversal for the impairment provision for US\$5.7 million as a result of the analysis of the recoverable amount. The main factors considered in the impairment analysis were reserves and mining useful lives. The recoverable amounts of La Zanja are based in Managements estimations of the value in use.

Notes to the consolidated financial statements (continued)

Key assumptions

The determination of value in use is most sensitive to the following key assumptions:

- Production volumes
- Commodity prices
- Discount rate
- Residual value

Production volumes: Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

As each producing mining unit has specific reserve characteristics and economic circumstances, the cash flows of the mines are computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and resource estimates.

Commodity prices: Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand, building on experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually.

Estimates prices for the current and long-term periods that have been used to estimate future cash flows are as follows:

	2021	2022-2024
	US\$	US\$
Gold	1,800/Oz	1,747/Oz
Silver	23.0/Oz	21.2/Oz
Copper	7,250/TM	7,083/TM
Lead	1,850/TM	2,056/TM

Notes to the consolidated financial statements (continued)

Discount rate: In calculating the value in use, a discount rate after tax of 5.25%, 7.91% and 5.96% (equivalent to pre-tax rate of 8.09%, 12.18% and 9.19%) were applied to the post-tax cash flows of Buenaventura, El Brocal and La Zanja, respectively. These discount rates are derived from the Group's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service. The Beta factors are evaluated annually based on publicly available market data.

- (c) The book value of assets held under finance leases, and assets under trustworthy equity, amounted to US\$187.8 million as of December 31, 2020 (US\$313.3 million as of December 31, 2019) and is presented in various items of property, plant and equipment. During 2020 and 2019, no acquisitions of assets under lease agreements were made. Leased assets are pledged as security for the related finance lease liabilities.
- (d) During 2020 and 2019, no borrowing costs were capitalized.
- (e) The net assets for right-of-use assets maintained by the Group correspond to the following:

	2020 US\$(000)	2019 US\$(000)
Buildings	3,370	4,602
Transportation units	3,330	1,112
Machinery and equipment	<u>478</u>	<u>471</u>
	<u>7,178</u>	<u>6,185</u>

During 2020, the additions to the right-of-use assets were US\$6.2 million and the disposals were US\$1.3 million (US\$3.7 million and the disposals were US\$10.9 million during 2019).

- (f) Mining concessions includes goodwill of El Brocal for an amount to US\$34.0 million.
- (g) In December 2020, as a result of the review of the mineral reserve balances, the subsidiary El Brocal wrote off the phase 9 for a total of 1,102,117 DMT at a value of US\$11,633,000. The write-off corresponds to a loss of reserves due to variation in technical and economic parameters such as: decrease in estimated prices; increased cut-off; percentage decrease in payable items; and new block model. The current balance of this phase is 307,302 DMT valued at US\$3,244,000 and is expected to be produced during the first months of 2021.

Notes to the consolidated financial statements (continued)

12. Other assets, net

(a) Below is presented the movement:

	Balance as of January 1, 2019 US\$(000)	Additions US\$(000)	Transfers US\$(000)	Balance as of December 31, 2019 US\$(000)	Additions US\$(000)	Disposals US\$(000)	Balance as of December 31, 2020 US\$(000)
Cost:							
Patents and industrial property (b)	11,723	2,139	-	13,862	1,014	(167)	14,709
Rights-of-use (c)	12,292	1,319	-	13,611	109	-	13,720
Software licenses	10,168	242	(92)	10,318	518	(22)	10,814
	34,183	3,700	(92)	37,791	1,641	(189)	39,243
Accumulated amortization:							
Rights-of-use (c)	5,948	1,486	-	7,434	731	-	8,165
Software licenses	2,974	820	(112)	3,682	897	(4)	4,575
	8,922	2,306	(112)	11,116	1,628	(4)	12,740
Cost net	25,261			26,675			26,503

(b) The copper plant project is a technological initiative of the Company to develop a viable technical and economic solution for the treatment of complex copper concentrates. This project comprises several stages of development from a laboratory level, pilot to a demonstration stage.

(c) Corresponds to the mineral servitude agreements signed with the communities surrounding the Group's operations, through which the Group is authorized to carry out exploration, development, exploitation and general work activities.

13. Bank loans

The movement is presented below:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	55,000	95,000	95,000
New loans	18,019	55,000	95,000
Payments	(7,197)	(95,000)	(95,000)
Exchange difference	(29)	-	-
Final balance	65,793	55,000	95,000

Notes to the consolidated financial statements (continued)

As of December 31, 2020 and 2019, bank loans were obtained for working capital purposes, have current maturity and accrue interest at market annual rates ranging from 1.65% to 3.7% as of December 31, 2020 (2% to 2.95% as of December 31, 2019).

14. Trade and other payables

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Trade payables (b)		
Domestic suppliers	149,305	131,278
Related entities, note 30(b)	141	29
	<u>149,446</u>	<u>131,307</u>
Other payables		
Taxes payable	9,663	12,043
Remuneration and similar benefits payable	8,860	11,522
Interest payable	3,020	5,318
Royalties payable to the Peruvian State	2,441	2,132
Hedge instruments accounts payables	1,569	-
Dividends payable (c)	638	604
Related entities, note 30(b)	328	51
Other liabilities	3,991	3,883
	<u>30,510</u>	<u>35,553</u>
Total trade and other payables	<u>179,956</u>	<u>166,860</u>
Classification by maturity:		
Current portion	179,956	166,244
Non-current portion	-	616
Total trade and other payables	<u>179,956</u>	<u>166,860</u>
Classification by nature:		
Financial payables	167,852	152,686
Non-financial payables	12,104	14,174
Total trade and other payables	<u>179,956</u>	<u>166,860</u>

(b) Trade payables arise mainly from the acquisition of material, supplies and spare parts and services provided by third parties. These obligations have current maturities, accrue no interest and are not secured.

Notes to the consolidated financial statements (continued)

(c) The movement of dividends payable is presented below:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	604	663	730
Declared dividends to controlling shareholders, note 17(d)	-	22,098	22,860
Dividends paid to controlling shareholders, note 17(d)	-	(22,098)	(22,860)
Declared dividends to non-controlling shareholders, note 17(d)	5,140	6,500	5,560
Dividends paid to non-controlling shareholders, note 17(d)	(5,140)	(6,500)	(5,560)
Expired dividends	(26)	(53)	(44)
Other minor	60	(6)	(23)
Final balance	<u>638</u>	<u>604</u>	<u>663</u>

15. Provisions, contingent liabilities and other liabilities

(a) This caption is made up as follows:

	As of January 1, 2020 US\$(000)	Changes US\$(000)	Accretion expense US\$(000)	Disbursements US\$(000)	Sale of mining unit US\$(000)	As of December 31, 2020 US\$(000)
Closure of mining units and exploration projects (b)	252,305	32,200	6,848	(8,571)	(5,093)	277,689
Bonus to employees and officers	19,226	13,106	-	(15,119)	-	17,213
Environmental liabilities	6,305	(211)	-	(1,056)	-	5,038
Safety contingencies	5,205	(598)	-	(71)	-	4,536
Labor contingencies	3,777	442	-	(139)	-	4,080
Obligations with communities	3,509	96	-	-	-	3,605
Tax contingencies	382	2,728	-	-	-	3,110
Environmental contingencies	1,500	1,640	-	(266)	-	2,874
Board of Directors' participation	1,594	1,493	-	(1,500)	-	1,587
Workers' profit sharing payable	69	57	-	-	-	126
Other provisions	635	(155)	-	-	-	480
	<u>294,507</u>	<u>50,798</u>	<u>6,848</u>	<u>(26,722)</u>	<u>(5,093)</u>	<u>320,338</u>
Classification by maturity:						
Current portion	72,771					68,000
Non-current portion	221,736					252,338
	<u>294,507</u>					<u>320,338</u>

Notes to the consolidated financial statements (continued)

(b) 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:

	2020 US\$(000)	2019 US\$(000)
Beginning balance	252,305	225,877
Additions in estimates		
Continuing mining units, note 11(a)	31,500	26,722
Exploration projects, note 26(a)	642	4,020
Discontinued mining units	58	1,912
Accretion expense		
Continuing mining units, note 27(a)	6,424	10,266
Exploration projects, note 27(a)	248	124
Discontinued mining units, note 1(e)	176	266
Sale of mining unit, note 1(e)	(5,093)	-
Disbursements	(8,571)	(16,882)
Final balance	<u>277,689</u>	<u>252,305</u>
Classification by maturity:		
Current portion	32,462	35,280
Non-current portion	<u>245,227</u>	<u>217,025</u>
	<u>277,689</u>	<u>252,305</u>

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 2021 and 2040. The Group recognizes the provision of closure of mining units and explorations projects based on estimates of studies and activities that meet the environmental regulations in effect and that will be approved by the Ministry of Energy and Mines. The Group recognizes the provision of continued operations based on its analysis and estimates prepared by independent advisors and reviewed by the Group's Management. Provisions related to discontinued operations are based on estimates prepared by internal advisors.

The provision for closure of mining units and exploration projects corresponds mostly to activities that must be carried out for restoring the mining units and areas affected by operation and production activities. The principal works to be performed correspond to earthworks, re-vegetation 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 would 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.

Notes to the consolidated financial statements (continued)

As of December 31, 2020, the future value of the provision for closure of mining units and exploration projects was US\$309.3 million, which has been discounted using annual risk-free rates from minimums of 0.31 to 2.77 percent, in periods of 1 to 20 years (as of December 31, 2019, the provision was US\$252.3 million, which has been discounted using annual risk-free rates from minimums of 1.79 to 3.12 to a maximum percent in periods of 1 to 22 years). The Group believes that this liability is sufficient to meet the current environmental protection laws approved by the Ministry of Energy and Mines.

As of December 31, 2020, the Group has constituted letters of credit in favor of the Ministry of Energy and Mines for US\$140.0 million (US\$121.4 million as of December 31, 2019) to secure current mine closure plans of its mining units and exploration projects up to date.

16. Financial obligations

(a) This caption is made up as follow:

	2020 US\$(000)	2019 US\$(000)
Compañía de Minas Buenaventura S.A.A. (b)		
Banco de Crédito del Perú	66,667	61,667
BBVA Banco Continental	61,667	61,667
CorpBanca New York Branch	61,666	61,666
ICBC Perú Bank	40,000	25,000
Banco Internacional del Perú	30,000	30,000
Banco de Sabadell, Miami Branch	15,000	15,000
Banco Latinoamericano de Comercio Exterior S.A.	-	20,000
	275,000	275,000
Debt issuance costs	(2,715)	(2,504)
	272,285	272,496
Sociedad Minera El Brocal S.A.A.		
Banco de Crédito del Perú – Financial obligation (c)	140,309	161,894
Debt issuance costs	(600)	(709)
	139,709	161,185
Empresa de Generación Huanza S.A.		
Banco de Crédito del Perú – Finance lease (d)	113,096	130,504
Debt issuance costs	(1,276)	-
	111,820	130,504
Lease liabilities (g)	7,839	7,503
Total financial obligations	<u>531,653</u>	<u>571,688</u>
Classification by maturity:		
Current portion	25,086	265,692
Non-current portion (e)	506,567	305,996
Total financial obligations	<u>531,653</u>	<u>571,688</u>

Notes to the consolidated financial statements (continued)

(b) On June 27, 2016, Buenaventura entered into a long-term finance contract with seven Peruvian and foreign banks, with the following terms and conditions:

- Principal: US\$275,000,000.
- Annual interest rate: Three-month LIBOR plus 3%.
- Term: 5 years since June 30, 2016, with final maturity in June 30, 2021.
- Grace Period: Two years.
- Amortization: six semiannual installments of US\$39,285,714 starting July 2018 and a final payment of US\$39,285,716 in June 2021.
- Guarantee: None. The subsidiaries Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A. are the guarantors.

In 2018, Buenaventura signed a first amendment to the Syndicated Term Loan. On April 2, 2020, Buenaventura entered into a second amendment and restructured its financial obligation by modifying some of the clauses as follows:

- Annual interest rate: LIBOR of three months plus 1.9% (LIBOR of three months plus 2.15% as of December 31, 2019)
- Term: 5 years from April 2020, due in April 2025 (4 years from April 2018, due in April 2022 as of December 31, 2019)
- Amortization of credit: five semi-annual installments of US\$41.2 million each since as of October 2022, and one final payment of US\$68,750,000 in April 2025 (on which date all amounts outstanding shall be payable) (five semi-annual installments of US\$55 million each since as of April 2020 as of December 31, 2019).

As part of the commitments, the Group must meet certain consolidated financial ratios as defined in the Agreements, being the main as follows:

- (i) Debt service coverage ratio: Higher than 4.0x.
- (ii) Leverage ratio: Less than 3.0x.
- (iii) Consolidated equity value: Higher than US\$2,711 million.

For the calculation of (i) and (ii), the financial obligations and Earnings Before - Interest Depreciation and Amortization (EBITDA) of Huanza (see note 29(e)).

Notes to the consolidated financial statements (continued)

Additionally, there are non-financial obligations that restrict, among others, the following: i) granting of liens (security interests), ii) related to the distribution of dividends (until December 31, 2018: up to 20% of the available net income for the previous period; and starting January 1, 2019: up to the total of net income for the previous period), according to the execution of the dividend policy of the Buenaventura and iii) incur additional debt.

On December 29, 2020, Buenaventura signed a “Forebearance Agreement” with seven banks in Peru and abroad, through which the financial leverage ratio as well as the obligations of not incurring in additional debt and restriction of the granting of liens are temporarily modified until February 26, 2021 with an additional period of 45 days.

On April 28, 2021, Buenaventura entered into an amendment and waiver to the Syndicated Term Loan which superseded the Forbearance Agreement, pursuant to which the lenders under the Syndicated Term Loan agreed to amend certain terms of the Syndicated Term Loan. Through this amendment and waiver the covenants that were temporarily modified by the Forbearance Agreement were permanently amended and any compliance issues related to such covenants permanently waived.

- (c) On October 29, 2019, El Brocal entered into a new financial obligation of US\$161,893,850 with Banco de Crédito del Perú in order to cancel the two previous obligations: i) Finance leaseback; and ii) Mid-term financial obligation. The new financial obligation has the following terms and conditions:

- Principal (Part A): US\$113,325,695.
- Principal (Part B): US\$48,568,155.
- Annual interest rate (Part A): 3.76 percent.
- Annual interest rate (Part B): Three-month LIBOR plus 2.39 percent.
- Term (Part A): 5 years since October 2019 until October 2024.
- Term (Part B): 7 years since October 2019 until October 2026.

According to the lease contract mentioned above, El Brocal is required to maintain the following financial ratios as defined in the Agreement:

- (i) Debt service coverage ratio: Higher than 1.3.
- (ii) Leverage Ratio: Less than 1.0 times.
- (iii) Indebtedness ratio: Less than 2.25 times.

In April and July 2020, El Brocal arranged with the Banco de Crédito del Perú to defer the payment of the second and third installment, scheduled for April 30, and July 30, 2020 for an amount of US\$5,396,000 each installment (only capital) through 2 new promissory notes to a 180 days. The initial due dates of these promissory notes were October 27, 2020 and January 26, 2021. On October 27, 2020, El Brocal rescheduled the first promissory notes for 180 additional days with a new due date on April 24, 2021.

The sum of both amounts for a total of US\$10,793,000, are presented under “Bank loans” caption. This deferring of the second and third installment does not represent changes in terms and conditions of the original loan.

Notes to the consolidated financial statements (continued)

The compliance with the financial ratios is monitored by El Brocal' s management, which it managed and obtained from Banco de Crédito del Perú a waiver for any possible breach of the financial ratios that occurred for the last quarter of 2020.

(d) On December 2, 2009, Huanza entered into a finance lease contract with Banco de Crédito del Perú. On October 29, 2020, as part of the Group its strategy of preserving cash, Huanza negotiated a reduction of the fixed rate of interest and agreed a modification of the following terms and conditions:

- Principal: final installment of US\$44,191,000 (original amount of US\$119,000,000).
- Annual interest rate: LIBOR 30 days plus 2.10 percent (three-month LIBOR plus 2.75 percent as of December 31, 2019).
- Term: 18 months since November 2, 2020, with final maturity in May 2022 (6 years since August 2014, with final maturity in November 2020 as of December 31, 2019).
- Guarantee: Leased equipment.
- Amortization: a final installment of US\$44,191,000.

On June 30, 2014, Banco de Credito del Perú extended the finance lease contract above mentioned, through the addition of a new tranche. On October 29, 2020, as part of the Group its strategy of preserving cash, Huanza negotiated a reduction of the fixed rate of interest and agreed a modification of the following terms and conditions:

- Principal: final installment of US\$68,905,000 (original amount of US\$103,373,000)
- Annual interest rate: LIBOR 30 days plus 2.10 percent (three-month LIBOR plus 2.75 percent as of December 31, 2019).
- Term: 18 months since November 2, 2020, with final maturity in May 2022 (6 years since August 2014, with final maturity in November 2020 as of December 31, 2019).
- Guarantee: Leased equipment.
- Amortization: a final installment of US\$68,905,000.

In addition, Huanza have granted a security interest for 100 percent of shares.

According to the lease contract mentioned above, Huanza is required to maintain the following financial ratios:

- Debt service coverage ratio: Higher than 1.1.
- Minimum equity of US\$30,000,000.

Management performed an analysis to determine if the modification of the terms and conditions on October 2020 were substantially different terms and shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group concluded that the terms are not substantially different, due to the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate were less than 10 per cent different compared to the discounted present value of the remaining cash flows of the original financial liability.

Notes to the consolidated financial statements (continued)

On December 2, 2009, Huanza signed a “Guarantee Trust Agreement” (hereinafter “the contract”), related to the financial lease agreement described above. In said contract, Huanza and Buenaventura are the trustors, the Bank is the trustee and La Fiduciaria S.A. is the fiduciary. The objective of the contract is the constitution of a trust equity with irrevocable character, which serves entirely as a guarantee of the total payment of the guaranteed obligations, which are based on the agreements, renewals, extensions or modifications established in the financial lease documents.

Under this contract, Huanza promised to grant the following:

- Trust of flows with respect to all the income of the hydroelectric power station of Huanza, including the income from sales of power and energy, through which Huanza is obliged to receive all the cash flows of commercial income through a collection account, as well as carry out certain mandatory actions that guarantee the channeling of flows mentioned above.
- Trust of assets of the station, the lands, the assets of Huanza necessary for the operation of the station that are not under the Financial Lease Agreement and the actions of Huanza, as well as the right of collection on future flows that would correspond receive Huanza before the eventual public auction of the rights and assets of the concession because of the expiration of the concession.
- The conditional transfer, by which Huanza assigns to the Bank the rights and obligations derived from the agreements and contracts signed by Huanza for the construction of the Plant.
- Letters of Guarantee, by means of which, Buenaventura is constituted as Huanza’ s solidarity guarantor, guaranteeing in favor of the Bank the fulfillment of the obligations breached by Huanza.

As of December 31, 2020 and 2019, Huanza complied with these assumed commitments, including that related to the channeling of all the cash flows received for commercial income through a collection account.

Notes to the consolidated financial statements (continued)

(e) The long-term portion of the financial obligations held by the Group matures as follows:

	2020 US\$(000)	2019 US\$(000)
Between 1 and 2 years (Year 2022)	176,665	133,091
Between 2 and 5 years (Years 2023 to 2025)	327,036	127,463
More than 5 years (Years 2026 hereinafter)	6,071	48,566
	<u>509,772</u>	<u>309,120</u>
Debt issuance costs	(3,205)	(3,124)
	<u>506,567</u>	<u>305,996</u>

(f) Below is presented the movement of the debt excluding interest:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	571,688	587,062	633,083
New financial obligations	-	161,894	-
New lease obligations	5,213	19,885	-
Disposals of lease obligations	(977)	(5,079)	-
Payments of financial obligations	(38,994)	(186,152)	(45,222)
Payments of obligations for leases	(4,080)	(7,596)	-
Amortization of debt issuance costs in results, note 27(a)	976	2,109	1,024
Accretion expense for leases related to rights in use, nota 27(a)	180	293	-
Effect of amortized cost, note 27(a)	(361)	-	-
Increase of debt issuance costs	(1,992)	(728)	(2,207)
Other minor	-	-	384
	<u>531,653</u>	<u>571,688</u>	<u>587,062</u>

(g) Lease liabilities related to the right in use are as follows:

	2020 US\$(000)	2019 US\$(000)
Buildings	3,971	5,296
Transportation units	3,186	1,429
Machinery and equipment	682	778
	<u>7,839</u>	<u>7,503</u>
Classification by maturity:		
Current portion	3,609	3,692
Non-current portion	4,230	3,811
	<u>7,839</u>	<u>7,503</u>

Lease payments are presented in the consolidated statements of cash flows in the Short-term lease payments caption as part of the financing activities. Interest's expense related to the lease liabilities for the years 2020, 2019 and 2018 is presented in the "Financial costs" caption, note 27.

Notes to the consolidated financial statements (continued)

Buildings -

Lease liabilities related to buildings mainly correspond to a lease contract entered by Buenaventura on its administrative offices in Lima located in Las Begonias Street N°415, San Isidro, Lima, Peru, with a lease term of 10 years since the year 2013 and fixed payments. The Group has the option to lease the assets for two additional term of 5 years each.

	2020 US\$(000)	2019 US\$(000)
Within one year	1,470	1,470
After one year but not more than five years	2,227	3,697
	<u>3,697</u>	<u>5,167</u>

Transportation units -

The Group has lease contracts for mining vehicles used in its operations. Leases of mining vehicles generally have lease terms between one and three years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. No contracts require the Group to maintain certain financial ratios nor includes variable lease payments.

The Group also has certain leases of assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

17. Shareholders' equity, net

(a) Capital stock -

The Group's share capital is stated in soles and consisted of common shares with voting rights, with a nominal amount of S/10.00 per share. The table below presents the composition of the capital stock as of December 31, 2020 and 2019:

	Number of shares	Capital stock S/(000)	Capital stock US\$(000)
Common shares	274,889,924	2,748,899	813,162
Treasury shares	(21,174,734)	(211,747)	(62,665)
	<u>253,715,190</u>	<u>2,537,152</u>	<u>750,497</u>

The market value of the common shares amounted to S/43.80 per share as of December 31, 2020 (S/47.77 per share as of December 31, 2019). These shares present trading frequencies of 5 and 25 percent in the years 2020 and 2019, respectively.

(b) Investment shares -

Investment shares have a nominal value of S/10.00 per share. Holders of investment shares are neither entitled neither to exercise voting rights nor to participate in shareholders' meetings; however, they confer upon the holders thereof the right to participate in the dividend's distribution. The table below presents the composition of the investment shares as of December 31, 2020 and 2019:

Notes to the consolidated financial statements (continued)

	Number of shares	Investment shares S/(000)	Investment shares US\$(000)
Investment shares	744,640	7,447	2,161
Treasury investment shares	(472,963)	(4,730)	(1,370)
	<u>271,677</u>	<u>2,717</u>	<u>791</u>

The market value of the investment shares amounted to S/16.00 per share as of December 31, 2020 and 2019. These shares did not have a trading frequency in 2020 and 2019.

- (c) Legal reserve -
The Peruvian Corporations Law requires that a minimum of 10 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.

Although, the balance of the legal reserve exceeded the limit mentioned above, the Group increased its legal reserve by US\$26,000 in the year 2020 (US\$53,000 and US\$44,000 in the years 2019 and 2018 respectively) as a result of the expired dividends. According to the General Corporate Law, dividends expire ten years after the payment due.

- (d) Dividends declared and paid -
Due to the State of National Emergency declared in the country and the restrictions to the mining industry, which limit it only to the execution of critical activities, the Board agreed in a non-face-to-face session on April 15, 2020, to exclude distribution of dividends from the agenda of the call to the Annual Mandatory Meeting initially scheduled for March 2020, which took place in July 15, 2020.

Notes to the consolidated financial statements (continued)

The table below presents the dividends declared and paid in 2019 and 2018:

Meetings	Date	Dividends declared and paid US\$(000)	Dividend per share US\$
2019 Dividends			
Mandatory Annual Shareholders' Meeting	March 25	16,538	0.06
Less - Dividends of treasury shares		(1,298)	
		<u>15,240</u>	
Board of Directors' Meeting	October 29	7,442	0.03
Less - Dividends of treasury shares		(584)	
		<u>6,858</u>	
		<u>22,098</u>	
2018 Dividends			
Mandatory Annual Shareholders' Meeting	March 27	8,269	0.03
Less - Dividends of treasury shares		(648)	
		<u>7,621</u>	
Board of Directors' Meeting	October 25	16,538	0.06
Less - Dividends of treasury shares		(1,299)	
		<u>15,239</u>	
		<u>22,860</u>	

According to the current Law, there are no restrictions for the remittance of dividends or repatriation of capital by foreign investors.

Dividends declared by S.M.R.L. Chaupiloma Dos de Cajamarca corresponding to non-controlling interest were US\$5,140,000, US\$6,500,000 and US\$5,560,000 for the years 2020, 2019 and 2018, respectively.

(e) Basic and diluted loss per share -

Loss per share is calculated by dividing net loss for the period by the weighted average number of shares outstanding during the year. The calculation of loss per share attributable to the equity holders of the parent is presented below:

	2020	2019	2018
Loss for the year (numerator) - US\$	(135,718,000)	(12,208,000)	(13,445,000)
Total common and investment shares (denominator)	253,986,867	253,986,867	253,986,867
Loss per basic share and diluted - US\$	<u>(0.53)</u>	<u>(0.05)</u>	<u>(0.05)</u>

Notes to the consolidated financial statements (continued)

The calculation of profit (loss) per share from continuing operations attributable to the equity holders of the Parent is presented below:

	2020	2019	2018
Loss for the year (numerator) - US\$	(141,135,000)	(1,694,000)	(1,637,000)
Total common and investment shares (denominator)	253,986,867	253,986,867	253,986,867
Loss per basic share and diluted - US\$	(0.56)	(0.01)	(0.02)

The common and investment shares outstanding at the close of 2020, 2019 and 2018 were 253,986,867.

18. Subsidiaries with material non-controlling interest

(a) Financial information of main subsidiaries that have material non-controlling interest are provided below:

	Country of incorporation and operation	2020, 2019 and 2018 %			
Equity interest held by non-controlling interests:					
Sociedad Minera El Brocal S.A.A.	Peru	38.57			
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	40.00			
Minera La Zanja S.R.L.	Peru	46.94			
Apu Coropuna S.R.L.	Peru	30.00			
			2020	2019	2018
			US\$(000)	US\$(000)	US\$(000)
Accumulated balances of material non-controlling interest:					
Sociedad Minera El Brocal S.A.A.			144,501	161,917	176,978
Minera La Zanja S.R.L.			26,121	33,026	42,295
S.M.R.L. Chaupiloma Dos de Cajamarca			1,648	1,587	1,800
Apu Coropuna S.R.L.			127	148	164
			<u>172,397</u>	<u>196,678</u>	<u>221,237</u>
Profit (loss) allocated to material non-controlling interest:					
Sociedad Minera El Brocal S.A.A.			(12,895)	(13,432)	2,880
Minera La Zanja S.R.L.			(6,905)	(9,090)	(6,346)
Apu Coropuna S.R.L.			(22)	(14)	(410)
S.M.R.L. Chaupiloma Dos de Cajamarca			5,201	6,286	5,667
Other minor			-	(1)	-
			<u>(14,621)</u>	<u>(16,251)</u>	<u>1,791</u>

Notes to the consolidated financial statements (continued)

(b) The summarized financial information of these subsidiaries, before inter-company eliminations, is presented below:

Statements of financial position as of December 31, 2020:

	Sociedad Minera El Brocal S.A.A. US\$(000)	Minera La Zanja S.R.L. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Apu Coropuna S.R.L. US\$(000)
Current assets	166,396	104,076	6,814	2,064
Non-current assets	553,754	30,486	-	169
Current liabilities	(170,896)	(22,329)	(2,694)	(1,071)
Non-current liabilities	(195,809)	(56,587)	-	(740)
Shareholders' equity, net	353,445	55,646	4,120	422
Attributable to:				
Shareholders of the Group	208,944	29,525	2,472	295
Non-controlling interests	144,501	26,121	1,648	127
	353,445	55,646	4,120	422

Statements of financial position as of December 31, 2019:

	Sociedad Minera El Brocal S.A.A. US\$(000)	Minera La Zanja S.R.L. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Apu Coropuna S.R.L. US\$(000)
Current assets	149,945	112,420	6,252	2,141
Non-current assets	576,028	26,038	-	185
Current liabilities	(118,965)	(20,170)	(2,286)	(1,094)
Non-current liabilities	(210,904)	(47,930)	-	(740)
Shareholders' equity, net	396,104	70,358	3,966	492
Attributable to:				
Shareholders of the Group	234,187	37,332	2,379	344
Non-controlling interests	161,917	33,026	1,587	148
	396,104	70,358	3,966	492

Notes to the consolidated financial statements (continued)

Statements of profit or loss for the years 2020, 2019 and 2018:

	Sociedad Minera El Brocal S.A.A. US\$(000)	Minera La Zanja S.R.L. US\$(000)	S.M.R.L. Chupiloma Dos de Cajamarca US\$(000)	Apu Coropuna S.R.L. US\$(000)	Other minor US\$(000)
Year 2020 -					
Revenues	255,275	33,033	18,638	-	-
Profit (loss) for the year	(31,541)	(14,712)	13,004	(44)	-
Attributable to non-controlling interests	(12,895)	(6,905)	5,201	(22)	-
Year 2019 -					
Revenues	299,252	43,520	22,297	-	-
Profit (loss) for the year	(32,855)	(19,364)	15,715	(48)	(17)
Attributable to non-controlling interests	(13,432)	(9,090)	6,286	(14)	(1)
Year 2018 -					
Revenues	332,298	96,611	20,385	-	-
Profit (loss) for the year	6,305	(13,519)	14,168	(1,369)	-
Attributable to non-controlling interests	2,880	(6,346)	5,667	(410)	-

Statements of cash flow for the years 2020, 2019 and 2018:

	Sociedad Minera El Brocal S.A.A. US\$(000)	Minera La Zanja S.R.L. US\$(000)	S.M.R.L. Chupiloma Dos de Cajamarca US\$(000)	Apu Coropuna S.R.L. US\$(000)
Year 2020 -				
Operating activities	53,304	(5,751)	13,738	(74)
Investing activities	(24,699)	(825)	-	-
Financing activities	(1,954)	-	(12,850)	-
	<u>26,651</u>	<u>(6,576)</u>	<u>888</u>	<u>(74)</u>
Year 2019 -				
Operating activities	1,545	(908)	16,040	-
Investing activities	(28,259)	(1,629)	-	-
Financing activities	(405)	(763)	(16,250)	1,032
	<u>(27,119)</u>	<u>(3,300)</u>	<u>(210)</u>	<u>1,032</u>
Year 2018 -				
Operating activities	74,985	10,323	14,066	(572)
Investing activities	(29,546)	(13,160)	-	-
Financing activities	(29,974)	-	(13,900)	-
	<u>15,465</u>	<u>(2,837)</u>	<u>166</u>	<u>(572)</u>

Notes to the consolidated financial statements (continued)

19. Tax situation

(a) Current tax regime -

The Company and its Peruvian subsidiaries are subject to the Peruvian tax regime. By means of Law N° 1261 enacted on December 10, 2016, the Peruvian government introduced certain amendments to the Income Tax Law, effective January 1, 2017. The most relevant are listed below:

- A corporate income tax rate of 29.5% is set.
- A tax of 5% of the income tax is established to the dividends or any other form of distribution of profits. The rate applicable to dividends will be considered taking into account the year in which the results or profits that form part of the distribution has been obtained. The rate will be considered according to the following: 4.1% with respect to the results obtained until December 31, 2014; 6.8% with respect to the results obtained during the years 2015 and 2016; and 5% with respect to the results obtained from January 1, 2017.
- It has been established that the distribution of dividends to be made corresponds to the oldest retained earnings.

In July 2018, Law No. 30823 was published. Under this Law, the Congress delegated to the Executive Power the power to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

- (i) Since January 1, 2019, the applicable treatment of royalties and remuneration for services rendered by non-domiciled was modified (Legislative Decree No. 1369).
- (ii) The rules that regulate the obligation of legal persons and / or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established.
- (iii) The Tax Code was modified in order to provide greater guarantees to taxpayers in the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide the Tax Administration with tools for its effective implementation.
- (iv) Rules have been established for the accrual of income and expenses for tax purposes since January 1, 2019. Until 2018, there was no normative definition of this concept, so in many cases, accounting rules were used for its interpretation.

On March 31, 2020, Superintendency Resolution 066-2020 / SUNAT was published in which new default interest rates were established in force since April 1, 2020. The default interest rate in national currency went from 1.2% to 1% and in the case of foreign currency it went from 0.6% to 0.5%. Likewise, interest rates for the return of undue or excess payments in national currency went from 0.50% to 0.42% while the foreign currency went from 0.30% to 0.25%. In the case of interest for return due to withholding and / or non-applied perceptions of VAT, it went from 1.2% to 1%.

Notes to the consolidated financial statements (continued)

Through Legislative Decree No. 1488, published on May 10, 2020, a special depreciation regime is established, exceptionally and temporarily, for taxpayers of the General Income Tax Regime, the main aspects of which are the following:

- As of fiscal year 2021, buildings and constructions acquired in fiscal years 2020 to 2022, will be depreciated applying an annual percentage of 20% until their total depreciation, provided that the following conditions are met:
 - (i) Are totally affected by the production of third category taxable income.
 - (ii) Construction would have started as of January 1, 2020. For these purposes, the beginning of construction is understood to be the moment when the building license or other document established by the Regulation is obtained.
 - (iii) Until December 31, 2022, the construction has a work progress of at least 80%. In the case of constructions that have not been completed until December 31, 2022, it is presumed that the work progress to that date is less than 80%, unless the taxpayer proves otherwise. It is understood that the construction has been completed when the approval of the work or other document established by the Regulation has been obtained from the municipality.

- As of fiscal year 2021, assets acquired in fiscal years 2020 to 2021, affected by the production of taxed income, will be depreciated by applying the following annual percentages until they are fully depreciated:
 - Data processing equipment: 50%
 - Machinery and equipment: 20%
 - Land transport vehicle (except railways) with EURO IV, Tier II and EPA 2007 technology, used by authorized companies: 33.3%
 - Hybrid or electric land transport vehicle (except railways): 50%.

Notes to the consolidated financial statements (continued)

- (b) Years open to tax review -
During the four years following the year of filing the tax return, the tax authorities have the power to review and, as applicable, correct the income tax computed by the Group. The Income Tax and Value Added Tax (VAT) returns for the following years are open to review by the Tax Authorities:

Entity	Years open to review by the Tax Authorities
Compañía de Minas Buenaventura S.A.A.	2015-2020
Compañía Minera Condesa S.A.	2015-2020
Compañía Minera Colquirrumi S.A.	2015-2020
Consorcio Energético de Huancavelica S.A.	2015-2020
Contacto Corredores de Seguros S.A.	2015-2020
El Molle Verde S.A.C.	2015-2020
Empresa de Generación Huanza S.A.	2015-2020
Inversiones Colquijirca S.A.	2015-2020
Minera La Zanja S.R.L.	2015-2020
Sociedad Minera El Brocal S.A.A.	2015-2020
S.M.R.L. Chaupiloma Dos de Cajamarca	2015-2020
Procesadora Industrial Río Seco S. A.	2015-2020
Apu Coropuna S.R.L.	2015-2020
Cerro Hablador S. A. C.	2015-2020
Minera Azola S. R. L.	2015-2020

Due to the possible interpretations that the Tax Authorities may give to legislation in effect, it is not possible to determine whether any of the tax audits will result in increased liabilities for the Group. 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. In management's opinion and its legal advisors, any possible additional payment of taxes in the entities mentioned before would not have a material effect on the consolidated financial statements as of December 31, 2020 and 2019.

The open tax process of the Group and its associates are described in note 29(d).

- (c) Tax-loss carryforwards -
As of December 2020 and 2019, the tax-loss carryforward determined by the Group amounts to approximately S/2,469,226,000 and S/1,950,896,000, respectively (equivalent to US\$681,354,000 and US\$588,151,000 respectively). As permitted by the Income Tax Law, the Group has chosen a system that permits to offset these losses with an annual cap equivalent to 50 percent of net future taxable income.

The Group recognized a deferred income tax asset related to the tax-loss carryforward of those companies where is probable that a carryforward can be used to compensate future taxable profits. See note 28.

- (d) Transfer pricing -
For purposes of determining the Income Tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Tax Administration can request this information based on analysis of the Group's operations. The Group's Management and its legal advisers believe that, as a result of the application of these standards, no material contingencies will arise for the Group as of December 31, 2020 and 2019.

Notes to the consolidated financial statements (continued)

20. Sales

- (a) The Group'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. Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Revenues by geographic region:			
Metal and concentrates sales -			
Peru	389,854	476,978	521,017
America – other than Peru	163,500	171,769	370,624
Europe	42,210	60,475	100,792
Asia	39,110	105,645	120,519
	<u>634,674</u>	<u>814,867</u>	<u>1,112,952</u>
Services -			
Peru	20,173	23,501	23,712
America – other than Peru	92	130	289
Europe	20	30	-
	<u>20,285</u>	<u>23,661</u>	<u>24,001</u>
Royalties -			
Peru	18,638	22,297	20,385
	<u>673,597</u>	<u>860,825</u>	<u>1,157,338</u>
Revenues by type of good or services:			
Sales by metal -			
Silver	230,498	298,171	362,122
Gold	229,590	254,194	411,877
Copper	181,311	238,304	274,761
Zinc	120,546	149,317	164,666
Lead	48,426	89,141	85,555
Manganese sulfate	4,051	6,046	6,655
	<u>814,422</u>	<u>1,035,173</u>	<u>1,305,636</u>
Commercial deductions, note 2.4(q)	(179,748)	(220,306)	(192,684)
Sales of goods, note 20(b)	<u>634,674</u>	<u>814,867</u>	<u>1,112,952</u>
Sales of Services, note 20(b)	20,285	23,661	24,001
Royalties income, note 20(b)	18,638	22,297	20,385
Total revenue from contracts with customers	<u><u>673,597</u></u>	<u><u>860,825</u></u>	<u><u>1,157,338</u></u>

Notes to the consolidated financial statements (continued)

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Revenues by type of recognition:			
Goods transferred at a point in time	634,674	814,867	1,112,952
Services transferred over time	20,285	23,661	24,001
Royalties at a point of time	18,638	22,297	20,385
	<u>673,597</u>	<u>860,825</u>	<u>1,157,338</u>

(b) Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the consolidated statement of profit or loss:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Contracts with customers for sale of goods (a)	634,674	814,867	1,112,952
Fair value of accounts receivables	5,154	2,347	(6,013)
Adjustments to prior period liquidations	4,255	394	788
Hedge operations, note 32(a)	(6,464)	4,322	(1,398)
Sale of goods	<u>637,619</u>	<u>821,930</u>	<u>1,106,329</u>
Sale of services, note 20(a)	<u>20,285</u>	<u>23,661</u>	<u>24,001</u>
Royalty income, note 20(a)	<u>18,638</u>	<u>22,297</u>	<u>20,385</u>
	<u>676,542</u>	<u>867,888</u>	<u>1,150,715</u>

(c) Performance obligations -
The performance obligation of the sale of goods is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.
Performance obligation of services is satisfied over-time and payment is generally due upon completion and acceptance of service.

(d) Concentration of sales -
In 2020, the four customers with sales of more than 10 percent of total sales represented 26, 23, 16 and 15 percent from the total sales of the Group (three customers by 25, 16 and 11 percent during 2019 and three customers by 32, 13 and 11 percent during 2018). As of December 31, 2020, 65 percent of the accounts receivable correspond to these customers (84 percent as of December 31, 2019). These customers are related to the mining business.

The Group's sales of gold and concentrates are delivered to its customers (investment banks and national and international well-known companies). Some of these customers have long-term sales contracts with the Group that guarantee supplying them the production from the Group's mines.

Notes to the consolidated financial statements (continued)

(e) Sales expenses -

Sales expenses represent 3%, 3% and 2% of the total operating income for the years 2020, 2019 and 2018, respectively. Sales expenses corresponds mainly to transportation services and shipping costs. Transportation services represent 64%, 58% and 58% of the caption for the years 2020, 2019 and 2018, respectively. Shipping services and expenses represent 13%, 22% and 21% of the caption for the years 2020, 2019 and 2018.

21. Cost of sales, without considering depreciation and amortization

(a) The cost of sales of goods is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance of finished goods and products in process, net of depreciation and amortization	31,938	49,206	37,640
Cost of production			
Services provided by third parties	143,652	196,895	243,410
Consumption of materials and supplies	70,942	96,351	133,961
Direct labor	62,885	79,076	93,122
Electricity and water	36,504	44,583	50,215
Maintenance and repair	22,235	19,729	24,415
Short-term and low-value lease	16,289	20,784	23,539
Transport	12,234	16,341	30,819
Insurances	12,036	12,235	11,311
Provision (reversal) for impairment of finished goods and product in progress, note 8(c)	5,054	(2,143)	4,521
Other minor	11,916	11,755	9,634
Total cost of production of the period	393,747	495,606	624,947
Final balance of products in process and finished goods, net of depreciation and amortization	(31,797)	(31,938)	(49,206)
Cost of sales of goods, without considering depreciation and amortization	393,888	512,874	613,381

Notes to the consolidated financial statements (continued)

(b) The cost of services is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Electricity and water	668	589	249
Direct labor	371	1,231	2,128
Services provided by third parties	189	331	382
Transport	87	148	50
Insurances	81	163	86
Maintenance and repair	55	186	543
Consumption of materials and supplies	20	497	675
Short-term and low-value lease	6	89	92
Other minor	77	144	113
	<u>1,554</u>	<u>3,378</u>	<u>4,318</u>

22. Exploration in operating units

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance of finished goods and products in process, net of depreciation and amortization	<u>444</u>	<u>2,837</u>	<u>5,157</u>
Services provided by third parties	20,406	33,591	71,513
Direct labor	3,361	1,747	2,349
Purchase of land	2,162	-	-
Consumption of materials and supplies	1,426	3,712	8,594
Short-term and low-value lease	766	1,186	2,065
Electricity and water	471	905	1,337
Transport	12	71	192
Maintenance and repair	9	10	450
Other minor	283	548	910
Total exploration in operating units	<u>28,896</u>	<u>41,770</u>	<u>87,410</u>
Final balance of products in process and finished goods, net of depreciation and amortization	<u>(1,296)</u>	<u>(444)</u>	<u>(2,837)</u>
	<u>28,044</u>	<u>44,163</u>	<u>89,730</u>

As of December 31, 2020, 2019 and 2018, disbursements of exploration in operating amount to US\$28.0 million, US\$44.2 million and US\$89.7 million, respectively, which are presented in the "Payments to suppliers and third parties, and other net" caption of the consolidated statements of cash flows.

Notes to the consolidated financial statements (continued)

23. Mining royalties

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Sindicato minero de Orcopampa S.A., note 29(b)	6,180	4,741	12,122
Royalties paid to the Peruvian State	5,569	8,091	9,266
	<u>11,749</u>	<u>12,832</u>	<u>21,388</u>

24. Administrative expenses

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Personnel expenses	34,500	38,566	34,656
Professional fees	10,517	13,924	15,324
Sundry charges	7,766	7,489	3,965
Depreciation and amortization	3,700	3,825	1,295
Board of Directors' compensation	2,178	2,202	3,252
Software licenses	1,731	1,706	1,824
Subscriptions and quotes	1,405	1,492	1,938
Insurance	1,272	720	645
Communications	973	1,296	1,512
Donations	708	1,030	1,617
Short-term and low-value lease	611	1,011	5,818
Maintenance and repairs	579	953	2,732
Consumption of materials and supplies	393	422	436
Canons and tributes	318	410	388
Transport	255	878	1,212
Travel and mobility	153	373	467
Allowance for expected credit losses, note 7(f)	126	-	18
	<u>67,185</u>	<u>76,297</u>	<u>77,099</u>

Notes to the consolidated financial statements (continued)

25. Exploration in non-operating areas

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Services provided by third parties	3,326	3,611	22,764
Personnel expenses	1,705	3,632	4,830
Services provided by third parties	1,538	766	1,211
Lands	420	1,528	1,867
Short-term and low-value lease	327	415	1,524
Consumption of materials and supplies	201	328	1,420
Other minor	958	1,599	2,691
	<u>8,475</u>	<u>11,879</u>	<u>36,307</u>

During 2020, disbursements of exploration in non-operating areas amount to US\$8.5 million mainly focused in Emperatriz and general explorations (US\$11.9 million in 2019 mainly focused in Yumpag and Marcapunta exploration projects, US\$36.3 million during 2018 mainly focused in Yumpag, Marcapunta and Emperatriz exploration projects), which are presented in the "Payments to suppliers and third parties, and other net" caption of the consolidated statements of cash flows.

Notes to the consolidated financial statements (continued)

26. Other, net

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Other income			
Sale of supplies and merchandise to third parties	19,581	32,228	46,128
Reversal for impairment of spare parts and supplies, note 8(c)	15,762	11,641	4,665
Sale of services to third parties	5,626	6,415	3,512
Insurance claim recovery (b)	4,381	-	33,735
Revenue from commercial claims	3,800	2,098	-
Sale of assets to third parties	1,356	19,405	3,863
Sale of supplies to related parties, note 30(a)	890	1,259	27
Income from previous years	475	1,311	1,504
Sale of investment in subsidiary	250	-	7,097
Sale of assets to related parties, note 30(a)	-	11	30
Changes in provisions for exploration projects	-	-	2,433
Recovery of expenses from previous years	-	-	81
Income from rental of investment properties	-	-	45
Expiration of allowance for expected credit losses, note 7(f)	-	-	45
Other minor	1,646	2,632	(566)
	<u>53,767</u>	<u>77,000</u>	<u>102,599</u>
Other expenses			
Disposal cost of sale of supplies and merchandise to third parties	(26,463)	(33,664)	(57,897)
Provision for impairment of spare parts and supplies, note 8(c)	(17,266)	(15,703)	(11,704)
Direct expenses	(3,311)	(15,992)	(9,867)
Expenses from previous years	(1,402)	(2,240)	(1,831)
Disposal cost of sale of supplies and merchandise to related parties	(1,211)	(2,944)	(257)
Changes in provisions for exploration projects, note 15(b)	(642)	(4,020)	-
Withdrawals and disposals of property, machinery and equipment, note 11(a)	(586)	(2,926)	(6,626)
Net cost of property, machinery and equipment to third parties, note 11(a)	(192)	(4,965)	(626)
Allowance for expected credit losses, note 7(f)	(4)	(25)	(1,334)
Net cost of transfer of investments (c)	-	-	(11,178)
Other minor	-	(9,236)	(2,587)
	<u>(51,077)</u>	<u>(91,715)</u>	<u>(103,907)</u>
	<u>2,690</u>	<u>(14,715)</u>	<u>(1,308)</u>

(b) For the year 2020, corresponds to the income of the subsidiary El Brocal related to the indemnity for the insurance claim of US\$4,381,000 as a result of the insurance compensation for the damage suffered by the fire in the electric motor of the 16x22 Dominium Mill located on the first plant that occurred in August 2019. During the year ended December 31, 2020, the amount was collected.

For the year 2018, corresponds to the indemnity for the insurance claim of the rotor 2 of the 20X30 mill motor occurred in May 2017 of the subsidiary El Brocal. The total compensation for lost profits and consequential damages is US\$38,793,000, while the associated costs for mitigation, repair and cost overruns are US\$5,058,000, having a net effect on results of US\$33,735,000, see note 26. As of December 31 of 2018, El Brocal has received the full amount of compensation from the insurance.

Notes to the consolidated financial statements (continued)

- (c) On April 30, 2018, the Company sold its investment in Buenaventura Ingenieros S.A. for US\$7.1 million with a related sale costs of US\$11.2 million. The transaction generated a net loss of US\$4.1 million.

27. **Finance costs and finance income**

- (a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Interest on time deposits	1,074	4,971	5,176
Interests on third parties loans	355	460	561
Interests on tax claims	352	16	1,701
Interests on loans to related parties, note 30(a)	114	86	92
Dividends income	-	3,625	-
Other minor	155	517	340
	<u>2,050</u>	<u>9,675</u>	<u>7,870</u>
Financial obligations amortized costs, note 16(f)	361	-	-
Unrealized change of the fair value related to contingent consideration liability (b)	-	-	1,815
Total finance revenues	<u><u>2,411</u></u>	<u><u>9,675</u></u>	<u><u>9,685</u></u>

Notes to the consolidated financial statements (continued)

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Finance costs:			
Interest on borrowings	19,249	28,418	31,538
Commission for restructuring financial obligations, note 16	3,929	-	-
Interest on commercial obligations	626	-	-
Settlement of hedging financial instruments, note 32(b)	146	-	-
Tax on financial transactions	107	166	173
Interest on loans	55	1	2
Other minor	37	141	703
	<u>24,149</u>	<u>28,726</u>	<u>32,416</u>
Accretion expense for mine closure, note 15(b)	6,672	10,390	4,982
Unrealized change of the fair value related to contingent consideration liability (b)	5,690	655	-
Accrual of debt issuance costs, note 16(f)	976	2,109	1,024
Accretion expense for leases related to rights in use, nota 16(f)	180	293	-
Other minor	155	-	-
	<u>37,822</u>	<u>42,173</u>	<u>38,422</u>

(b) Contingent consideration -

On August 18, 2014, Buenaventura acquired from Minera Gold Fields Peru S.A. ("Gold Fields") 51 percent of the voting shares of Canteras del Hallazgo S.A.C., which represent the whole interest of Gold Fields in the equity of such entity.

Through the fusion with Canteras del Hallazgo S.A.C, the Group is the owner of the Chucapaca project, which is located in the Ichuña district, in the General Sanchez Cerro province, in the Moquegua department, Peru. According to previously performed studies, there is evidence of the existence of gold, silver, copper and antimony in the area, specifically in the Canahuire deposit.

The purchase and sale agreement considered a contingent consideration of US\$23,026,000, which corresponds to the present value of the future royalty payments equivalent to 1.5 percent over the future sales of the minerals arising from the mining properties acquired. The fair value of the future royalty payments was determined using the income approach.

Significant increase (decrease) in the future sales of mineral would result in higher (lower) fair value of the contingent consideration liability, while significant increase (decrease) in the discount rate would result in lower (higher) fair value of the liability. Changes in the fair value of this contingent consideration have been recognized through profit or loss in the consolidated statement of profit or loss.

As of December 31, 2020, it is highly probable that the Group reaches the projected future sales. The fair value of the contingent consideration determined as of December 31, 2020 reflects this assumption and changes in metal prices.

Notes to the consolidated financial statements (continued)

(c) A reconciliation of fair value measurement of the contingent consideration liability is provided below:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance	16,410	15,755	17,570
Variation of the fair value in profit and loss	<u>5,690</u>	<u>655</u>	<u>(1,815)</u>
Final balance	<u><u>22,100</u></u>	<u><u>16,410</u></u>	<u><u>15,755</u></u>

Significant unobservable valuation inputs are provided below:

	2020	2019
Annual average of future sales of mineral (US\$000)	222,238	190,815
Useful life of mining properties	14	14
Pre-tax discount rate (%)	9.30	10.00

The Group has the preferential right of acquisition of the royalty in case Gold Fields decides to sell it.

Notes to the consolidated financial statements (continued)

28. Deferred income tax

(a) The Group recognizes the effects of timing differences between the accounting and tax basis. This caption is made up as follows:

	As of January 1, 2019 US\$(000)	Credit (debit) to consolidated statement of profit or loss US\$(000)	Credit (debit) to consolidated statements of other comprehensive income US\$(000)	Others movements US\$(000)	As of December 31, 2019 US\$(000)	Credit (debit) to consolidated statement of profit or loss US\$(000)	Credit (debit) to consolidated statements of other comprehensive income US\$(000)	As of December 31, 2020 US\$(000)
Deferred asset for income tax								
Tax - loss carryforward	105,462	25,866	-	-	131,328	27,185	-	158,513
Difference in depreciation and amortization rates	61,390	(103)	-	-	61,287	2,616	-	63,903
Provision for closure of mining units, net	11,829	3,684	-	-	15,513	(1,313)	-	14,200
Provision for impairment of value of inventory	6,833	661	-	-	7,494	(195)	-	7,299
Contingent consideration liability	4,648	193	-	-	4,841	1,671	-	6,512
Impairment loss of long-lived assets	7,472	576	-	-	8,048	(6,118)	-	1,930
Other minor	9,200	(432)	-	400	9,168	207	-	9,375
	<u>206,834</u>	<u>30,445</u>	<u>-</u>	<u>400</u>	<u>237,679</u>	<u>24,053</u>	<u>-</u>	<u>261,732</u>
Derivative financial instruments	-	-	-	-	-	-	5,440	5,440
	<u>206,834</u>	<u>30,445</u>	<u>-</u>	<u>400</u>	<u>237,679</u>	<u>24,053</u>	<u>5,440</u>	<u>267,172</u>
Deferred assets for mining royalties and special mining tax	<u>36</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>30</u>	<u>(30)</u>	<u>-</u>	<u>-</u>
Total deferred asset	<u>206,870</u>	<u>30,439</u>	<u>-</u>	<u>400</u>	<u>237,709</u>	<u>24,023</u>	<u>5,440</u>	<u>267,172</u>
Deferred liability for income tax								
Effect of translation into U.S. dollars	(61,271)	14,995	-	-	(46,276)	(31,853)	-	(78,129)
Differences in amortization rates for development costs	(65,988)	(3,357)	-	-	(69,345)	4,509	-	(64,836)
Difference in depreciation and amortization rates	(36,468)	(7,539)	-	-	(44,007)	(3,028)	-	(47,035)
Fair value of mining concessions	(12,745)	(238)	-	-	(12,983)	(1,915)	-	(14,898)
Other minors	(22,700)	3,367	-	-	(19,333)	(7,036)	-	(26,369)
	<u>(199,172)</u>	<u>7,228</u>	<u>-</u>	<u>-</u>	<u>(191,944)</u>	<u>(39,323)</u>	<u>-</u>	<u>(231,267)</u>
Derivative financial instruments	(813)	-	813	-	-	-	-	-
Deferred liability for mining royalties and special mining tax	<u>(2)</u>	<u>(166)</u>	<u>-</u>	<u>-</u>	<u>(168)</u>	<u>(206)</u>	<u>-</u>	<u>(374)</u>
Total deferred liability	<u>(199,987)</u>	<u>7,062</u>	<u>813</u>	<u>-</u>	<u>(192,112)</u>	<u>(39,529)</u>	<u>-</u>	<u>(231,641)</u>
Deferred income tax asset, net	<u>6,883</u>	<u>37,501</u>	<u>813</u>	<u>400</u>	<u>45,597</u>	<u>(15,506)</u>	<u>5,440</u>	<u>35,531</u>

Notes to the consolidated financial statements (continued)

- (b) The deferred tax asset is presented in the consolidated statement of financial position:

	2020 US\$(000)	2019 US\$(000)
Deferred income tax asset	73,850	74,556
Deferred income tax liability	(38,319)	(28,959)
	<u>35,531</u>	<u>45,597</u>

- (c) The following is the composition of the provision for income taxes shown in the consolidated statement of income for the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Income tax expense			
Current	(8,446)	(11,851)	(12,433)
Deferred	(15,270)	37,617	(10,029)
	<u>(23,716)</u>	<u>25,766</u>	<u>(22,462)</u>
Mining Royalties and Special Mining Tax			
Current	(1,478)	(60)	(4,449)
Deferred	(236)	(116)	32
	<u>(1,714)</u>	<u>(176)</u>	<u>(4,417)</u>
Total income tax	<u>(25,430)</u>	<u>25,590</u>	<u>(26,879)</u>

- (d) Below is a reconciliation of tax expense and the accounting profit (loss) multiplied by the statutory tax rate for the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Profit (loss) before income tax	(130,318)	(43,535)	27,033
Profit (loss) for discontinued operations	5,409	(10,514)	(11,808)
Profit (loss) before income tax	<u>(124,909)</u>	<u>(54,049)</u>	<u>15,225</u>
Theoretical gain (loss) for income tax	36,848	15,944	(4,491)
Permanent items and others:			
Effect of translation into U.S. dollars	(31,853)	14,995	(15,248)
Non-deductible expenses	(11,789)	(6,877)	(1,095)
Foreign exchange difference of permanent items	(10,524)	(3,081)	(2,371)
Share in the results of associates and joint ventures	(2,808)	14,074	(337)
Unrecognized deferred tax asset	(2,342)	(9,265)	(2,038)
Deferred stripping cost	(2,521)	-	-
Mining royalties and special mining tax	1,273	(24)	3,118
Income tax income (expense)	<u>(23,716)</u>	<u>25,766</u>	<u>(22,462)</u>
Mining Royalties and Special Mining Tax	<u>(1,714)</u>	<u>(176)</u>	<u>(4,417)</u>
Total income tax	<u>(25,430)</u>	<u>25,590</u>	<u>(26,879)</u>

Notes to the consolidated financial statements (continued)

- (e) Related to the investment in associates, the Group has not recognized a deferred income tax asset by US\$64.2 million as of December 31, 2020, originated by the difference between the financial and taxable basis of these investments (US\$60.4 million as of December 31, 2019). Management believes that the timing differences will be reversed in the future without taxable effects. There is no legal or contractual obligation that would require the Company's Management to sell its investment in its associates (which event would result in a taxable capital gain based on current tax law).

29. Commitments and contingencies

Commitments

- (a) Environmental -

The Group's exploration and exploitation activities are subject to environmental protection standards.

Law No. 28090 regulates 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, subject to the principles of protection, preservation and recovery of the environment.

Law No. 28271 regulates environmental liabilities in mining activities. This Law has the objective 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.

The Group considers that the recorded liability is sufficient to meet the current regulatory environment in Peru.

- (b) Leased concessions -

The Group pays 10 percent 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. The payments are included as royalties, see note 23.

Contingencies

- (c) Legal procedures -

Buenaventura -

The Group 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, could result in material contingencies for the consolidated financial statements.

The possible contingencies amount to US\$5.4 million and US\$3.0 million as of December 31, 2020 and 2019, respectively. See note 15(a).

Notes to the consolidated financial statements (continued)

Yanacocha -

Conga project Constitutional claim -

On October 18, 2012, Marco Antonio Arana Zegarra filed a constitutional claim against the Ministry of Energy and Mines and Yanacocha requesting the Court to order the suspension of the Conga project as well as to declare not applicable the October 27, 2010 directorial resolution approving the Conga Project Environmental Impact Assessment ("EIA").

On October 23, 2012, a Cajamarca judge dismissed the claims based on formal grounds finding that: (i) plaintiffs had not exhausted previous administrative proceedings; (ii) the directorial resolution approving the Conga EIA is valid, and was not challenged when issued in the administrative proceedings; (iii) there was inadequate evidence to conclude that the Conga project is a threat to the constitutional right of living in an adequate environment and; (iv) the directorial resolution approving the Conga project EIA does not guarantee that the Conga project will proceed, so there was no imminent threat to be addressed by the Court. The plaintiffs appealed the dismissal of the case. The Civil Court of the Superior Court of Cajamarca confirmed the above mentioned resolution and the plaintiff presented an appeal.

On March 13, 2015, the Constitutional Court published its ruling stating that the case should be sent back to the first court with an order to formally admit the case and start the judicial process in order to review the claim and the proofs presented by the plaintiff. Yanacocha has answered the claim. Yanacocha cannot reasonably predict the outcome of this litigation. Yanacocha has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

Environmental contingences -

The Peruvian Agency in charge of conducting environmental evaluations and audits is the OEFA, the Environmental Assessment and Enforcement Agency, this institution conducts periodic supervision of the Yanacocha mine. From 2011 to 2020, the OEFA issued notifications of alleged breaches of Yanacocha's environmental standards and environmental management instruments, related to past supervisions. OEFA has resolved identified findings that do not translate into environmental deterioration as a result of some bad practice in the Yanacocha operation. The experience with OEFA, in the case of finding administrative responsibility to Yanacocha, results in a corrective action, in addition to imposing a fine that is calculated by the avoided cost capitalized on the date of issuance of the directorial resolution, multiplied by potential factors of environmental impact. The presumed offenses identified by the OEFA currently range from zero to 3,667 tax units (UIT), each tax unit being equivalent to approximately US\$1,210 based on the current exchange rate with a potential fine for matters pending resolution from zero to US\$4.45 million. Yanacocha is responding to all notifications of alleged violations, but cannot reasonably predict the outcome of the agency's allegations.

Yanacocha has not established a provision in the financial statements for a loss arising from this contingency, which it does not consider probable.

Notes to the consolidated financial statements (continued)

(d) Open tax procedures –

Buenaventura –

- During 2012 and 2014, the Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT) reviewed the income tax for 2007 and 2008. As a result, SUNAT does not recognize tax declared deductions by S/1,056,310,000 (equivalent to US\$291,476,000) in the year 2007 and S/1,530,985,000 (equivalent to US\$422,457,000) for the year 2008. The main unrecognized deduction is the payment made for the removal of the price component of its commercial contracts of gold. In the opinion of management and its legal counsel, the objections are unfounded so Buenaventura should get a favorable result in the initiated claim process.

In November 2018, the Tax Court resolved the appeal proceedings not recognizing the contracts of physical deliveries and the contractual obligation and considers that the payments correspond to an advance financial settlement of Contracts of Derivative Financial Instruments and that the Company would not have accredited the purpose of hedge and the risks covered. The Company's Management with the support of its legal advisers initiated various administrative and judicial actions to present their arguments and defend their rights.

On November 10, 2020, the Tax Court confirmed the reliquidation of the tax debt determined by SUNAT corresponding to 2007 and 2008. With this ruling, on November 13, 2020, SUNAT notified the Company of the start of the compulsory collection of such taxes for S/1,567,297,000 (equivalent to US\$432,477,000), composed of S/192,049,000 (equivalent to US\$52,994,000) of income tax and S/1,375,248,000 (equivalent to US\$379,483,000) of interest and penalties.

The Company made payments under protest during the months of November and December 2020 for S/72,065,000 (equivalent to US\$19,918,000), which are recorded in the caption "Trade and other accounts receivable, net", note 7(g). Based on the opinion of legal advisers who indicate that there are elements to obtain favorable results in the legal proceedings initiated.

The Company requested to SUNAT for an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments, amounting to S/1,505,948,000 (equivalent to US\$415,549,000), for which has been delivered, as a guarantee, letters of guarantee for the total debt plus 5% according to the tax requests for a total of S/1,580,126,000 (equivalent to US\$436,017,000). The application was approved by SUNAT on January 5, 2021 and payments will begin to be made from July 2021.

Notes to the consolidated financial statements (continued)

On December 19, 2018, the Company and its sponsoring attorneys have filed contentious administrative lawsuits before the Judiciary regarding the controversy of taxable years 2007 and 2008.

On December 30, 2020, the Company was notified that the claim corresponding to fiscal year 2007 has been declared unfounded by the Nineteenth Administrative Litigation Court with a Subspecialty in Tax and Customs Issues. On January 11, 2021, the Company and its sponsoring attorneys have filed an appeal against said judgment, which will be submitted to the Superior Court.

The lawsuit referring to fiscal year 2008 is pending resolution in the Twenty-Second Administrative Litigation Court.

In January 2019, the Company and its sponsoring attorneys submitted the requests for precautionary measures in order to suspend the collection actions of the tax debt for the 2007 and 2008 fiscal years.

In August 2019, the Company was notified of the resolution that decided to reject the precautionary request referring to fiscal year 2007. In December 2019, a new request for precautionary measure was presented that has been rejected by the Nineteenth Administrative Litigation Court with Subspecialty in Tax and Customs Issues, which has been appealed and is pending resolution in the Superior Court.

In April 2019, the Twenty-Second Administrative Litigation Court with a Subspecialty in Tax and Customs Issues required the Company to offer an injunction for 60% of the tax debt for fiscal year 2008. In compliance with said mandate, the Company delivered the letter of guarantee for S/511,030,000 (equivalent to US\$141,013,000) with a validity of twelve months, until April 2020. In October 2020, the Company was notified of the resolution that resolved to reject the precautionary request referring to fiscal year 2008 and the letter of guarantee delivered has been without effect and will be returned to the Company.

In December 2019, a new request for a precautionary measure was submitted to the Twenty-Second Administrative Litigation Court with a Subspecialty in Tax and Customs Issues in order to suspend collection actions for 2008. Said Court has required the Company to offer Precautionary for 60% of the tax debt, updated as of January 31, 2020, of S/892,682,000 (equivalent to US\$246,325,000). In compliance with said mandate, the Company has delivered the letter of guarantee for S/535,609,000 (equivalent to US\$147,795,000) with a validity of twelve months, until July 2021. To date, the said precautionary request is pending resolution.

- During 2015, SUNAT reviewed the income tax of 2009 and 2010. As a result, they did not recognize Buenaventura declared tax deductions by S/76,023,000 (equivalent to US\$20,978,000) and the compensation of tax losses for S/561,758,000 (equivalent to US\$155,010,000). The main unrecognized deductions by Buenaventura are: the non-deductibility of bonuses paid to contractors, a provision of doubtful accounts not accepted as an expense and income unduly deducted. In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

Notes to the consolidated financial statements (continued)

In December 2018, the Tax Court resolved the appeal files confirming reparations for S/70,277,000 (equivalent to US\$19,378,000) related to the provision for collection of doubtful debts as an expense and unfounded income unduly deducted. To date, the Company's Management, with the support of its legal advisors, has initiated administrative and judicial actions to present its arguments and make its rights prevail.

In December 2019, SUNAT initiated actions of forced collection of interest and fines for the reliquidation that it has made of prepayments from January to December 2009 and January to February 2010. These are based on the 2007 and 2008 annual tax fiscal years, which were recalculated by SUNAT with the objections mentioned in the first and second paragraphs and which are questioned in the judicial process. On December 20, 2019, SUNAT executed the forced collection of debt amounting to S/120,262,000 (equivalent to US\$33,240,000). In opinion of the legal advisors of the Company, favorable results should be obtained in the judicial process that has been initiated, therefore an account receivable have been recognized in the heading "Trade and other accounts receivable, net", see note 7(g).

On December 4, 2020, the Tax Court confirmed the reliquidation of the tax debt determined by SUNAT for the year 2010. With this ruling, on December 11, 2020, SUNAT has notified the Company of the initiation of the compulsory collection of the taxes for fiscal year 2010 for S/340,074,000 (equivalent to US\$93,839,000).

The Company made payments under dispute in December 2020 for S/1,800,000 (equivalent to US\$498,000) which are recorded in the caption "Trade and other receivables, net", see note 7(g). Based on the opinion of the legal advisors who point out that there are elements to obtain a favorable result in the judicial process initiated.

On January 5, 2021, the Company requested to SUNAT for an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments, amounting to S/339,928,000 (equivalent to US\$93,799,000), for which has been delivered, as a guarantee, letters of guarantee for the total debt plus 5% according to the tax requests for a total of S/357,944,000 (equivalent to US\$98,770,000). The application was approved by SUNAT on January 14, 2021 and payments will begin to be made from July 2021.

On December 14, 2020, the Tax Court confirmed the reliquidation of the tax debt determined by SUNAT for fiscal year 2009. With this ruling, on December 17, 2020, SUNAT notified the Company of the initiation of the compulsory collection of the debt for fiscal year 2009 for S/202,614,000 (equivalent to US\$55,909,000).

The Company made payments under protest in January 2021 for S/18,807,000 (equivalent to US\$5,190,000) which will be recorded in the caption "Trade and other receivables, net". Based on the opinion of the legal advisors who point out that there are elements to obtain a favorable result in the judicial process initiated.

Notes to the consolidated financial statements (continued)

On January 14, 2021, the Company requested to SUNAT for an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments, amounting to S/184,922,000 (equivalent to US\$51,027,000) for which has been delivered, as a guarantee, letters of guarantee for the total debt plus 5% according to the tax requests for a total of S/194,398,000 (equivalent to US\$53,642,000). The application has been approved by SUNAT on January 28, 2021 and payments will begin to be made from July 2021.

On March 5, 2019, the Company and its sponsoring attorneys have filed contentious-administrative lawsuits before the Judiciary regarding taxable years 2009 and 2010.

The lawsuit referring to the 2009 taxable year is pending resolution in the Twenty-Second Administrative Litigation Court.

On November 1, 2020, the Company was notified that the lawsuit corresponding to fiscal year 2010 filed before the Nineteenth Administrative Litigation Court with a Subspecialty in Tax and Customs Issues has been declared founded in relation to the unsupported income unduly deducted from taxable income. On November 9, 2020, the Company and its sponsoring attorneys filed a partial appeal against said judgment, which has been submitted to the Superior Court.

On January 7, 2021, the Company was notified with the second instance judgment, issued by the Sixth Superior Chamber declaring the first instance judgment null ordering the Court to issue a new judgment. On January 21, 2021, the Company and its sponsoring lawyers have presented the Appeal for Cassation that must be raised to the Supreme Court.

In April 2019, the Company and its sponsoring attorneys submitted the requests for precautionary measures in order to suspend the collection actions for the tax debt for the 2009 and 2010 fiscal years.

In May 2019, the Twenty-Second Administrative Litigation Court with a Subspecialty in Tax and Customs Issues required the Company to offer an injunction for 60% of the tax debt for fiscal year 2009. In compliance, the Company delivered the letter of guarantee for S/171,791,000 (equivalent to US\$47,404,000) with a validity of twelve months, until May 2020. Said letter has been renewed with a new letter for 60% of the tax debt for fiscal year 2009, updated as of May 14, 2020, from S/196,485,000 (equivalent to US\$54,218,000) with a guarantee letter of S/117,891,000 (equivalent to US\$32,531,000) valid until May 2021. To date, the precautionary request is pending resolution.

In August 2020, the Company was notified of the judicial resolution that decided to reject the precautionary request related to the tax debt for 2010.

Notes to the consolidated financial statements (continued)

- During the year 2018, SUNAT has audited the income tax declaration for 2014. As a result of this audit, SUNAT does not recognize the Company deductions declared for S/94,898,000 (equivalent to US\$26,186,000). The main disagreements are related to the non-deductibility of bonus paid to contractors, which also affects the compensation of tax losses that can be withheld and the use of balances in favor that are not recognized by SUNAT. In the opinion of the Management and its legal advisors, these repairs are not supported, so that a favorable result in the claim process that they have initiated will be obtained.

On November 12, 2020, the Tax Court (last administrative instance) resolved the appeal, declaring founded, in part, the repair of bonds by contractors and confirming the no recognition of compensation for tax losses. The Company's Management with the support of its legal advisors are initiating administrative and judicial actions to present their arguments and make their rights prevail. As of December 31, 2020, the total possible contingencies related to this audit amount to S/43,462,000 (equivalent to US\$11,993,000).

- During the year 2019, SUNAT reviewed the income tax of the year 2013. As a result, SUNAT did not recognize Buenaventura declared tax deductions by S/148,730,000 (equivalent to US\$41,040,000). The main unrecognized deductions by Buenaventura are the non-deductibility of bonuses paid to contractors, the compensation of tax losses that can be withheld and the use of balances in favor that are not recognized by SUNAT. In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process. As of December 31, 2020, the total possible contingencies related to these audits amount to S/65,751,000 (equivalent to US\$18,143,000).
- During the year 2019, SUNAT reviewed the income tax of the year 2014. As a result, SUNAT did not recognize Buenaventura declared tax deductions related to the non-deductibility of bonus paid to contractors for S/2,067,000 (equivalent to US\$570,000). In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

Notes to the consolidated financial statements (continued)

On November 17, 2020, SUNAT has resolved the claim appeal, confirming the objections made in the inspection process. The Company has paid the tax debt for S/4,744,000 (equivalent to US\$1,311,000) to take advantage of the gradualness in the amount of the fines and has been recorded in the caption "Trade and other accounts receivable, net", see note 7(g), based on the opinion of the legal advisors who indicate that there are arguments to obtain a favorable result in the appeal process that has been initiated before the Tax Court.

The Company's Management and its legal advisors are of the opinion that the results of the procedures in the various instances will be favorable to the Company, which is why they consider that it is not necessary to recognize any provision for these contingencies.

Subsidiaries –

Sociedad Minera El Brocal S.A.A. -

- On May 30, 2014, SUNAT issued tax and fines assessments for the 2011 income tax of El Brocal. They do not recognize the deduction of the loss in derivative financial instruments, the expense in mining royalties and the expenses of feeding of third parties. Within the terms of law, El Brocal filed an appeal that is pending resolution to date. It should be noted that on June 18, 2014, El Brocal decided to pay under protest the income tax assessment by S/8,333,000 (equivalent to US\$2,303,000) so it can have access to a discount benefit of the fine. This payment has been recorded as part of account receivables in the caption "Trade and other accounts receivable, net", see note 7(g).
- On January 8, 2015, SUNAT notified to the subsidiary El Brocal a tax assessment for the 2012 income tax, which was claimed by the subsidiary and rejected by SUNAT. In addition, SUNAT notified a tax assessment for income tax pre-payments from January to December 2012, which amounts to S/4,030,000 (equivalent to US\$1,112,000). El Brocal has filed an appeal to the Tax Court, which is pending resolution.
- On June 14, 2017, SUNAT notified El Brocal determinations and fine resolutions as a result of the inspection procedure initiated by the 2013 income tax where the balances in favor and the taxable tax loss are repaired. These resolutions were claimed without favorable results. On January 24, 2018, El Brocal filed the appeal before the Tax Court.
- On May 13, 2019, the Tax Court notified El Brocal through Resolution No. 3062-3-2019 that accumulated the appeal files of the taxable years 2011, 2012 and 2013; and resolves to nullify the repair of the expense for food and confirms the observations related to the loss by derivative financial instruments and the expense of the payment in mining royalties of the 2011 fiscal year and its incidence in the 2012 and 2013 fiscal years.

As a result of the resolution, the Tax Administration has notified compliance resolutions by relieving income tax and the effects on payments on account for the years 2011, 2012 and 2013. The Brocal has filed an appeal to the Tax Court.

Notes to the consolidated financial statements (continued)

On August 9, 2019, El Brocal filed an administrative contentious lawsuit against the decision of the Tax Court since El Brocal had credited with reliable documentation the basis for the observations on the loss in derivative financial instruments and mining royalties.

As of December 31, 2020, the possible contingencies held by El Brocal amount to S/5,220,000 (equivalent to US\$1,445,000).

El Brocal's legal advisors believe that the outcome of these proceedings will be favorable and therefore, it is not necessary to recognize a provision for these contingencies.

During the year 2019, SUNAT has reviewed the income tax statement for the year 2015. As a result of this review, SUNAT has verified on December 31, 2019 the determination and fine resolutions where it questions the depreciation rate of two tailings and the deduction of the development costs of Smelter Project for a total S/13,930,000 (equivalent to US\$3,844,000) determining a debt of S/3,412,000 (equivalent to US\$942,000). The Management of El Brocal and its legal advisors considered that the reparations are not supported by what they have started the claim process.

On January 27, 2020, El Brocal has canceled the fine resolution with the resolution to benefit from the reduction of the fine. The amount disbursed of S/1,456,000 (equivalent to US\$402,000) has been recorded in the caption "Trade and other accounts receivable, net", see note 7(g).

On December 18, 2020, SUNAT has resolved the claim resource, leaving without effect the observation referred to the deduction of the development costs of the Tajo Smelter Project and has confirmed the repair for the depreciation of the tailings for S/6,108,000 (equivalent to US\$1,661,000). The Management of El Brocal and its legal advisors consider that the objection has no basis, so on January 12, 2021 they have started the appeal process before the Tax Court.

During 2020, SUNAT has reviewed the income tax return for the year 2014. As a consequence of this review, SUNAT has notified on December 30, 2020 the Determination Resolutions and the Fine where it questions the depreciation rate of two tailings dams, the deduction of the development costs of the Tajo Smelter Project and operating expenses for a total of S/16,582,000 (equivalent to US\$4,576,000) determining a debt of S/10,902,000 (equivalent to US\$3,008,000). El Brocal's management and its legal advisors consider that the objections have no basis, so they are starting the claim process.

On January 7, 2021, El Brocal has canceled the tax debt in order to benefit from the reduction of the fine. The amount disbursed of S/7,871,000 (equivalent to US\$2,172,000) has been recorded in the caption "Trade and other accounts receivable, net", see note 7(g).

Minera La Zanja S.R.L. -

During the years 2016, 2017 and 2018, SUNAT audited the income tax for the years 2013 and 2015; as a result, SUNAT does not recognize deductions payments of profit sharing of ceased workers, payments for police protection, balance of profit sharing and the difference in exchange referred to provision of closure of mining unit. On November 20, 2020, the Tax Court has confirmed the repair of the profit sharing and the difference in exchange. The possible contingencies for these unrecognized deductions amount to S/3,185,000 (equivalent to US\$879,000) as of December 31, 2020 (S/2,952,000 equivalent to US\$815,000 as of December 31, 2019). In Management's opinion and its legal advisors, this interpretation is not supported and La Zanja would obtain a favorable result in the claim process that will begin in February 2021.

Notes to the consolidated financial statements (continued)

Empresa de Generación Huanza S.A. -

During 2015, SUNAT audited the 2014 income tax of the subsidiary Huanza. As a result, a portion of the depreciation of its fixed assets is not recognized for S/27,532,000 (equivalent to US\$7,597,000). The possible contingency amounts to S/7,532,000 (equivalent to US\$2,080,000) as of December 31, 2020 (S/6,999,000 equivalent to US\$2,071,000 as of December 31, 2019). In the opinion of Huanza's Management and its legal advisors, this interpretation has no basis and therefore, Huanza would obtain a favorable result in the appeal process that has begun.

Río Seco S.A.-

The Customs Division of the SUNAT has determined an alleged omission in the payment of the General Sales Tax of S/1,815,000 (equivalent to US\$501,000) in an import made in 2012 of certain equipment for the construction of the industrial plant. SUNAT supported its position that Río Seco should have included the amount of the consideration paid by Río Seco for the engineering services provided by its suppliers abroad in the customs value. In the opinion of Management and its legal advisors, this observation is not substantiated and a favorable ruling should be obtained in the complaint and appeal process.

On March 13, 2019, the Tax Court notified Resolution No. 0844-A-2019 that confirmed the observation of the Tax Administration.

On May 17, 2019, SUNAT initiated the coercive collection actions of the tax debt. Río Seco initiated several administrative and judicial actions to suspend the collection, without favorable results. During July to September 2019, Tax Administration has executed the forced collection of the tax debt amounting to S/11,153,000 (equivalent to US\$3,279,000). In the opinion of the legal advisors of Río Seco, a favorable result should be obtained in the judicial process that has been initiated, so that said collection has been recorded in the heading "Trade and other receivables, net", see note 7(g).

On June 13, 2019, Río Seco has filed an administrative contentious lawsuit against the Tax Court's Resolution so that the Judicial Power declares its nullity and ignore the Tax Administration's objection.

Other subsidiaries -

In addition, SUNAT has issued tax assessments as a result of the audit of income taxes of other subsidiaries for S/9,485,000 (equivalent to US\$2,617,000). In the opinion of the Management and its legal advisors, the assessments are of possible occurrence; however, the subsidiaries expect to obtain a favorable outcome in the appeal processes initiated.

Associates-

Cerro Verde -

Mining Royalties

Notes to the consolidated financial statements (continued)

On June 23, 2004, Law N ° 28528 - Law of Mining Royalty was approved by which the owners of the mining concessions had to be paid, as financial compensation for the exploitation of metallic and non-metallic mineral resources, a mining royalty that was determined applying rates that change between 1% and 3% on the value of the concentrate or its equivalent, according to the price quotation of the international market published by the Ministry of Energy and Mines. Based on the contract of the guarantee signed in 1998, Cerro Verde determined that the payment of mining royalties was not applicable, because it was the contribution after the signing of the contract of the Law of Conquest of the Peruvian Government. However, under the terms of its new guarantee contract, which became effective on January 1, 2014, Cerro Verde began to pay mining royalties and special mining tax for all its production based on Law No. 29788, which it is calculated on the operating profit with rates that fluctuate between 1% and 12%. The amount to be paid for the mining royalty will be the highest amount that results from comparing the result of applying on the quarterly operating profit (the rate is established based on the operating margin for the quarter) or one percent (1%) of revenues generated by sales made in the calendar quarter.

SUNAT has assessed mining royalties on materials processed by Cerro Verde's concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2013. Cerro Verde contested each of these assessments because it believes that its 1998 stability agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing such minerals. No assessments can be issued for years after 2013, as Cerro Verde began paying royalties on all of its production in January 2014 under its new 15-year stability agreement.

Since 2017, Cerro Verde has recorded charges for S/2.8 billion (approximately US\$771.2 million at closing exchange rate as of December 31, 2020, including interest, deferral interest and penalties for US\$496.5 million) related to the tax observations for mining royalties and special tax on mining for the period December 2006 to December 2013. Since 2014, Cerro Verde has been paying these disputed assessments for the period from December 2006 to December 2013 through fractionation programs (granted through a schedule equivalent to 66 installments monthly), all under protest. As of December 31, 2020, Cerro Verde has made payments for fractionation for a total of S/1.6 billion (equivalent to US\$476.7 million based on the exchange rate on the payment date and US\$435.2 million based on the closing exchange rate at the December 31, 2020).

On July 13, 2020, Cerro Verde requested acceptance of the deferral payment, approved by Legislative Decree No. 1487 that includes an interest rate reduction by the debts administered by SUNAT related to the current installments of the Special Mining Tax for the period October 2011 until December 2013. The request considers six months deferral and thirty installments. This application was approved by SUNAT in August 2020.

On February 2020, Cerro Verde filed arbitration proceedings to International Centre for Settlement of Investment Disputes (CIADI).

Notes to the consolidated financial statements (continued)

Other assessments received from SUNAT

Cerro Verde has also received assessments from SUNAT for additional taxes (other than the mining royalty), including penalties and interest. Cerro Verde has filed or will file objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Year	Taxes US\$(000)	Penalty and interest US\$(000)	Total US\$(000)
2003 - 2005	8,780	39,700	48,480
2006	11,206	51,769	62,975
2007	12,821	21,177	33,998
2008	16,906	16,859	33,765
2009	56,000	51,606	107,606
2010	53,700	117,880	171,580
2011	41,063	67,932	108,995
2012	869	9,477	10,346
2013	48,401	65,902	114,303
2014 - 2020	44,864	-	44,864
	<u>294,610</u>	<u>442,302</u>	<u>736,912</u>

As of December 31, 2019, Cerro Verde has paid US\$432.7 million from which US\$190.5 million which are included in the financial statements of Cerro Verde, for these file objections. Cerro Verde considers will be recovered.

Yanacocha -

Withholding income tax for fiscal years 2002 and 2003 -

The Tax Administration challenged the withholding tax rate applied on the technical assistance services provided by a non-resident supplier. The services were executed in Peru and also abroad; however, Yanacocha was not able to prove that during the tax audit. Based on that, the Tax Administration considers that the services were wholly executed in Peru; therefore, the withholding tax rate should be 30% instead of 12%. Currently there is no contingency in this regard. The tax liability has been paid by Yanacocha.

Tax Dispute related to the amortization of the contractual rights -

In 2000, Yanacocha paid Buenaventura and Minas Conga S.R.L. a total of US\$29 million to assume their respective contractual positions in mining concession agreements with Chaupiloma Dos de Cajamarca S.M.R.L. The contractual rights allowed Yanacocha the opportunity to conduct exploration on the concessions, but not a purchase of the concessions. The tax authority alleges that the payments to Buenaventura and Minas Conga S.R.L. were acquisitions of mining concessions requiring the amortization of the amounts under the Peru Mining Law over the life of the mine. Yanacocha expensed the amounts at issue in the initial year since the payments were not for the acquisition of a concession but rather these expenses represent the payment of an intangible and therefore, amortizable in a single year or proportionally for up to ten years according to Income Tax Law. In 2010, the Tax Court in Peru ruled in favor of Yanacocha and the tax authority appealed the issue to the judiciary. The first appellate court confirmed the ruling of the Tax Court in favor of Yanacocha. However, in November, 2015, a Superior Court in Peru made an appellate decision overturning the two prior findings in favor of Yanacocha. Yanacocha has appealed the Superior Court ruling to the Peru Supreme Court. On January 18, 2019, the Peru Supreme Court issued notice that three judges support the position of the tax authority and two judges support the position of Yanacocha. Because four votes are required for a final decision, an additional judge was selected to issue a decision and the parties conducted oral arguments in April 2019. In early February 2020, the additional judge ruled in favor of the tax authority, finalizing a decision of the Peru Supreme Court against Yanacocha. Yanacocha will file an action objecting to the fines and interest associated with the underlying decision of the Peru Supreme Court. As a result of the resolution, during 2019 Yanacocha recorded a liability for said process for tax payable of US\$8 million and it additionally recorded interest and penalties for US\$16.8 million and US\$4 million, respectively. The potential liability in this matter is in the form of fines and interest in an amount up to US\$61 million. In addition, during 2020, Yanacocha registered an amount of US\$2.1 million related to workers participation related to this resolution. It is not possible to fully predict the outcome of this litigation.

Notes to the consolidated financial statements (continued)

(e) Letters of credit –

Letters of credit with financial entities -

With the objective that Buenaventura can benefit from the fractionation with respect to its tax debt, Buenaventura delivered letters of guarantee for S/1,780,126,238 (equivalent to US\$491.0 million) as of December 31, 2020 issued by financial entities. Likewise, in order to guarantee the obligations, Buenaventura granted in favor of the financial entities the following guarantees:

- (i) Security interest on the 68,556,629 shares owned by Buenaventura in Sociedad Minera Cerro Verde S.A.A. that represent the totality of its participation as well as the shares that Buenaventura acquires or receives in the future from said company.
- (ii) Security interest on the 558,044,001 indirectly owned shares of Buenaventura - through Compañía Minera Condesa S.A. - in Minera Yanacocha S.R.L., which represent the totality of its participation, as well as on the shares that Condesa acquires or receives in the future of said society.
- (iii) Security interest on one share owned by Buenaventura in Empresa de Generación Huanza S.A., and on 186,413,288 shares owned by Consorcio Energético de Huancavelica S.A. in Empresa de Generación Huanza S.A., which represent all of Buenaventura's direct and indirect participation in said company, as well as the shares that Buenaventura and Consorcio Energético de Huancavelica S.A. acquire or receive in the future from said company.
- (iv) Security interest on 4,965,941 shares owned by Buenaventura in Sociedad Minera El Brocal S.A.A., and on 90,846,185 shares owned by Inversiones Colquijirca S.A. in Sociedad Minera El Brocal S.A.A., which represent all of Buenaventura's direct and indirect participation in said company, as well as the shares that Buenaventura e Inversiones Colquijirca S.A. acquire or receive in the future from said company.

Notes to the consolidated financial statements (continued)

- (v) Security interest on 21,130,260 shares currently held by Compañía Minera Condesa S.A. in Buenaventura, as well as on the shares that Buenaventura may issue in the future in the name of Compañía Minera Condesa S.A.
- (vi) Corporate guarantee subject to New York law, granted by the following Buenaventura group companies, which are also guarantors under the Syndicated Loan: Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A.

In addition to complying with the payment of the tax debt in accordance with the fractionation, Buenaventura assumes within the agreement with the financial entities ("secured creditors") the following specific obligations:

- Not to incur, or allow any of its subsidiaries to incur, additional financial debt or grant additional liens on its assets or those of its subsidiaries except for (i) those guarantees that must be established by legal mandate, (ii) loans between Buenaventura and its subsidiaries up to a sum that, together, does not exceed US\$50 million, and provided that with respect to them a subordination agreement to the guaranteed obligations is entered into, on terms satisfactory to the secured creditors, and (iii) for what is regulated in the guarantee letter contracts. For the purposes of this obligation, a financial debt shall be understood to be any payment obligation with financial or capital market institutions, as well as any other payment obligation that accrues interest.

Notes to the consolidated financial statements (continued)

- To allocate any dividend, profit or income that Buenaventura receives as a result of the shares and participations affected with the guarantees exclusively to the attention of the development of its ordinary operating activities according to the line of its business, to the payment of its current debts with the tax administration and / or to the amortization of the debts that Buenaventura has with financial entities.
- Maintain a minimum coverage ratio of 1.6x reported on a quarterly basis. The coverage ratio is defined as the quotient that results from dividing the value of the guarantees by the guaranteed debt.

Additionally, letters of guarantee were established for S/653.5 million (equivalent to US\$180.3 million) in order to guarantee the payment of the tax debt for tax years 2008 and 2009 in the event of obtaining precautionary measures by the Judicial Power and while the contentious administrative claims on the merits.

Letters of credit with regional governments and others -

In addition to the guarantee letters related to the plans for the closure of mines and projects, mentioned in the note 15(b), The Group maintains letters of credit with regional governments and others for US\$852,000 as of December 31, 2020 (US\$361,000 as of December 31, 2019).

Notes to the consolidated financial statements (continued)

30. Transactions with related companies

(a) The Group has carried out the following transactions with its related companies in the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Associates -			
Revenues from:			
Royalties	18,638	22,297	20,385
Energy	3,173	3,181	3,002
Supplies, note 26(a)	890	1,259	27
Mineral	211	683	1,321
Mining concessions, property, plant and equipment, note 26(a)	-	11	30
Purchase of:			
Supplies	55	9	44
Services rendered to:			
Administrative and Management services	672	359	214
Services of energy transmission	320	287	393
Operation and maintenance services related to energy transmission	280	287	290
Constructions services	72	4	-
Engineering services	-	-	348
Dividends received and collected from:			
Compañía Minera Coimolache S.A.	3,649	4,011	7,623
Sociedad Minera Cerro Verde S.A.A.	-	29,377	39,169
Joint Venture -			
Interest income:			
Transportadora Callao S.A., note 27(a)	114	86	92
Non-controlling shareholders -			
Dividends paid to:			
Newmont Peru Limited - Sucursal del Perú	5,140	6,500	5,560

Notes to the consolidated financial statements (continued)

- (b) As a result of the transactions indicated in the paragraph (a), the Group had the following accounts receivable and payable from/to associates:

	2020 US\$(000)	2019 US\$(000)
Trade and other receivables, note 7(a)		
Minera Yanacocha S.R.L.	5,604	5,920
Compañía Minera Coimolache S.A.	469	327
	<u>6,073</u>	<u>6,247</u>
Other receivables, note 7(a)		
Transportadora Callao S.A.	2,035	1,951
Compañía Minera Coimolache S.A.	277	1,016
	<u>2,312</u>	<u>2,967</u>
	<u>8,385</u>	<u>9,214</u>
Trade and other payables, note 14(a)		
Compañía Minera Coimolache S.A.	141	27
Sociedad Minera Cerro Verde S.A.A.	-	2
	<u>141</u>	<u>29</u>
Other payables, note 14(a)		
Compañía Minera Coimolache S.A.	292	-
Other minor	36	51
	<u>328</u>	<u>51</u>

For the year ended December 31, 2020, 2019 and 2018, there is no allowance for expected credit losses related to related parties accounts.

- (c) S.M.R.L. Chaupiloma Dos de Cajamarca -
In accordance with mining lease, amended and effective on January 1, 1994, Minera Yanacocha S.R.L. pays the Group a 3% royalty based on quarterly production sold at current market prices, after deducting refinery and transportation costs. The royalty agreement expires in 2032.
- (d) Key officers -
As of December 31, 2020 and 2019, loans to employees, directors and key personnel amounts to US\$7,000 and US\$31,000, respectively, are paid monthly and earn interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with Buenaventura or any of its Subsidiaries' shares.

Notes to the consolidated financial statements (continued)

The Group's key executives' compensation (including the related income taxes assumed by the Group) for the years 2020 and 2019 are presented below:

	2020 US\$(000)	2019 US\$(000)
Accounts payable:		
Directors' remuneration	1,797	1,746
Salaries	856	1,020
Bonus to officers	5,828	6,205
Total	<u>8,481</u>	<u>8,971</u>
Disbursements:		
Salaries	11,586	12,690
Directors' compensations	1,797	1,746
Total	<u>13,383</u>	<u>14,436</u>

- (e) The account receivable from Consorcio Transportadora Callao corresponds to the disbursements made between 2011 and 2013 by the subsidiary El Brocal in order to participate in the joint venture (see note 10(c)). This account receivable generates interest at an annual rate of 6.25 percent plus LIBOR at 3 months and it is estimated that it will be collected from the year 2023.

31. Disclosure of information on segments

Management has determined its operating segments based on reports that the Group's Chief Operating Decision Maker (CODM) uses for making decisions. The Group is organized into business units based on its products and services, activities and geographic locations. The broad categories of the Group's business units are:

- Production and sale of minerals (mining units in operation).
- Exploration and development projects.
- Energy generation and transmission services.
- Insurance brokerage.
- Rental of mining concessions.
- Holding of investment in shares (mainly in the associate company Minera Yanacocha S.R.L.).
- Industrial activities.

The accounting policies used by the Group in reporting segments internally are the same as those contained in the notes of the consolidated financial statements.

The CODM monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the Group's consolidated financial statements. In addition, the Group's financing and income taxes are managed at the corporate level and are not allocated to the operating segments, except for those entities, which are managed independently.

Corporate information mainly includes the following:

Notes to the consolidated financial statements (continued)

In the segment information of profit or loss -

- Sales to third parties of gold purchased by the Parent company from La Zanja mining unit and the corresponding cost of sale as well as other intercompany sales.
- Administrative expenses, other income (expenses), exchange gain (loss), finance costs and income and income tax that cannot be directly allocated to the operational mining units owned by the Parent company (Uchucchacua, Orcopampa, Julcani and Tambomayo).
- Exploration activities in non-operating areas, carried out directly by the Parent company and not by the consolidated separate legal entities.
- Participation in subsidiaries and associate companies of the Parent company, which are accounted for using the equity method.

In the segment information of assets and liabilities -

- Investments in Sociedad Minera Cerro Verde S.A.A. and Compañía Minera Coimolache S.A., associate companies that are directly owned by the Parent company and are accounted for using the equity method; see note 10 to the consolidated financial statements.
- Assets and liabilities of the operational mining units owned directly by the Parent company since this is the way the CODM analyzes the business. Assets and liabilities of other operating segments are allocated based on the assets and liabilities of the legal entities included in those segments.

Adjustments and eliminations mainly include the following:

In the segment information of consolidated statements of profit or loss –

- The elimination of any profit or loss of investments accounted for under the equity method and not consolidated by the Group corresponding to the associate companies: Minera Yanacocha S.R.L., Sociedad Minera Cerro Verde S.A.A. and Compañía Minera Coimolache S.A.
- The elimination of intercompany sales and cost of sales.
- The elimination of any equity pickup profit or loss of the subsidiaries of the Parent company.

In the segment information of assets and liabilities –

- The elimination of the assets and liabilities of the investments accounted for under the equity method and not consolidated, corresponding to the associate companies: Minera Yanacocha S.R.L., Sociedad Minera Cerro Verde S.A.A. and Compañía Minera Coimolache S.A.
- The elimination of any equity pickup investments of the subsidiaries of the Parent company.
- The elimination of intercompany receivables and payables.

Refer to Note 20(a) to the consolidated financial statements for disclosures related to revenues from external customers for each product and service, and revenues from external customers attributed to Peru and foreign countries. Revenue information is based on the locations of customers.

Refer to note 20(d) to the consolidated financial statements for information about major customers (representing more than 10 percent of the Group's revenues). All non-current assets are located in Peru.

Notes to the consolidated financial statements (continued)

															Equity accounted investees				Total operating segments	Adjustments and eliminations	Total
	Uchucachaca (Operation) US\$(000)	Orcopampa (Operation) US\$(000)	Julcani (Operation) US\$(000)	Tambomayo (Operation) US\$(000)	Calquijirca (Operation) US\$(000)	La Zanja (Operation) US\$(000)	Exploration and development mining projects US\$(000)	Energy generation and transmission US\$(000)	Insurance brokerage US\$(000)	Rental of mining concessions US\$(000)	Holding of investment in shares US\$(000)	Industrial activities US\$(000)	Corporate US\$(000)	Minera Yanacocha S.R.L. US\$(000)	Sociedad Minera Cerro Verde S.A.A. US\$(000)	Compañía Minera Colmolache S.A. US\$(000)	Tinka Resources Ltd. US\$(000)				
Year 2020																					
Results:																					
Continuing operations																					
Sales:																					
Sale of goods	90,420	77,825	32,034	142,833	255,275	33,033	-	-	-	-	-	36,541	-	592,394	2,538,593	203,163	-	4,002,111	(3,364,492)	637,619	
Sale of Services	-	-	-	-	-	-	-	48,254	14,753	-	607	15,335	-	27,768	-	-	-	-	106,717	(86,432)	20,285
Royalty income	-	-	-	-	-	-	-	-	-	-	-	18,638	-	-	-	-	-	-	-	18,638	-
Total operating income	90,420	77,825	32,034	142,833	255,275	33,033	-	48,254	14,753	18,638	607	51,876	-	620,162	2,538,593	203,163	-	4,127,466	(3,450,924)	676,542	
Operating costs																					
Cost of sales of goods, excluding depreciation and amortization	(100,097)	(37,139)	(16,679)	(64,107)	(170,148)	(31,978)	-	-	-	-	-	(38,607)	-	(666,456)	(1,809,255)	(148,122)	-	(3,082,588)	2,688,700	(393,888)	
Unabsorbed cost due to production stoppage	(9,630)	(3,849)	(5,167)	(822)	(10,216)	(203)	-	-	-	-	-	(597)	-	(1,247)	-	-	-	(31,731)	3,973	(27,758)	
Cost of services, excluding depreciation and amortization	-	-	-	-	-	-	-	(17,868)	-	-	-	(5,075)	-	-	-	-	-	(22,943)	21,389	(1,554)	
Depreciation and amortization	(16,752)	(8,102)	(6,412)	(72,714)	(59,433)	(6,595)	-	(9,347)	-	-	(10,876)	-	-	-	-	-	-	(190,231)	611	(189,620)	
Exploration in operating units	(6,731)	(5,198)	(3,167)	(7,157)	(5,790)	(1)	-	-	-	-	-	-	-	-	-	-	-	(28,044)	-	(28,044)	
Mining royalties	(1,068)	(6,943)	(278)	(1,228)	(1,902)	(330)	-	-	-	-	-	-	-	-	-	-	-	(11,749)	-	(11,749)	
Total operating costs	(134,278)	(61,231)	(31,703)	(146,028)	(247,489)	(39,107)	-	(27,215)	-	-	(55,155)	-	(667,703)	(1,809,255)	(148,122)	-	-	(3,367,286)	2,714,673	(652,613)	
Gross profit (loss)	(43,858)	16,594	331	(3,195)	7,786	(6,074)	-	21,039	14,753	18,638	607	(3,279)	-	(47,541)	729,338	55,041	-	760,180	(736,251)	23,929	
Operating expenses, net																					
Administrative expenses	(9,140)	(7,948)	(3,288)	(14,548)	(7,536)	(2,434)	(1,649)	(2,863)	(10,939)	(112)	(398)	(1,498)	(5,965)	(1,227)	-	(4,043)	(2,311)	(75,899)	8,714	(67,185)	
Selling expenses	(3,806)	(436)	(438)	(3,862)	(9,070)	(104)	-	(784)	-	-	-	(687)	-	(1,922)	(97,680)	(1,290)	-	(120,079)	101,546	(18,533)	
Write-off of stripping activity asset	-	-	-	-	(11,633)	-	-	-	-	-	-	-	-	-	-	-	-	(11,633)	-	(11,633)	
Exploration in non-operating areas	(27)	-	-	-	(86)	(4,769)	-	-	-	-	-	-	(3,623)	-	-	-	-	(8,505)	30	(8,475)	
Reversal of contingent and others	28	(322)	(195)	10	(1,145)	173	33	501	-	-	9	(3,242)	-	-	-	-	-	(4,150)	-	(4,150)	
Impairment recovery (loss) of long-lived assets	-	-	2,083	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,083	-	2,083	
Other, net	2,776	(1,922)	(212)	(1,376)	4,547	(712)	(593)	796	-	63	(10)	989	1,186	(34,322)	(32,327)	188	-	(60,929)	63,619	2,690	
Total operating expenses, net	(10,169)	(10,628)	(2,050)	(19,776)	(24,923)	(7,846)	(2,209)	(2,350)	(10,939)	(49)	(408)	(1,187)	(11,644)	(37,471)	(130,007)	(5,145)	(2,311)	(279,112)	173,909	(105,203)	
Operating profit (loss)	(54,027)	5,966	(1,719)	(22,971)	(17,137)	(13,920)	(2,209)	18,689	3,814	18,589	199	(4,466)	(11,644)	(85,012)	599,331	49,896	(2,311)	481,068	(562,342)	(81,274)	
Finance income	-	-	-	-	257	780	1	1,622	27	9	-	38	1,405	8,100	2,350	411	-	15,000	(12,589)	2,411	
Finance costs	(268)	(913)	(636)	(390)	(9,175)	(1,484)	(387)	(4,690)	(55)	(2)	(1)	(175)	(21,322)	(36,699)	(142,675)	(2,532)	-	(221,404)	183,582	(37,822)	
Share in the results of associates and joint venture	-	-	-	-	(253)	-	-	4,331	-	-	(67,018)	-	(28,861)	-	-	-	-	(91,801)	82,284	(9,517)	
Net loss from currency exchange difference	(72)	126	78	130	(404)	(306)	(808)	(402)	65	(49)	91	(984)	(1,576)	1,180	52,464	(1,267)	-	48,266	(52,382)	(4,116)	
Profit (loss) before income tax	(54,367)	5,179	(2,277)	(23,231)	(26,712)	(14,930)	(3,403)	19,550	3,851	18,547	(66,729)	(5,587)	(61,998)	(112,431)	511,470	46,508	(2,311)	231,129	(361,447)	(130,318)	
Current income tax	(60)	(55)	(16)	(93)	(1,483)	(17)	-	(780)	(1,475)	(5,543)	(177)	(171)	-	(53,018)	(236,926)	(24,801)	-	(324,615)	314,691	(9,924)	
Deferred income tax	-	-	-	-	(3,346)	235	-	(9,388)	172	-	-	(347)	(2,888)	-	-	1,079	-	(14,483)	(1,023)	(15,506)	
Profit (loss) from continuing operations	(54,427)	5,124	(2,293)	(23,324)	(31,541)	(14,712)	(3,403)	9,382	2,548	13,004	(66,906)	(6,105)	(64,886)	(165,449)	274,544	22,786	(2,311)	(107,969)	(47,779)	(155,748)	
Net profit (loss) from discontinued operations																					
Loss for the year																					
Total assets	145,287	47,855	45,999	329,384	720,150	134,562	425,731	357,830	15,932	6,813	362,419	90,337	2,343,010	2,313,438	7,767,459	418,966	64,539	15,589,711	(11,610,094)	3,979,617	
Total liabilities	62,024	46,787	34,431	38,923	366,705	78,916	22,695	166,396	5,569	2,694	340	13,025	410,197	1,989,052	2,132,131	150,463	876	5,521,224	(4,341,464)	1,179,760	
Other segment information																					
Investment in associates and joint ventures	-	-	-	-	2,374	-	-	94,117	-	-	159,529	-	2,040,598	-	-	-	-	2,296,618	(807,843)	1,488,775	
Capital	10,443	1,064	1,059	3,531	23,955	825	24,648	371	106	-	-	4,611	933	-	-	-	-	71,546	-	71,546	
Changes in estimates of mine closures plans	11,745	5,042	771	1,186	2,437	9,569	808	-	-	-	-	-	-	-	-	-	-	31,558	-	31,558	
Fair value for contingent consideration liability	-	-	-	-	-	-	-	-	-	-	-	-	(5,690)	-	-	-	-	(5,690)	-	(5,690)	
Accounts receivable from sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	8,233	-	-	-	-	8,233	-	8,233	

Notes to the consolidated financial statements (continued)

														Equity accounted investees			Total operating segments	Adjustments and eliminations	Total
	Uchuehuacua (Operation) US\$(000)	Orcopampa (Operation) US\$(000)	Juleani (Operation) US\$(000)	Tambomayo (Operation) US\$(000)	Colquijirca (Operation) US\$(000)	La Zanja (Operation) US\$(000)	Exploration and development mining projects US\$(000)	Energy generation and transmission US\$(000)	Insurance brokerage US\$(000)	Rental of mining concessions US\$(000)	Holding of investment in shares US\$(000)	Industrial activities US\$(000)	Corporate US\$(000)	Minera Yanacocha S.R.L. US\$(000)	Sociedad Minera Cerro Verde S.A.A. US\$(000)	Compañía Minera Coimolache S.A. US\$(000)			
Year 2019																			
Results:																			
Continuing operations																			
Sales:																			
Sale of goods	186,016	58,902	40,082	188,175	299,252	43,520	-	-	-	-	6,046	-	734,526	2,896,894	241,173	4,694,586	(3,872,656)	821,930	
Sale of Services	-	-	-	-	-	-	-	59,690	15,687	-	615	19,557	-	4,776	-	100,325	(76,664)	23,661	
Royalty income	-	-	-	-	-	-	-	-	-	22,297	-	-	-	-	-	22,297	-	22,297	
Total operating income	186,016	58,902	40,082	188,175	299,252	43,520	-	59,690	15,687	22,297	615	25,603	-	739,302	2,896,894	241,173	4,817,208	(3,949,320)	867,888
Operating costs																			
Cost of sales of goods, excluding depreciation and amortization	(128,523)	(54,739)	(26,586)	(76,827)	(223,998)	(39,693)	-	-	-	-	-	(8,517)	-	(692,721)	(1,961,577)	(187,156)	(3,400,337)	2,887,463	(512,874)
Cost of services, excluding depreciation and amortization	-	-	-	-	-	-	-	(22,209)	-	-	-	(6,167)	-	(1,160)	-	-	(29,536)	26,158	(3,378)
Depreciation and amortization	(21,053)	(7,563)	(9,178)	(83,657)	(74,335)	(9,103)	-	(10,075)	-	-	(11,979)	-	-	-	-	-	(226,943)	608	(226,335)
Exploration in operating units	(8,917)	(9,040)	(5,864)	(11,613)	(8,727)	(2)	-	-	-	-	-	-	-	-	-	-	(44,163)	-	(44,163)
Mining royalties	(1,955)	(5,220)	(418)	(1,857)	(2,953)	(429)	-	-	-	-	-	-	-	-	-	-	(12,832)	-	(12,832)
Total operating costs	(160,448)	(76,562)	(42,046)	(173,954)	(310,013)	(49,227)	-	(32,284)	-	-	(26,663)	-	(693,881)	(1,961,577)	(187,156)	(3,713,811)	2,914,229	(799,582)	
Gross profit (loss)	25,568	(17,660)	(1,964)	14,221	(10,761)	(5,707)	-	27,406	15,687	22,297	615	(1,060)	-	45,421	935,317	54,017	1,103,397	(1,035,091)	68,306
Operating expenses, net																			
Administrative expenses	(16,115)	(5,209)	(3,561)	(16,512)	(8,865)	(2,223)	(2,416)	(4,073)	(11,607)	(188)	(363)	(1,310)	(4,894)	(1,744)	-	(4,638)	(83,718)	7,421	(76,297)
Selling expenses	(6,876)	(258)	(403)	(3,940)	(10,856)	(321)	-	(1,115)	-	-	-	(1,324)	(4,894)	(1,722)	(109,483)	(1,163)	(137,461)	113,148	(24,313)
Exploration in non-operating areas	(2,534)	-	-	-	(2,011)	(2,784)	(90)	-	-	-	-	-	(4,492)	-	-	-	(11,911)	32	(11,879)
Reversal (provision) of contingent and others	(183)	1	(148)	127	2,079	(98)	(40)	166	-	-	-	-	1,067	-	-	-	2,971	(3)	2,968
Impairment recovery (loss) of long-lived assets	-	-	(2,083)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,083)	-	(2,083)
Other, net	(4,147)	(8,104)	(776)	(3,767)	(6,568)	(1,119)	(419)	13,813	-	135	79	341	(2,686)	(35,987)	(37,436)	(5,667)	(92,308)	77,593	(14,715)
Total operating expenses, net	(29,855)	(13,570)	(6,971)	(24,092)	(26,221)	(6,545)	(2,965)	8,791	(11,607)	(53)	(284)	(2,293)	(11,005)	(39,453)	(146,919)	(11,468)	(324,510)	198,191	(126,319)
Operating profit (loss)	(4,287)	(31,230)	(8,935)	(9,871)	(36,982)	(12,252)	(2,965)	36,197	4,080	22,244	331	(3,353)	(11,005)	5,968	788,398	42,549	778,887	(836,900)	(58,013)
Finance income	-	-	-	-	417	2,006	14	263	15	30	10	277	7,751	18,430	10,356	549	40,118	(30,443)	9,675
Finance costs	(532)	(733)	-	(505)	(11,440)	(3,715)	(561)	(7,483)	(89)	(4)	(6)	(990)	(16,249)	(57,629)	(115,877)	(3,598)	(220,413)	178,240	(42,173)
Share in the results of associates and joint ventures	-	-	-	-	(44)	-	-	10,374	-	-	(53,143)	-	45,778	-	-	-	2,965	44,745	47,710
Net gain (loss) from currency exchange difference	(124)	76	3	(12)	(191)	14	(156)	62	(119)	(9)	(9)	208	(481)	2,902	5,574	277	8,015	(8,749)	(734)
Profit (loss) before income tax	(4,943)	(31,887)	(9,934)	(10,388)	(48,240)	(13,947)	(3,668)	39,413	3,887	22,261	(52,817)	(3,858)	25,794	(30,329)	688,451	39,777	609,572	(653,107)	(43,535)
Current income tax	-	-	-	-	(25)	(35)	-	(4,044)	(1,233)	(6,546)	(39)	-	-	(64,928)	(298,074)	(26,335)	(401,249)	389,338	(11,911)
Deferred income tax	-	-	-	-	15,410	(5,382)	-	(5,515)	91	-	-	1,554	31,344	-	-	15,017	52,519	(15,018)	37,501
Profit (loss) from continuing operations	(4,943)	(31,887)	(9,934)	(10,388)	(32,855)	(19,364)	(3,668)	29,854	2,755	15,715	(52,856)	(2,304)	57,138	(95,257)	390,377	28,459	260,842	(278,787)	(17,945)
Loss from discontinued operations																			(10,514)
Loss for the year																			(28,459)
Total assets	146,486	46,750	41,858	425,297	725,973	138,458	398,838	382,481	13,822	6,252	458,212	104,335	2,371,464	2,312,072	7,809,424	379,915	15,761,637	(11,654,363)	4,107,274
Total liabilities	42,265	36,945	35,045	34,142	329,869	68,100	23,223	183,426	6,007	2,286	101	20,918	407,153	1,853,644	2,450,101	125,097	5,618,322	(4,479,248)	1,139,074
Other segment information																			
Investment in associates and joint ventures	-	-	-	-	-	-	-	89,786	-	-	232,154	-	2,073,745	-	-	-	2,395,685	(907,438)	1,488,247
Capital Expenditures	31,479	1,323	1,559	9,641	28,298	1,629	26,494	223	85	-	-	1,443	453	-	-	-	102,627	-	102,627
Changes in estimates of mine closures plans	176	10,493	2,430	2,277	5,122	5,021	-	-	-	-	-	1,203	-	-	-	-	26,722	-	26,722
Fair value for contingent consideration liability	-	-	-	-	-	-	-	-	-	-	-	-	(655)	-	-	-	(655)	-	(655)
Accounts receivable from sale of assets	-	-	-	-	-	-	-	21,023	-	-	-	-	625	-	-	-	21,648	-	21,648

Notes to the consolidated financial statements (continued)

	Uchucchacua (Operation) US\$(000)	Orcopampa (Operation) US\$(000)	Julcani (Operation) US\$(000)	Tambomayo (Operation) US\$(000)	Colquijirca (Operation) US\$(000)	La Zanja (Operation) US\$(000)	Exploration and development mining projects US\$(000)	Energy generation and transmission US\$(000)	Insurance brokerage US\$(000)	Rental of mining concessions US\$(000)	Holding of investment in shares US\$(000)	Industrial activities US\$(000)	Corporate US\$(000)	Equity accounted investees			Total operating segments US\$(000)	Adjustments and eliminations US\$(000)	Total US\$(000)	
														Sociedad Minera Yanacocha S.R.L. US\$(000)	Compañía Verde S.A.A. US\$(000)	Compañía Minera Coimolache S.A. US\$(000)				
Year 2018																				
Results:																				
Continuing operations																				
Sales																				
Sale of goods	257,282	153,003	34,104	225,281	333,560	96,611	-	-	-	-	-	6,655	-	658,653	3,061,930	225,447	5,052,526	(3,946,197)	1,106,329	
Sale of Services	-	-	-	-	-	-	-	62,962	14,986	-	-	19,908	-	21,965	-	-	120,436	-	24,001	
Royalty income	-	-	-	-	-	-	-	-	-	20,385	-	-	-	-	-	-	20,385	-	20,385	
Total operating income	257,282	153,003	34,104	225,281	333,560	96,611	-	62,962	14,986	20,385	615	26,563	-	680,618	3,061,930	225,447	5,193,347	(4,042,632)	1,150,715	
Operating costs																				
Cost of sales of goods, excluding depreciation and amortization	(151,817)	(97,006)	(26,558)	(92,829)	(216,560)	(68,993)	-	-	-	-	-	(6,280)	-	(619,424)	(2,018,876)	(170,866)	(3,469,209)	2,855,828	(613,381)	
Cost of services, excluding depreciation and amortization	-	-	-	-	-	-	-	(25,499)	-	-	-	(8,966)	-	(2,217)	-	-	-	(36,682)	32,364	(4,318)
Depreciation and amortization	(26,181)	(8,802)	(3,353)	(77,029)	(67,666)	(34,088)	-	(10,248)	-	-	-	(11,483)	-	-	-	-	(238,850)	(29)	(238,879)	
Exploration in operating units	(20,898)	(29,563)	(8,646)	(20,553)	(9,996)	(74)	-	-	-	-	-	-	-	-	-	-	(89,730)	-	(89,730)	
Mining royalties	(2,243)	(13,669)	(237)	(1,936)	(2,345)	(957)	-	-	-	-	-	-	-	-	-	-	(21,387)	(1)	(21,388)	
Total operating costs	(201,139)	(149,040)	(38,794)	(192,347)	(296,567)	(104,112)	-	(35,747)	-	-	-	(26,729)	-	(621,641)	(2,018,876)	(170,866)	(3,855,858)	2,888,162	(967,696)	
Gross profit (loss)	56,143	3,963	(4,690)	32,934	36,993	(7,501)	-	27,215	14,986	20,385	615	(166)	-	58,977	1,043,054	54,581	1,337,489	(1,154,470)	183,019	
Operating expenses, net																				
Administrative expenses	(24,119)	(15,100)	(2,524)	(17,822)	(9,906)	(3,435)	(3,143)	(3,972)	(11,900)	(220)	(512)	(1,627)	2,377	(2,783)	-	(5,644)	(100,330)	23,231	(77,099)	
Selling expenses	(8,213)	(775)	(356)	(3,046)	(12,201)	(784)	-	(1,173)	-	-	-	(924)	-	(2,627)	(137,008)	(1,135)	(168,242)	141,294	(26,948)	
Exploration in non-operating areas	(18,339)	-	-	-	(7,199)	(5,002)	(2,883)	-	-	-	-	-	-	(4,091)	-	-	(37,514)	-	(36,307)	
Reversal (provision) of contingent and others	6,784	(121)	947	1,263	(3,711)	(57)	6,130	(56)	-	-	-	2	(111)	-	-	-	11,070	178	11,248	
Impairment recovery (loss) of long-lived assets	-	-	-	-	-	5,693	-	-	-	-	-	-	-	-	-	-	5,693	-	5,693	
Other, net	(5,953)	(3,386)	(1,050)	(5,599)	32,565	(669)	138	562	-	-	2,773	194	(2,235)	(76,155)	(68,683)	(325)	(127,823)	126,515	(1,308)	
Total operating expenses, net	(49,840)	(19,382)	(2,983)	(25,204)	(452)	(4,254)	242	(4,639)	(11,900)	(220)	2,261	(2,355)	(4,060)	(81,565)	(205,691)	(7,104)	(417,146)	292,425	(124,721)	
Operating profit (loss)	6,303	(15,419)	(7,673)	7,730	36,541	(11,755)	242	22,576	3,086	20,165	2,876	(2,521)	(4,060)	(22,588)	837,363	47,477	920,343	(862,045)	58,298	
Finance income	-	-	-	-	418	1,649	-	179	-	21	8	127	9,293	11,448	28,089	357	51,589	(41,904)	9,685	
Finance costs	(308)	(395)	(95)	(262)	(10,365)	(1,946)	(222)	(7,576)	(2)	(11)	(25)	(932)	(17,194)	(39,024)	(426,733)	(2,935)	(508,025)	469,603	(38,422)	
Share in the results of associates and joint ventures	-	-	-	-	-	-	-	8,589	-	-	(25,517)	-	15,081	-	-	-	(1,847)	703	(1,144)	
Net gain (loss) from currency exchange difference	196	168	8	209	108	(224)	(846)	(346)	19	18	2	(482)	(206)	(2,056)	6,161	(852)	1,877	(3,261)	(1,384)	
Profit (loss) before income tax	6,191	(15,646)	(7,760)	7,677	26,702	(12,276)	(826)	23,422	3,103	20,193	(22,656)	(3,808)	2,914	(52,220)	444,880	44,047	463,937	(436,904)	27,033	
Current income tax	(768)	(559)	(72)	(656)	(8,332)	(24)	-	-	-	(6,025)	(444)	(2)	-	(30,368)	(325,170)	(23,405)	(395,825)	378,943	(16,882)	
Deferred income tax	-	-	-	-	(10,803)	(1,220)	-	(7,584)	-	-	-	106	9,514	1,071	-	4,942	(3,974)	(6,023)	(9,997)	
Profit (loss) from continuing operations	5,423	(16,205)	(7,832)	7,021	7,567	(13,520)	(826)	15,838	3,103	14,168	(23,100)	(3,704)	12,428	(81,517)	119,710	25,584	64,138	(63,984)	154	
Loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,808)
Loss for the year																				(11,654)
Total assets	126,374	39,725	39,537	461,335	773,554	158,718	372,344	366,354	12,154	7,154	520,484	106,391	2,421,547	2,047,472	7,554,712	361,669	15,369,524	(11,152,303)	4,217,221	
Total liabilities	45,227	30,749	29,469	28,502	340,735	68,615	18,986	197,152	4,597	2,653	603	20,671	425,893	1,463,749	2,445,840	125,307	5,248,748	(4,061,092)	1,187,656	
Other segment information																				
Investment in associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	1,473,382	-	-	-	1,473,382	-	1,473,382	
Capital Expenditures	18,429	6,225	2,984	18,858	29,572	13,159	17,141	118	-	-	-	1,816	2,968	-	-	-	111,270	-	111,270	
Changes in estimates of mine closures plans	4,101	1,003	16,484	(447)	19,926	(6,915)	9,063	-	-	-	-	-	(341)	-	-	-	42,874	-	42,874	
Fair value for contingent consideration liability	-	-	-	-	-	-	1,815	-	-	-	-	-	-	-	-	-	1,815	-	1,815	
Accounts receivable from sale of assets	-	-	-	-	-	-	-	-	-	-	1,622	-	1,093	-	-	-	2,715	-	2,715	

Notes to the consolidated financial statements (continued)

Reconciliation of segment profit (loss)

The reconciliation of segment profit (loss) to the consolidated profit (loss) from continued operations follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Segments profit (loss)	(107,969)	260,842	64,138
Elimination of profit of equity accounted investees, not consolidated (owned by third parties)	(129,570)	(323,578)	(63,777)
Elimination of intercompany sales	(89,006)	(71,951)	(74,637)
Elimination of cost of sales and operating expenses intercompany	89,593	71,697	76,780
Elimination of share in the results of subsidiaries and associates	82,284	44,745	1,582
Others	(1,080)	300	(3,932)
Consolidated profit (loss) from continued operations	<u>(155,748)</u>	<u>(17,945)</u>	<u>154</u>

Reconciliation of segment assets

The reconciliation of segment assets to the consolidated assets follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Segments assets	15,589,711	15,761,637	15,369,524
Elimination of assets of equity accounted investees, not consolidated (owned by third parties)	(10,564,402)	(10,501,411)	(9,963,853)
Elimination of the subsidiaries and associates of the Parent company	(1,005,368)	(1,111,454)	(1,184,240)
Elimination of intercompany receivables	(57,810)	(64,708)	(32,444)
Others	17,486	23,210	28,234
Consolidated assets	<u>3,979,617</u>	<u>4,107,274</u>	<u>4,217,221</u>

Reconciliation of segment liabilities

The reconciliation of segment liabilities to the consolidated liabilities follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Segments liabilities	5,521,224	5,618,322	5,248,748
Elimination of liabilities of equity accounted investees, not consolidated	(4,272,522)	(4,428,842)	(4,034,896)
Elimination of intercompany payables	(68,961)	(50,395)	(27,822)
Others	19	(11)	1,626
Consolidated liabilities	<u>1,179,760</u>	<u>1,139,074</u>	<u>1,187,656</u>

Notes to the consolidated financial statements (continued)

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Uchucchacua (Operation) US\$(000)	Orcopampa (Operation) US\$(000)	Julcani (Operation) US\$(000)	Tambomayo (Operation) US\$(000)	Colquijirca (Operation) US\$(000)	La Zanja (Operation) US\$(000)	Energy generation and transmission US\$(000)	Insurance brokerage US\$(000)	Rental of mining concessions US\$(000)	Holding of investment in shares US\$(000)	Industrial activities US\$(000)	Total operating segments US\$(000)	Adjustments and eliminations US\$(000)	Total US\$(000)
Year 2020														
Revenues by type of customers:														
Sales by customers -														
External	91,007	77,907	31,663	143,233	251,974	2,554	-	-	-	-	36,336	634,674	-	634,674
Inter-segment	-	-	-	-	(160)	30,470	-	-	-	-	-	30,310	(30,310)	-
	<u>91,007</u>	<u>77,907</u>	<u>31,663</u>	<u>143,233</u>	<u>251,814</u>	<u>33,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,336</u>	<u>664,984</u>	<u>(30,310)</u>	<u>634,674</u>
Services -														
External	-	-	-	-	-	-	5,532	14,753	-	-	-	20,285	-	20,285
Inter-segment	-	-	-	-	-	-	42,722	-	-	607	15,335	58,664	(58,664)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,254</u>	<u>14,753</u>	<u>-</u>	<u>607</u>	<u>15,335</u>	<u>78,949</u>	<u>(58,664)</u>	<u>20,285</u>
Royalties -														
External	-	-	-	-	-	-	-	-	18,638	-	-	18,638	-	18,638
	<u>91,007</u>	<u>77,907</u>	<u>31,663</u>	<u>143,233</u>	<u>251,814</u>	<u>33,024</u>	<u>48,254</u>	<u>14,753</u>	<u>18,638</u>	<u>607</u>	<u>51,671</u>	<u>762,571</u>	<u>(88,974)</u>	<u>673,597</u>
Revenues by geographic region:														
Metal and concentrates sales -														
Peru	77,077	7,097	3,238	81,058	216,481	32,886	-	-	-	-	2,327	420,164	(30,310)	389,854
America - other than Peru	-	70,810	-	60,273	-	138	-	-	-	-	32,279	163,500	-	163,500
Europa	11,503	-	28,425	552	-	-	-	-	-	-	1,730	42,210	-	42,210
Asia	2,427	-	-	1,350	35,333	-	-	-	-	-	-	39,110	-	39,110
	<u>91,007</u>	<u>77,907</u>	<u>31,663</u>	<u>143,233</u>	<u>251,814</u>	<u>33,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,336</u>	<u>664,984</u>	<u>(30,310)</u>	<u>634,674</u>
Services -														
Peru	-	-	-	-	-	-	48,254	14,641	-	607	15,335	78,837	(58,664)	20,173
America - other than Peru	-	-	-	-	-	-	-	92	-	-	-	92	-	92
Europa	-	-	-	-	-	-	-	20	-	-	-	20	-	20
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,254</u>	<u>14,753</u>	<u>-</u>	<u>607</u>	<u>15,335</u>	<u>78,949</u>	<u>(58,664)</u>	<u>20,285</u>
Royalties -														
Peru	-	-	-	-	-	-	-	-	18,638	-	-	18,638	-	18,638
	<u>91,007</u>	<u>77,907</u>	<u>31,663</u>	<u>143,233</u>	<u>251,814</u>	<u>33,024</u>	<u>48,254</u>	<u>14,753</u>	<u>18,638</u>	<u>607</u>	<u>51,671</u>	<u>762,571</u>	<u>(88,974)</u>	<u>673,597</u>
Revenues by type of good or services:														
Sales by metal -														
Silver	97,903	185	33,631	32,766	63,312	2,241	-	-	-	-	2,337	232,375	(1,877)	230,498
Gold	14	77,964	14	105,359	13,667	32,672	-	-	-	-	30,023	259,713	(30,123)	229,590
Copper	-	-	48	181,007	-	-	-	-	-	-	-	181,055	256	181,311
Zinc	8,356	-	-	9,513	102,677	-	-	-	-	-	-	120,546	-	120,546
Lead	6,760	-	529	10,688	30,449	-	-	-	-	-	-	48,426	-	48,426
Manganese sulfate	-	-	-	-	-	-	-	-	-	-	4,051	4,051	-	4,051
	<u>113,033</u>	<u>78,149</u>	<u>34,222</u>	<u>158,326</u>	<u>391,112</u>	<u>34,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,411</u>	<u>846,166</u>	<u>(31,744)</u>	<u>814,422</u>
Commercial deductions	(22,026)	(242)	(2,559)	(15,093)	(139,298)	(1,889)	-	-	-	-	(75)	(181,182)	1,434	(179,748)
	<u>91,007</u>	<u>77,907</u>	<u>31,663</u>	<u>143,233</u>	<u>251,814</u>	<u>33,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,336</u>	<u>664,984</u>	<u>(30,310)</u>	<u>634,674</u>
Services -														
Royalties income -	-	-	-	-	-	-	48,254	14,753	-	607	15,335	78,949	(58,664)	20,285
	<u>91,007</u>	<u>77,907</u>	<u>31,663</u>	<u>143,233</u>	<u>251,814</u>	<u>33,024</u>	<u>48,254</u>	<u>14,753</u>	<u>18,638</u>	<u>607</u>	<u>51,671</u>	<u>762,571</u>	<u>(88,974)</u>	<u>673,597</u>

Notes to the consolidated financial statements (continued)

	Uchucchacua (Operation) US\$(000)	Tambomayo (Operation) US\$(000)	Oropampa (Operation) US\$(000)	Julcani (Operation) US\$(000)	Colquijirca (Operation) US\$(000)	La Zanja (Operation) US\$(000)	Energy generation and transmission US\$(000)	Insurance brokerage US\$(000)	Rental of mining concessions US\$(000)	Holding of investment in shares US\$(000)	Industrial activities US\$(000)	Total operating segments US\$(000)	Adjustments and eliminations US\$(000)	Total US\$(000)
Year 2019														
Revenues by type of customers:														
Sales by customers -														
External	184,982	186,668	58,796	39,639	294,842	43,894	-	-	-	-	6,046	814,867	-	814,867
Inter-segment	-	-	-	-	62	-	-	-	-	-	-	62	(62)	-
	<u>184,982</u>	<u>186,668</u>	<u>58,796</u>	<u>39,639</u>	<u>294,904</u>	<u>43,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,046</u>	<u>814,929</u>	<u>(62)</u>	<u>814,867</u>
Services -														
External	-	-	-	-	-	-	7,974	15,687	-	-	-	23,661	-	23,661
Inter-segment	-	-	-	-	-	-	51,716	-	-	615	19,557	71,888	(71,888)	-
	-	-	-	-	-	-	<u>59,690</u>	<u>15,687</u>	<u>-</u>	<u>615</u>	<u>19,557</u>	<u>95,549</u>	<u>(71,888)</u>	<u>23,661</u>
Royalties -														
External	-	-	-	-	-	-	-	-	22,297	-	-	22,297	-	22,297
	<u>184,982</u>	<u>186,668</u>	<u>58,796</u>	<u>39,639</u>	<u>294,904</u>	<u>43,894</u>	<u>59,690</u>	<u>15,687</u>	<u>22,297</u>	<u>615</u>	<u>25,603</u>	<u>932,775</u>	<u>(71,950)</u>	<u>860,825</u>
Revenues by geographic region:														
Metal and concentrates sales -														
Peru	143,512	79,631	4,833	10,451	236,844	683	-	-	-	-	1,086	477,040	(62)	476,978
America - other than Peru	-	79,537	53,963	-	-	37,326	-	-	-	-	943	171,769	-	171,769
Europe	27,848	135	-	22,590	-	5,885	-	-	-	-	4,017	60,475	-	60,475
Asia	13,622	27,365	-	6,598	58,060	-	-	-	-	-	-	105,645	-	105,645
	<u>184,982</u>	<u>186,668</u>	<u>58,796</u>	<u>39,639</u>	<u>294,904</u>	<u>43,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,046</u>	<u>814,929</u>	<u>(62)</u>	<u>814,867</u>
Services -														
Peru	-	-	-	-	-	-	59,690	15,527	-	615	19,557	95,389	(71,888)	23,501
America - other than Peru	-	-	-	-	-	-	-	130	-	-	-	130	-	130
Europe	-	-	-	-	-	-	-	30	-	-	-	30	-	30
	-	-	-	-	-	-	<u>59,690</u>	<u>15,687</u>	<u>-</u>	<u>615</u>	<u>19,557</u>	<u>95,549</u>	<u>(71,888)</u>	<u>23,661</u>
Royalties -														
Peru	-	-	-	-	-	-	-	-	22,297	-	-	22,297	-	22,297
	<u>184,982</u>	<u>186,668</u>	<u>58,796</u>	<u>39,639</u>	<u>294,904</u>	<u>43,894</u>	<u>59,690</u>	<u>15,687</u>	<u>22,297</u>	<u>615</u>	<u>25,603</u>	<u>932,775</u>	<u>(71,950)</u>	<u>860,825</u>
Revenues by type of good or services:														
Sales by metal -														
Gold	-	134,387	58,737	278	18,104	42,698	-	-	-	-	-	254,204	(10)	254,194
Silver	159,713	38,112	263	40,889	57,903	1,300	-	-	-	-	-	298,180	(9)	298,171
Copper	-	-	-	79	238,327	-	-	-	-	-	-	238,406	(102)	238,304
Zinc	38,143	19,867	-	-	91,307	-	-	-	-	-	-	149,317	-	149,317
Lead	29,735	14,016	-	1,627	43,763	-	-	-	-	-	-	89,141	-	89,141
Manganese sulfate	-	-	-	-	-	-	-	-	-	-	6,046	6,046	-	6,046
	<u>227,591</u>	<u>206,382</u>	<u>59,000</u>	<u>42,873</u>	<u>449,404</u>	<u>43,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,046</u>	<u>1,035,294</u>	<u>(121)</u>	<u>1,035,173</u>
Commercial deductions	(42,609)	(19,714)	(203)	(3,234)	(154,500)	(104)	-	-	-	-	-	(220,365)	59	(220,306)
	<u>184,982</u>	<u>186,664</u>	<u>58,796</u>	<u>39,639</u>	<u>294,904</u>	<u>43,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>615</u>	<u>6,046</u>	<u>814,929</u>	<u>(62)</u>	<u>814,867</u>
Services -														
Royalties income -	-	-	-	-	-	-	59,690	15,687	-	615	19,557	95,549	(71,888)	23,661
	<u>184,982</u>	<u>186,668</u>	<u>58,796</u>	<u>39,639</u>	<u>294,904</u>	<u>43,894</u>	<u>59,690</u>	<u>15,687</u>	<u>22,297</u>	<u>615</u>	<u>25,603</u>	<u>932,775</u>	<u>(71,950)</u>	<u>860,825</u>

Notes to the consolidated financial statements (continued)

	Uchucchacua (Operation) US\$(000)	Tambomayo (Operation) US\$(000)	Orcopampa (Operation) US\$(000)	Julcani (Operation) US\$(000)	Colquijirca (Operation) US\$(000)	La Zanja (Operation) US\$(000)	Energy generation and transmission US\$(000)	Insurance brokerage US\$(000)	Rental of mining concessions US\$(000)	Holding of investment in shares US\$(000)	Industrial activities US\$(000)	Total operating segments US\$(000)	Adjustments and eliminations US\$(000)	Total US\$(000)
Year 2018														
Revenues by type of customers:														
Sales by customers -														
External	257,840	225,339	153,240	33,864	339,414	96,600	-	-	-	-	6,655	1,112,952	-	1,112,952
Inter-segment	-	-	-	-	167	-	-	-	-	-	-	167	(167)	-
	<u>257,840</u>	<u>225,339</u>	<u>153,240</u>	<u>33,864</u>	<u>339,581</u>	<u>96,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,655</u>	<u>1,113,119</u>	<u>(167)</u>	<u>1,112,952</u>
Services -														
External	-	-	-	-	-	-	9,015	14,986	-	-	-	24,001	-	24,001
Inter-segment	-	-	-	-	-	-	53,947	-	-	615	19,909	74,471	(74,471)	-
	-	-	-	-	-	-	<u>62,962</u>	<u>14,986</u>	<u>-</u>	<u>615</u>	<u>19,909</u>	<u>98,472</u>	<u>(74,471)</u>	<u>24,001</u>
Royalties -														
External	-	-	-	-	-	-	-	-	20,385	-	-	20,385	-	20,385
	<u>257,840</u>	<u>225,339</u>	<u>153,240</u>	<u>33,864</u>	<u>339,581</u>	<u>96,600</u>	<u>62,962</u>	<u>14,986</u>	<u>20,385</u>	<u>615</u>	<u>26,564</u>	<u>1,231,976</u>	<u>(74,638)</u>	<u>1,157,338</u>
Revenues by geographic region:														
Metal and concentrates sales -														
Peru	170,986	63,049	10,808	15,261	257,559	2,770	-	-	-	-	751	521,184	(167)	521,017
America - other than Peru	-	159,530	142,432	-	-	67,756	-	-	-	-	906	370,624	-	370,624
Europe	57,472	2,760	-	9,488	-	26,074	-	-	-	-	4,998	100,792	-	100,792
Asia	29,382	-	-	9,115	82,022	-	-	-	-	-	-	120,519	-	120,519
	<u>257,840</u>	<u>225,339</u>	<u>153,240</u>	<u>33,864</u>	<u>339,581</u>	<u>96,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,655</u>	<u>1,113,119</u>	<u>(167)</u>	<u>1,112,952</u>
Services -														
Peru	-	-	-	-	-	-	62,962	14,787	-	615	19,909	98,273	(74,561)	23,712
America - other than Peru	-	-	-	-	-	-	-	199	-	-	-	199	90	289
	-	-	-	-	-	-	<u>62,962</u>	<u>14,986</u>	<u>-</u>	<u>615</u>	<u>19,909</u>	<u>98,472</u>	<u>(74,471)</u>	<u>24,001</u>
Royalties -														
Peru	-	-	-	-	-	-	-	-	20,385	-	-	20,385	-	20,385
	<u>257,840</u>	<u>225,339</u>	<u>153,240</u>	<u>33,864</u>	<u>339,581</u>	<u>96,600</u>	<u>62,962</u>	<u>14,986</u>	<u>20,385</u>	<u>615</u>	<u>26,564</u>	<u>1,231,976</u>	<u>(74,638)</u>	<u>1,157,338</u>
Revenues by type of good or services:														
Sales by metal -														
Gold	11	150,939	149,092	28	18,463	93,358	-	-	-	-	-	411,891	(14)	411,877
Silver	217,843	54,109	5,243	35,307	46,060	3,583	-	-	-	-	-	362,145	(23)	362,122
Copper	-	-	(221)	129	275,119	-	-	-	-	-	-	275,027	(266)	274,761
Zinc	45,194	18,197	-	-	101,275	-	-	-	-	-	-	164,666	-	164,666
Lead	36,238	6,703	-	1,996	40,618	-	-	-	-	-	-	85,555	-	85,555
Manganese sulfate	-	-	-	-	-	-	-	-	-	-	6,655	6,655	-	6,655
	<u>299,286</u>	<u>229,948</u>	<u>154,114</u>	<u>37,460</u>	<u>481,535</u>	<u>96,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,655</u>	<u>1,305,939</u>	<u>(303)</u>	<u>1,305,636</u>
Commercial deductions	(41,446)	(4,609)	(874)	(3,596)	(141,954)	(341)	-	-	-	-	-	(192,820)	136	(192,684)
	<u>257,840</u>	<u>225,339</u>	<u>153,240</u>	<u>33,864</u>	<u>339,581</u>	<u>96,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,655</u>	<u>1,113,119</u>	<u>(167)</u>	<u>1,112,952</u>
Services -														
Royalties income -	-	-	-	-	-	-	62,962	14,986	-	615	19,909	98,472	(74,471)	24,001
	<u>257,840</u>	<u>225,339</u>	<u>153,240</u>	<u>33,864</u>	<u>339,581</u>	<u>96,600</u>	<u>62,962</u>	<u>14,986</u>	<u>20,385</u>	<u>615</u>	<u>26,564</u>	<u>1,231,976</u>	<u>(74,638)</u>	<u>1,157,338</u>

Notes to the consolidated financial statements (continued)

32. Derivative financial instruments –

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Copper prices hedge (a)	(15,804)	-
Interest rate hedge (b)	(2,635)	-
	<u>(18,439)</u>	<u>-</u>

- (a) The volatility of copper prices during the last years has caused the Management of the subsidiary El Brocal to enter into future contracts. These contracts are intended to reduce the volatility of the cash flows attributable to the fluctuations in the copper and zinc price in accordance with existing copper concentrate sales commitments, which are related to 50 percent of the annual production of copper and 25 percent of the production of two years of zinc, according to the risk strategy approved by the Board of Directors.

During 2020, 2019 and 2018, the effect in profit or loss was a loss of US\$6,464,000, gain of US\$4,322,000 and loss of US\$1,398,000, respectively, and it is show in the "Sales of goods" caption, see note 20(b).

As of December 31, 2019, there are not any hedge contract. The table below presents the composition of open transactions included in the hedge derivative financial instruments as of December 31, 2020:

Quotation period	Concentrate	Metric tone	Quotations		Fair value US\$(000)
			Fixed US\$/DMT	Futures US\$/ DMT	
January 2021	Copper	1,250	6,500	7,758	(1,572)
February 2021	Copper	1,250	6,500	7,762	(1,577)
March 2021	Copper	2,250	6,633	7,767	(2,549)
April 2021	Copper	2,000	6,750	7,769	(2,036)
May 2021	Copper	3,000	6,897	7,769	(2,615)
June 2021	Copper	3,000	6,967	7,770	(2,408)
July 2021	Copper	2,000	7,025	7,768	(1,483)
August 2021	Copper	2,000	7,100	7,765	(1,327)
September 2021	Copper	2,000	7,500	7,762	(523)
October 2021	Copper	2,000	7,900	7,757	286
		<u>20,750</u>			<u>(15,804)</u>

The variation in the fair value of the caption generated an expense US\$18.4 million, an expense of US\$2.8 million and an income of US\$31.5 million in the years 2020, 2019 and 2018, which are included within the consolidated statement of other comprehensive income and in the "Other reserves of equity".

Notes to the consolidated financial statements (continued)

- (b) In order to reduce the exposure to the risk of the variation of the interest rate related to its financial obligations, on April 2, 2020, the Company's Management decided to sign future contracts in relation to the LIBOR of three months with the banks BBVA Banco Continental, Banco de Credito del Peru, Banco Internacional del Peru and Itaú, which are recorded under cash flow accounting.

There is an economic relationship between the hedged assets and the hedging instruments as the terms of the futures contracts are the same as the terms of the highly probable future transactions. The Company has established a hedging ratio of 1: 1 for hedging relationships as the underlying risk of interest rate futures contracts are identical to the hedged risk components. In order to evaluate the effectiveness of the hedges, the Company uses the hypothetical derivative method, by which it compares the changes in the fair value of the hedging instruments against the changes in the fair value of the hedged items attributed to the hedged risks.

As of December 31, 2020, the effect on results was a loss of US\$146,000, and is presented in the caption of "Financial costs and financial income" see note 27(a). The following is the composition of the operations to be settled that are part of the liability for hedging derivative instrument as of December 31, 2020:

Maturity	Amount US\$(000)	LIBOR of three months		Fair value US\$(000)
		Fixed	Futures	
October 2022	81,666	2.632%	2.06% - 2.14%	(785)
October 2022	74,167	2.632%	2.06% - 2.14%	(712)
October 2022	74,167	0.732%	0.16% - 0.24%	(706)
July 2022	45,000	2.632%	2.06% - 2.14%	(432)
	<u>275,000</u>			<u>(2,635)</u>

33. Financial - risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise of trade accounts and other payables, and financial obligations. The main purpose of these financial instruments is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents and trade and other receivables that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Management oversees the management of these risks. A committee that advises on financial risks supports it. This committee provides assurance to management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purpose are carried out by internal specialists that have the appropriate skills, experience and supervision.

There were no changes in the objectives, policies or processes during the years ended December 31, 2020, 2019 and 2018.

Notes to the consolidated financial statements (continued)

The Board of Directors reviews and agrees policies for managing each of these risks, which are described below:

(a) Market risk -

Market risk is the risk that the fair value of the future cash flows from financial instruments will fluctuate because of changes in market prices. Market risks that apply to the Group comprise four types of risk: exchange rate risk, commodity risk, interest rate risk and other risk of price, such as the risk of the stock price. Financial instruments affected by market risks include time deposits, financial obligations, embedded derivatives and derivative financial instruments.

The sensitivity analyses in this section relate to the positions as of December 31, 2020 and 2019 and have been prepared considering that the proportion of financial instruments in foreign currency are constant.

(a.1) Exchange rate risk

The exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the Group's operating activities in soles. The Group mitigates the effect of exposure to exchange-rate risk by carrying out almost all of its transactions in its functional currency.

Excluding loans in soles, Management maintains smaller amounts in soles in order to cover its needs in this currency (primarily taxes).

A table showing the effect on results of a reasonable change in foreign-currency exchange rates is presented below, with all other variables kept constant:

	Exchange-rate increase/decrease	Effect on profit (loss) before income tax US\$(000)
2020		
Exchange rate	10%	9,282
Exchange rate	(10%)	(9,282)
2019		
Exchange rate	10%	4,053
Exchange rate	(10%)	(3,545)
2018		
Exchange rate	10%	1,695
Exchange rate	(10%)	(1,681)

Notes to the consolidated financial statements (continued)

(a.2) Commodity price risk

The Group is affected by the price volatility of the commodities. The price of mineral sold by the Group has fluctuated historically and affected by numerous factors beyond its control.

The Group manages its commodity price risk primarily using sales commitments in customer contracts and hedge contracts for the metals sold by the subsidiary El Brocal.

The subsidiary El Brocal entered into derivative contracts that qualified as cash flow hedges, with the intention of covering the risk resulting from the fall in the prices of the metals. These derivative contracts are recorded as assets or liabilities in the consolidated statements of financial position and are stated at fair value. To the extent that these hedges were effective in offsetting future cash flows from the sale of the related production, changes in fair value are deferred in an equity account under "Other reserves of equity". The deferred amounts were reclassified to the "sales of goods" when the production was sold. See note 33(a) and note 20(b).

(a.3) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates to the Groups' long-term financial obligations with floating interest rates.

A table showing the effect in profit or loss of the variations of interest rates:

	Increase/decrease of LIBOR (percentage rates)	Effect on profit (loss) before income tax US\$(000)
2020		
Interest rate	10%	(81)
Interest rate	(10%)	81
2019		
Interest rate	10%	(306)
Interest rate	(10%)	306
2018		
Interest rate	10%	(277)
Interest rate	(10%)	277

(b) Credit risk -

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivable) and from its financing activities, including deposits with banks and other financial instruments.

The Group invests the excess cash in financial leading institutions, sets conservative credit policies and constantly evaluates the market conditions in which it operates. Trade accounts receivable are denominated in U.S. dollars. The Group's sales are made to domestic and foreign customers. See concentration of spot sales in note 20(b). An impairment analysis is performed on an individual basis.

Notes to the consolidated financial statements (continued)

Credit risk is limited to the carrying amount of the financial assets to the date of consolidated statements of financial position, which is composed, by cash and cash equivalents, trade and other receivables and derivative financial instruments.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables:

	Current US\$(000)	Days past due			Total US\$(000)
		<30 days US\$(000)	30 – 90 days US\$(000)	>90 days US\$(000)	
As of December 31, 2020 -					
Trade receivables	159,840	-	-	22,128	181,968
Other receivables	172,116	-	1,221	9,717	183,054
	331,956	-	1,221	31,845	365,022
Expected credit loss rate	0%	0%	0%	100%	-
Expected credit loss	-	-	-	(31,845)	(31,845)
As of December 31, 2019 -					
Trade receivables	204,096	-	-	22,016	226,112
Other receivables	125,409	42,390	4,332	10,006	182,137
	329,505	42,390	4,332	32,022	408,249
Expected credit loss rate	0%	0%	0%	100%	-
Expected credit loss	-	-	-	(32,022)	(32,022)

- (c) Liquidity risk - Prudent management of liquidity risk implies maintaining sufficient cash and cash equivalents and the possibility of committing or having financing committed through an adequate number of credit sources. The Group believes that maintains suitable levels of cash and cash equivalents and has sufficient credit capacity to get access to lines of credit in leading financial entities.

The Group continually monitors its liquidity risk based on cash flow projections.

Notes to the consolidated financial statements (continued)

An analysis of the Group's financial liabilities classified according to their aging is presented below, based on undiscounted contractual payments:

	Less than 1 year US\$(000)	Between 1 and 2 years US\$(000)	Between 2 and 5 years US\$(000)	More than 5 years US\$(000)	Total US\$(000)
As of December 31, 2020 -					
Bank loans – capital	65,793	-	-	-	65,793
Bank loans – interest	1,156	-	-	-	1,156
Trade and other payables	167,852	-	-	-	167,852
Financial obligation – capital	21,587	175,932	324,815	6,071	528,405
Financial obligation – interest	14,868	13,289	14,911	203	43,271
Lease – capital	3,609	2,010	2,220	-	7,839
Lease – interest	74	143	145	-	362
Hedge derivative financial instruments	15,804	2,635	-	-	18,439
Contingent consideration liability	-	-	9,924	36,746	46,670
Total	290,743	194,009	352,015	43,020	879,787
As of December 31, 2019 -					
Bank loans – capital	55,000	-	-	-	55,000
Bank loans – interest	486	-	-	-	486
Trade and other payables	152,070	616	-	-	152,686
Financial obligation – capital	262,088	131,588	125,154	48,568	567,398
Financial obligation – interest	22,597	11,225	11,880	1,449	47,151
Lease – capital	3,692	1,514	2,297	-	7,503
Lease – interest	73	143	404	-	620
Contingent consideration liability	-	-	4,905	35,166	40,071
Total	496,006	145,086	144,640	85,183	870,915

(d) Capital management -

For purposes of the Group's capital management, capital is based on all equity accounts. The objective of capital management is to maximize shareholder value.

The Group manages its capital structure and makes adjustments to meet the changing economic market conditions. The Group's policy is to fund all projects of short and long term with their own operating resources. To maintain or adjust the capital structure, the Group may change the policy of paying dividends to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a consolidated net worth minimum. As required by the Company's covenants of the Syndicated term Loan of US\$2,711,389. No changes were made in the objectives, policies or processes for managing capital during the years 2020 and 2019

Notes to the consolidated financial statements (continued)

34. Fair value measurement

Fair value disclosure of assets and liabilities according to its hierarchy -

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	Fair value measurement using:		
	Quoted prices in active markets (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)
	US\$(000)	US\$(000)	US\$(000)
As of December 31, 2020 -			
Assets and liabilities measured at fair value:			
Fair value of account receivable (subject to provisional pricing)	126,553	-	126,553
Bank loans	65,793	-	65,793
Financial obligations	531,745	-	531,745
Contingent consideration liability	22,100	-	22,100
Hedge instruments	18,439	-	18,439
As of December 31, 2019 -			
Assets and liabilities measured at fair value:			
Fair value of account receivable (subject to provisional pricing)	165,546	-	165,546
Bank loans	55,000	-	55,000
Financial obligations	571,688	-	571,688
Contingent consideration liability	16,410	-	16,410
Hedge instruments	-	-	-

Financial instruments whose fair value is similar to their book value –

For financial assets and liabilities such as cash and cash equivalents, trade and other receivables, trade and other payables that are liquid or have short-term maturities (less than three months), it is estimated that their book value is similar to their fair value. The derivatives are also recorded at the fair value so that differences do not need to be reported.

The fair value of account receivable is determined using valuation techniques with information directly observable in the market (future metal quotations).

Financial instruments at fixed and variable rates -

The fair value of financial assets and liabilities at fixed and variable rates at amortized cost is determined by comparing the market interest rates at the time of their initial recognition to the current market rates with regard to similar financial instruments. The estimated fair value of deposits that accrue interest is determined by means of cash flows discounted using the prevailing market interest rates in the currency with similar maturities and credit risks.

Based on the foregoing, there are no important existing difference between the value in books and the fair value of the assets and financial liabilities as of December 31, 2020 and 2019.

There were no transfers between Level 1 and Level 2 during 2020 and 2019.

As of December 31, 2020, the fair value of the investment property amounted to US\$842,000 (US\$544,000 as of December 31, 2020). There is not an independent valuation for investment property.

Notes to the consolidated financial statements (continued)

Fair value measurements using significant unobservable inputs (level 3) –

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value as of December 31, 2020	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Contingent consideration liability	22,100	Rate before tax	9.30%	A change in the discount rate by 10% (rate of 0.93%) higher/lower, the fair value would increase/decrease in US\$1.5 million.
		Expected revenues annual average (US\$000)	222,238	If expected sales change by 10% higher/lower, the fair value would increase/decrease in US\$2.2 million.

35. Events after the reporting period

Since March 2021, Buenaventura has been assessing different possibilities, such as the issuance of bonds or the disposition of certain assets (including its participation in associates and subsidiaries), in order to satisfy its financial obligations and expansion requirements. As of the date of this report, the Company's board of directors has not approved any such transactions or asset dispositions, and therefore there is no effect on any of Buenaventura's financial reporting as of and for the period ended December 31, 2020.

In accordance with International Financial Reporting Standards - IFRS, the accompanying financial statements were prepared based on the conditions existing as of December 31, 2020 and considering those events that occurred after that date that provided evidence of conditions that existed at the end of the reporting period. Given that the social immobilization measures were decreed after December 31, 2020, their impact is considered an event that is indicative of conditions that arose after the reporting period and, consequently, no adjustments have been made to the financial statements as of December 31, 2020.

Minera Yanacocha S.R.L. and Subsidiary

Consolidated Financial Statements for the years 2020, 2019 and 2018, together with the Report of Independent Auditors
Registered Public Accounting Firm

Minera Yanacocha S.R.L. and Subsidiary

Consolidated Financial Statements for the years 2020, 2019 and 2018, together with the Report of Independent Registered Public Accounting Firm

Content

<u>Report of Independent Auditors</u>	<u>F-136</u>
Consolidated Financial Statements	
<u>Consolidated statements of financial position</u>	<u>F-138</u>
<u>Consolidated statements of comprehensive income</u>	<u>F-139</u>
<u>Consolidated statements of changes in equity</u>	<u>F-140</u>
<u>Consolidated statements of cash flows</u>	<u>F-141</u>
<u>Notes to the consolidated financial statements</u>	<u>F-142</u>

Report of Independent Registered Public Accounting Firm

To the Partners and the Board of Directors of Minera Yanacocha S.R.L.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Minera Yanacocha S.R.L. and subsidiary (the Company) as of December 31, 2020 and 2019, and related consolidated statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2020 and 2019, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board which differ in certain respects from the accounting principles generally accepted in the United States of America (see notes 26 and 27 to the consolidated financial statements).

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Report of Independent Registered Public Accounting Firm (continued)

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Paredes, Burga & Asociados S. Civil de R. L.
A member practice of Ernst & Young Global Limited

/s/ Mayerling Zambrano R.
We have served as the Company's auditor since 2015.
Lima, Peru,
April 29, 2021

Minera Yanacocha S.R.L. and Subsidiary
Consolidated statements of financial position
As of December 31, 2020 and 2019

	Note	2020 US\$(000)	2019 US\$(000)
Assets			
Current assets			
Cash and cash equivalents	5	870,929	818,503
Trade and other receivables, net	6	28,044	18,962
Value added tax credit		25,214	32,831
Inventories, net	7	52,297	54,245
Stockpiles and ore on leach pads, net	8	121,515	134,923
Prepaid expenses		1,591	991
Total current assets		<u>1,099,590</u>	<u>1,060,455</u>
Non-current assets			
Restricted cash	14	48,752	48,617
Trade and other receivables, net	6	21,676	23,648
Financial instruments at fair value	9	25,168	24,417
Stockpiles and ore on leach pads, net	8	69,687	105,023
Property, plant and equipment, net	10	1,039,579	1,038,294
Intangible assets, net	2.4(k)	7,915	10,547
Deferred tax asset	16(g)	1,071	1,071
Total non-current assets		<u>1,213,848</u>	<u>1,251,617</u>
Total assets		<u>2,313,438</u>	<u>2,312,072</u>
Liabilities and partners' equity			
Current liabilities			
Trade and other payables	11	68,645	72,806
Income tax payable	16(j)	42,029	23,153
Provisions	12	101,786	45,317
Other accruals and liabilities	13	70,526	49,301
Total current liabilities		<u>282,986</u>	<u>190,577</u>
Non-current liabilities			
Debt instruments	14	45,423	43,927
Provisions	12	1,660,603	1,587,551
Other accruals and liabilities	13	40	305
Total non-current liabilities		<u>1,706,066</u>	<u>1,631,783</u>
Total liabilities		<u>1,989,052</u>	<u>1,822,360</u>
Partners' equity			
Partners' contributions	15	378,505	378,505
Additional paid-in-capital		(21,758)	(21,758)
Retained (losses) earnings		(32,134)	133,315
Other reserves		(227)	(350)
Total equity		<u>324,386</u>	<u>489,712</u>
Total liabilities and partners' equity		<u>2,313,438</u>	<u>2,312,072</u>

The accompanying notes are an integral part of this consolidated financial statement

Minera Yanacocha S.R.L. and Subsidiary

Consolidated statements of comprehensive income

For the years ended December 31, 2020, 2019 and 2018

	Note	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Revenue from contracts with customers				
Sales	17	592,394	734,526	658,653
Other operating revenue	17	27,768	4,776	21,965
Total revenue from contracts with customers		<u>620,162</u>	<u>739,302</u>	<u>680,618</u>
Costs applicable to sales				
Costs applicable to sales	18	(666,456)	(692,721)	(619,424)
Other operating costs		(1,247)	(1,160)	(2,217)
Total operating costs		<u>(667,703)</u>	<u>(693,881)</u>	<u>(621,641)</u>
Gross profit (loss)		<u>(47,541)</u>	<u>45,421</u>	<u>58,977</u>
Operating expenses				
Operating expenses, net	19	(34,322)	(35,987)	(76,155)
Administrative expenses	20	(1,227)	(1,744)	(2,783)
Selling expenses	21	(1,922)	(1,722)	(2,627)
Total operating expenses		<u>(37,471)</u>	<u>(39,453)</u>	<u>(81,565)</u>
Operating profit (loss)		<u>(85,012)</u>	<u>5,968</u>	<u>(22,588)</u>
Finance income				
Finance income	2.4(n)(iv)	8,100	18,430	11,448
Finance costs				
Finance costs	22	(36,699)	(57,629)	(39,024)
Net gain (loss) from currency exchange difference				
Net gain (loss) from currency exchange difference		1,180	2,902	(2,056)
Loss before income tax		<u>(112,431)</u>	<u>(30,329)</u>	<u>(52,220)</u>
Income tax expense	16(h)	(53,018)	(64,928)	(29,297)
Loss for the year		<u>(165,449)</u>	<u>(95,257)</u>	<u>(81,517)</u>
Comprehensive loss:				
Loss for the year		(165,449)	(95,257)	(81,517)
Other comprehensive (loss) income to be reclassified as profit or loss in subsequent periods:				
Fair value of financial instruments		123	1,246	(91)
Total comprehensive loss for the year		<u>(165,326)</u>	<u>(94,011)</u>	<u>(81,608)</u>

The accompanying notes are an integral part of this consolidated financial statement

Minera Yanacocha S.R.L. and Subsidiary
Consolidated statements of changes in equity
For the years ended December 31, 2020, 2019 and 2018

	Capital stock US\$(000)	Additional Paid-in-capital US\$(000)	Retained earnings US\$(000)	Other reserves US\$(000)	Total US\$(000)
As of January 1, 2018	398,216	(47,685)	310,089	(1,505)	659,115
Loss for the year	-	-	(81,517)	-	(81,517)
Other comprehensive loss for the year	-	-	-	(91)	(91)
Total comprehensive loss	-	-	(81,517)	(91)	(81,608)
Treasury shares reduction, note 15(a)	(19,711)	19,711	-	-	-
Proceeds from sale of shares, note 14	19,471	28,440	-	-	47,911
Acquisition of debt instruments, note 14	(19,471)	(22,224)	-	-	(41,695)
As of December 31, 2018	378,505	(21,758)	228,572	(1,596)	583,723
Loss for the year	-	-	(95,257)	-	(95,257)
Other comprehensive income for the year	-	-	-	1,246	1,246
Total comprehensive loss	-	-	(95,257)	1,246	(94,011)
As of December 31, 2019	378,505	(21,758)	133,315	(350)	489,712
Loss for the year	-	-	(165,449)	-	(165,449)
Other comprehensive income for the year	-	-	-	123	123
Total comprehensive loss	-	-	(165,449)	123	(165,326)
As of December 31, 2020	378,505	(21,758)	(32,134)	(227)	324,386

The accompanying notes are an integral part of this consolidated financial statement

Minera Yanacocha S.R.L. and Subsidiary
Consolidated statement of cash flows
For the years ended December 31, 2020, 2019 and 2018

	Note	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Cash flow from operating activities				
Loss for the year		(165,449)	(95,257)	(81,517)
Adjustments to reconcile profit after income tax to net cash flows from operating activities:				
Current income tax expense	16	53,018	64,928	29,297
Deferred income tax benefit	16(f)	-	-	(1,071)
Depreciation and amortization	18	140,252	144,862	156,212
Provision for mine closure	18	124,780	142,129	16,285
Unwinding of present value of the provision for mine closure	12(b)	32,049	36,709	36,015
Unwinding of discount of debt instruments	22	1,497	1,497	735
Write-off of fixed assets	19	460	1,204	-
Loss (gain) for fixed asset sales	19	(10)	(5,996)	624
Write-down of ore inventories to realizable value	8(b)	37,880	33,464	90,365
Reversal of the write-down of ore inventories to realizable value	8(b)	(72,518)	(74,666)	(63,778)
Allowance for obsolescence of materials and supplies	7(b)	497	(1,417)	439
Changes in working capital:				
Net (increase) decrease in operating assets:				
Trade and other receivables		(7,110)	13,290	(7,580)
Value added tax credit and other taxes		(6,439)	(16,491)	7,616
Inventories and stockpiles and ore on leach pads		84,833	42,326	7,120
Prepaid expenses		(600)	(238)	(345)
Financial assets at fair value	9	(628)	(561)	299
Net increase (decrease) in operating liabilities:				
Trade and other payables		(3,706)	(8,231)	2,028
Provisions		(982)	10,051	(2,617)
Other accruals and liabilities		20,753	21,282	(197)
Closure of mining units paid	12(b)	(22,656)	(23,889)	(19,842)
		215,921	284,996	170,088
Income tax paid		(20,066)	(12,600)	(8,863)
Net cash and cash equivalents provided by operating activities		195,855	272,396	161,225
Cash flow from investing activities				
Purchase of property, plant and equipment	10	(143,489)	(184,403)	(117,636)
Restricted cash	14	(135)	(490)	(48,127)
Proceeds from sale of property, plant and equipment	19	460	8,088	4,821
Net cash and cash equivalents used in investing activities		(143,164)	(176,805)	(160,942)
Cash flow from financing activities				
Proceeds from sale of shares	13	-	-	47,911
Payment of principal portion of lease liabilities	2.3	(265)	(296)	-
Net cash and cash equivalents provided by (used in) financing activities		(265)	(296)	47,911
Net increase in cash and cash equivalents		52,426	95,295	48,194
Cash and cash equivalents at beginning of year		818,503	723,208	675,014
Cash and cash equivalents at end of year		870,929	818,503	723,208
Transactions with no effects in cash flows:				
Addition (deductions) of asset retirement cost	10	(4,125)	158,967	27,275
Increase of right-of-use assets	10	-	1,045	-

The accompanying notes are an integral part of this consolidated financial statement.

Notes to the consolidated financial statements

For the years 2020, 2019 and 2018

1. Identification and business activities of the Company

(a) Identification -

Minera Yanacocha S.R.L. hereinafter “the Company” or “Yanacocha”, was incorporated in Peru on January 14, 1992 and commenced operations in 1993. The Company is currently engaged in the production, exploration and development of gold under the mining concessions it owns or that are owned by S.M.R.L. Chaupiloma Dos de Cajamarca (Chaupiloma). Future projects could include the production, exploration and development of copper as well.

The Company is 51.35% owned by Newmont Second Capital Corporation, a 100% indirectly owned subsidiary of Newmont Corporation (“Newmont”, the ultimate Parent company), 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 Summit Global Management II VB, a wholly-owned subsidiary of Sumitomo Corporation, see note 14.

The controlling Partners of the Company (or their affiliates) also own the controlling interest in Chaupiloma. In accordance with a mining lease agreement, amended and effective on 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 2032.

The Company’s legal domicile is at La Paz avenue No. 1049 office 401, Miraflores, Lima Peru.

(b) Business activities-

In order to perform its activities, the Company is required to obtain mining concessions or provisional permits for exploration and processing concessions for the treatment of mining ores from the Peruvian Ministry of Energy and Mines (MEM). Under Peru’s current legal and regulatory regime, these mining and processing 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. The Company holds mining concessions which exploration and processing rights do not expires as long as the Company comply with the legal requirements. To date the Company has complied with all the applicable legal requirements related to its concession rights.

Notes to the consolidated financial statements (continued)

The Company's operations are located approximately 375 miles (604 kilometers) north of Lima and 30 miles (48 kilometers) north of the city of Cajamarca and are primarily accessible by paved roads. The Yanacocha property began production in 1993 and consists of the following open pit mines: (i) the La Quinoa Complex, (ii) the Yanacocha Complex, (iii) the Carachugo Complex and Maqui Maqui. In addition, The Company has (i) four leach pads (La Quinoa, Yanacocha, Carachugo and Maqui Maqui), (ii) three gold processing plants (Pampa Larga, Yanacocha Norte and La Quinoa), one limestone processing facility (China Linda) and (iv) one mill (Yanacocha Gold Mill).

The La Quinoa Complex includes mined material from the La Quinoa Sur and the Tapado Oeste Layback and is scheduled to finish mining operations in 2021.

The Yanacocha Complex includes mined material from the Yanacocha Layback and Yanacocha Pinos, which are scheduled to finish mining operations in 2021, respectively. The Yanacocha Complex began operations in 1997 and has had limited mining operations in recent years.

The Carachugo Complex and Maqui Maqui includes mined material from multiple mines that are no longer in operation and continued residual gold leaching. In addition, the Carachugo Complex includes processed material from the Quecher Main project, which is a new open pit within the existing footprint of Yanacocha which began operating in October 2019. This project will add oxide production at Yanacocha and will extend the life of the Yanacocha operation to 2027. During 2020, the ounce production of the project was 55,000 oz.

Yanacocha's gold processing plants are located adjacent to the solution storage ponds and are used to process gold-bearing solutions from Yanacocha's leach pads through a network of solution-pumping facilities and the Yanacocha Gold Mill processes high-grade gold ore to produce a gold-bearing solution for treatment at the La Quinoa processing plant, followed by Merrill - Crowe zinc precipitation and smelting where a final dore product is poured. The dore is then shipped offsite for refining and is sold on the 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 flows 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 2020, 2019 and 2018 the Company produced 340,000, 527,000 and 515,000 of gold, respectively.

Brownfield exploration and development for new reserves is ongoing, including the development of the Quecher Main project within the existing footprint of Yanacocha. In addition, the Company continues to evaluate the potential for mining sulfide gold and copper mineralization.

Notes to the consolidated financial statements (continued)

Conga project

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. There is no exploration and (or) development of new reserves, the reserve balances reported for Conga in 2014 were reclassified to mineralized material in 2015.

The Conga project has been the target of local political and community protests, some of which blocked the road between the Yanacocha mine and Conga project complexes and the City of Cajamarca in Peru and resulted in vandalism and equipment damage. While recently roadblocks and protests have diminished and focused on local political activism and labor disputes, the Company cannot predict whether similar or more significant incidents will occur in the future. The recurrence of significant political or community opposition or protests could continue to adversely affect the Conga Project's development, other new projects in the area and the continued operation of Yanacocha.

Construction activities on the Conga project were suspended in 2011, at the request of Peru's central government following protests in Cajamarca by anti-mining activists led by the regional president. At the request of the Peruvian central government, the environmental impact assessment prepared in connection with the project was reviewed by independent experts in an effort to resolve allegations around the environmental viability of Conga. This review concluded that the environmental impact assessment complied with international standards and provided recommendations to improve water management. Based on the Company's internal project portfolio evaluation process, the Company does not anticipate developing Conga in the next ten years. Due to the uncertainty surrounding the project's development timeline, the Company have allocated our exploration and development capital to other projects in its portfolio. As a result, the Conga project is currently in care and maintenance and the Company continues to evaluate opportunities to sell or find alternative uses for equipment and assets originally acquired for the Conga project. Should the Company be unable to develop the Conga project or conclude that future development is not in the best interest of the business, the Company may consider sale of the project to a third-party or other alternative for the project, which may result in a future impairment charge.

The Central Government of Peru continued to support responsible mining as a vehicle for the growth and future development of Peru in 2020. However, the Company is unable to predict whether the Central government will continue to take similar positions in the future.

Notes to the consolidated financial statements (continued)

Previous regional governments of Cajamarca and other political parties actively opposed the Conga project in the past. The Company is unable to predict the positions that will be taken in the future and whether such positions or changes in law will affect new projects at Yanacocha or Conga. Such changes may include increased labor regulations, environmental and other regulatory requirements, and additional taxes and royalties, as well as future protests, community demands and road blockages. The Company cannot predict future positions of either the Central or regional government on foreign investment, mining concessions, land tenure or other regulation. Any change in government positions or laws on these issues could adversely affect the assets and operations of Yanacocha or Conga, which could have a material adverse effect on the Company's results of operations and financial position.

Should the Company be unable to develop the Conga project, the Company may have to consider other alternatives for the project, which may result in a future impairment charge. The total assets at Conga as of December 31, 2020 and 2019 were US\$449.8 million and US\$458.2 million, respectively.

Sulfides project

This project represents a stream of sulfide resources development that will be achieved by processing high-grade metal dominant sulfide ores from Yanacocha Verde Phase 1 and Chaquicocha underground deposits within Yanacocha's operational footprint, through an integrated process flow sheet that includes the addition of new flotation, pressure oxidation, neutralization, solvent extraction and electrowinning facilities. The Sulfides project is in the final feasibility stage, and the Company expects to begin with the development stage of the project in the second half of the year 2021.

- (c) Approval of consolidated financial statements -
The financial statements for the year ended December 31, 2020 were approved by Company's Management on April 29, 2021 and the subsequent events have been considered through those dates.

The consolidated financial statements as of December 31, 2019 were approved by the Partners' Meeting held on July 13, 2020.

- (d) Covid 19 outbreak -
Covid-19, an infectious disease caused by a new coronavirus, was declared a global pandemic by the World Health Organization on March 11, 2020. Measures to decrease the spread of Covid-19 have had a significant impact on the Global economy.

On March 15, 2020, the Peruvian Government declared a state of emergency at the national level, closing all businesses considered non-essential (the exceptions were the production and marketing of food, pharmaceutical products, financial services and health). Despite the fact that the state of emergency remained in force until October 31, 2020, the Peruvian Government has allowed the early restart of the economic activities of certain industries.

The Company has taken various measures to preserve the health of its employees and to prevent contagion in the administrative and operational areas of each subsidiary, such as remote work, reorganization of its facilities, rigorous cleaning of work environments, distribution of equipment personal protection, preventive tests before access to the mining unit and body temperature measurement.

Likewise, after the interruption of operations for 61 days, the Company resumed near normal operations as of the month of September 2020.

Notes to the consolidated financial statements (continued)

2. Basis for preparation, consolidation and accounting policies

2.1. Basis of preparation -

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

The consolidated financial statements have been prepared under the historical cost basis, except for accounts receivables and financial assets which are measured at their fair value.

The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

The preparation of consolidated financial statements requires that Management use judgments, estimates and assumptions, as detailed in note 3.

2.2. Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (San Jose Reservoir Trust, a separate Peruvian legal entity created to ensure the continuity of the Company's operations in the San Jose Reservoir after the end of operations at Yanacocha).

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Company's voting rights and potential voting rights or a combination of rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies into line with the Company's accounting policies.

Notes to the consolidated financial statements (continued)

All intra-group assets and liabilities, equity, income, expenses and cash flows are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.3. Changes in accounting policies and disclosures -

Below is a summary of the changes in accounting policies and disclosures applicable for the year 2020:

Amendments to IAS 1 and IAS 8: Definition of Material -

In October 2018, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments to the definition of material are not expected to have a significant impact on the Company's consolidated financial statements.

Conceptual Framework for Financial Reporting issued on 29 March 2018 -

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Notes to the consolidated financial statements (continued)

Amendments to IFRS 16 Covid-19 Related Rent Concessions -

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee making this election record any change in lease payments that result from the Covid-19-related rental concession in the same way that it would recognize the change under IFRS 16, if the change were not a lease modification.

Several other amendments and interpretations were applied for the first time in 2020, but they did not have an impact on the Company's consolidated financial statements and therefore have not been disclosed. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

2.4. Summary of significant accounting policies and practices -

(a) Foreign currencies -

The consolidated financial statements are presented in U.S. dollars, which is also the Company's functional currency.

Transactions and balance in foreign currency

Transactions in foreign currency (a currency other than functional currency) are initially recorded by the Company at the exchange rates prevailing at the time of the transactions published by the Superintendence of Banking and Insurance and Pension Fund Administrators (AFP for its acronym in Spanish).

Monetary assets and liabilities denominated in other currencies are translated into the U.S. dollar at exchange rates prevailing at the statements of financial position dates. Gains or losses from exchange differences arising from the settlement or translation of monetary assets and liabilities are recognized in the consolidated statements of comprehensive income. Non-monetary assets and liabilities recognized in terms of historical cost are translated using the exchange rates prevailing at the dates of the initial transactions.

Transactions in Soles (S/)

Transactions in Soles are completed using exchange rates published by the AFP. As of December 31, 2020, the exchange rates for U.S. dollars published by this Institution were US\$0.2764 for buying and US\$0.3020 for selling (US\$0.3020 for buying and US\$0.3015 for selling as of December 31, 2019), and have been applied by the Company for the assets and liabilities accounts, respectively.

Notes to the consolidated financial statements (continued)

As of December 31, 2020 and 2019, the Company presents the following assets and liabilities originally denominated in Soles by its equivalent in U.S. dollars:

	2020 US\$(000)	2019 US\$(000)
Assets		
Cash and cash equivalents	6,242	5,140
Trade and other receivables	7,584	27,990
Value added tax credit	25,214	32,831
Total assets	<u>39,040</u>	<u>65,961</u>
Liabilities		
Trade and other payables	48,200	13,085
Income tax payable	37,779	23,153
Provisions, other accruals and liabilities	25,774	29,633
Total liabilities	<u>111,753</u>	<u>65,871</u>
Net asset (liability) position	<u>(72,713)</u>	<u>90</u>

For the year ended December 31, 2020, the Company recognized a net gain from currency exchange difference for US\$1,180 (net gain for US\$2,902 and loss for US\$2,056 as of December 31, 2019 and 2018; respectively) in the caption "Net gain (loss) from currency exchange difference" of the consolidated statements of comprehensive income.

- (b) Financial instruments - Initial recognition and subsequent measurement -
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

- (i) Financial assets -
Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in section (n) Revenue from contracts with customers.

Notes to the consolidated financial statements (continued)

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Financial assets of the Company comprise cash and cash equivalents, trade and other receivables, net and financial assets at fair value through OCI with recycling of cumulative gains and losses and financial assets at fair value through profit or loss.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments) -

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes other receivables, net. See note 6 for more information on accounts receivables.

Notes to the consolidated financial statements (continued)

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) –

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statements of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's investments in the San Jose Reservoir Trust are classified as financial assets at fair value through OCI as of December 31, 2020 and 2019.

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) -

Debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statements of comprehensive income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have financial assets classified in this category.

Financial assets at fair value through profit or loss -

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the consolidated statements of comprehensive income when the right of payment has been established.

As of December 31, 2020, the Company has nominal investments related to the San Jose Reservoir Trust as financial assets at fair value through profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

This category also applies to financial assets that are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity, or in response to changes in the market conditions (Note 9).

Derecognition -

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset or, (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets -

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) *Financial liabilities -*

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortized cost (loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge), as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Notes to the consolidated financial statements (continued)

Subsequent measurement -

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (Loans and borrowings, trade payables) -

After initial recognition, interest-bearing loans and borrowing are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statements of profit and cost when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as financial costs in the consolidated statements of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Trade and other payables are subsequently measured at amortized cost.

Derecognition -

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

(iii) Offsetting of financial instruments -

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements (continued)

(c) Current versus non-current classification -

The Company presents assets and liabilities in the consolidated statements of financial position based on current or non-current classification.

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(d) Cash and cash equivalents -

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash includes guarantee deposits in escrow accounts related to Sumitomo's shares acquisition (see note 14) and is excluded from cash and cash equivalents being included in other current assets or long-term assets depending on restrictions.

Notes to the consolidated financial statements (continued)

(e) Stockpiles, ore on leach pads and inventories -

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 weighted 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 to net realizable value 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 non-current. The major classifications are as follows:

(i) Stockpiles -

Stockpiles represent ore that has been extracted from the mine 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 stockpiles 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 and depreciation and amortization relating to mining operations, and removed at each stockpile's weighted average cost per recoverable unit as material is processed.

(ii) Ore on leach pads -

The recovery of gold from certain gold oxide ores is achieved through the heap leaching process. Under this method, oxide 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 later processed in a plant where the gold is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable overhead and depreciation and amortization relating to mining operations, as well as leaching costs incurred in the leaching process. Costs are removed from ore on leach pads as ounces are recovered based on the weighted average cost per estimated 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 between 50% and 95% of the ultimate recoverable ounces in the first year of leaching, declining each year thereafter until the leaching process is complete.

Notes to the consolidated financial statements (continued)

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. The Company's operating results typically are not materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads in the ordinary course of business. 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 on a prospective basis.

- (iii) In-process inventory -
In-process inventories represent materials that are currently in the process of being converted to a saleable product. Conversion processes vary depending on the nature of the ore and the specific processing facility, and 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 weighted 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 amortization relating to the process facilities incurred to that point in the process.
- (iv) Precious metals inventory -
Precious metals include gold dore and (or) gold bullion. Precious metals that result from the Company's mining, processing activities are valued at the weighted average cost of the respective in-process inventories incurred prior to the refining process, plus applicable refining costs.
- (v) Materials and supplies -
Materials and supplies are valued at the lower of weighted average cost or replacement value. Cost includes applicable taxes and freight.
- (f) Property, plant and equipment -
Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The cost of an element of property, plant and equipment comprises the following: the acquisition price or manufacturing cost, including non-reimbursable customs and taxes and any cost necessary to place the asset in operating condition, as anticipated by Management; the estimate of the rehabilitation obligation and, in the case of qualified assets, the financing costs.

Notes to the consolidated financial statements (continued)

The purchase price or construction cost corresponds to the total amount paid and fair value of any other consideration provided to acquire the asset. Subsequent costs attributable to property, plant and equipment are capitalized 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, otherwise the cost is charged to production or expense.

Maintenance and repair expenses are charged to the production cost or expense, as necessary, in the period when incurred.

Disbursements incurred to replace a component of an item or element of property, plant and equipment are capitalized separately, writing-off the carrying amount of the component being replaced. In the event the component replaced has not been considered as a separate component of the asset item, the replacement value of the new component is used to estimate the carrying amount of the assets being replaced.

Assets in the construction stage are capitalized on a separate caption of property plant and equipment. At their completion, the cost is transferred to the appropriate category. The work in progress is not depreciated.

Depreciation

Land is not depreciated. Other than land, depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less their residual value over their estimated useful lives and in the case of assets assigned to the production process of Yanacocha, under the lower of (i) that determined under the units of production method or (ii) the useful life of the mine. The useful lives as follows:

Land improvements	Between 2 and 4 years
Buildings and constructions	Between 5 and 10 years
Machinery and equipment	Between 3 and 10 years
Vehicles	Between 3 and 4 years
Furniture and fixtures	Between 3 and 4 years
Other equipment	Between 3 and 4 years
Computer equipment	Between 3 and 4 years
Leach pads and assets retirement and mine closure	Useful life of the mine and (or) process facilities

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each date of the consolidated statement of financial position. Any changes in these estimates are prospectively adjusted.

Notes to the consolidated financial statements (continued)

Disposal of assets

Property, plant and equipment items are written-off at the date they are sold or when no economic benefits are expected from their further use or sale. Gains and losses on disposals of assets are determined by comparing the proceeds with their carrying amounts. These gains or losses are included in the consolidated statements of comprehensive income.

(g) Mining rights -

Mining rights include acquired interests in production, development and exploration stage properties. The mineral interests are capitalized at their fair value at the acquisition date.

The value of such assets is primarily driven by the nature and amount of mineralized material believed to be contained in such properties. Production stage mining rights represent interests in operating properties that contain proven and probable reserves. 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; mineralized material with insufficient drill spacing to qualify as proven and probable reserves; and mineralized material in close proximity to proven and probable reserves; (ii) around-mine exploration potential 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 current mineralized material and is comprised mainly of material outside of the immediate mine area; (iv) greenfield 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.

Exploration costs are capitalized when reserves at the location are established and reported in the Reserves and Resource information published annually by Newmont in its Form 10-K. At this point, exploration costs are capitalized as mine development or as a component of property, plant and equipment, as appropriate.

The Company's mining rights generally are enforceable regardless of whether proven and probable reserves have been established. The Company has the ability and intent to renew mineral interests where the existing term is not sufficient to recover all identified and valued proven and probable reserves and (or) undeveloped mineralized material.

Mining rights are presented in the caption of property, plant and equipment, net.

Notes to the consolidated financial statements (continued)

(h) Mine development costs -

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 are classified as proven and probable reserves are expensed as "exploration and advanced projects" as part of the "Operating expenses" caption in the consolidated statements of comprehensive income. The 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 mineralized material to proven and probable reserves. 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 the "Costs applicable to sales" caption in the consolidated statements of comprehensive income.

The cost 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 the minimum saleable materials may occur during development and related revenue is recorded as "Other operating revenue", net of incremental mining and processing costs. See note 2.4(i) below.

If any of the criteria are not met, the production stripping costs are charged to profit or loss as part of the "costs applicable to sales" caption in the consolidated statements of comprehensive income as they are incurred.

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.

Mine development costs are presented in the caption of Property, plant and equipment, net.

Notes to the consolidated financial statements (continued)

(i) Stripping activity asset -

The Company accounts for stripping costs incurred during the production phase of a surface mining in accordance with IFRIC 20 “Stripping costs in the production phase of a surface mine” whereby a stripping asset is recognized if, and only if, all of the following are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

The primary components of the ore body on a pit by pit basis as well as within major pits are identified. Based on these components, stripping activities are analyzed, and costs are assigned based on whether they pertained to current inventory production or improved access to future ore bodies (or components of an ore body).

Based on this analysis, the Company allocates the costs associated with improved access as a “stripping activity asset”. This allocation is based on the volume of waste and ore extracted in the period compared to expected volume life-of-mine per component of ore body.

Costs allocated to the production stripping activity asset are subsequently depreciated. Depreciation of the production stripping asset was calculated on a systematic basis (waste-to-ore tons ratio) method over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping costs. This depreciation is a production cost.

(j) Impairment of non-financial assets -

The carrying amounts of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, a review is undertaken to determine whether the carrying values are in excess of the recoverable amount. The recoverable amount is determined as the higher of (i) an asset’s fair value, less costs of disposal, and (ii) its value in use. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independently from other assets, in which case the review is undertaken at the cash generating unit level. The Company identified two separate cash generating units: Yanacocha and Conga.

Notes to the consolidated financial statements (continued)

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 and the appropriate discount rate. These estimates, used in the determination 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, costs and capital and interest rates are each subject to significant risks and uncertainties.

If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recorded in the consolidated statement of comprehensive income to reflect the asset at the lower amount. In assessing the recoverable amount for assets, the relevant future cash flows expected to arise from the fair value less costs of disposal have been discounted to their present value.

An impairment loss is reversed in the consolidated statement of comprehensive income if there is a change in estimate used to determine recoverable amount since the prior impairment loss was recognized.

The carrying amount of an asset is increased to the recoverable amount but not beyond the carrying amount net of depreciation or amortization which would have arisen if the prior impairment loss had not been recognized. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

- (k) Intangible assets including computer software -
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization (calculated on a straight-line basis over their useful lives).

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of comprehensive income in the expense category that is consistent with the function of the intangible assets. All intangible assets of the Company have finite lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statements of comprehensive income when the asset is derecognized.

For the years ended December 31, 2020, 2019 and 2018, the amortization amount of intangible assets amounted to US\$3 million, US\$3 million and US\$4.1 million, respectively.

Notes to the consolidated financial statements (continued)

(l) Provisions -
General -

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. If the time value of money is significant, provisions are discounted using pre-tax rates, which reflect, when appropriate, the liabilities' specific risks. The reversal of the discount due to the passage of time originates the increase of the obligation which is recognized with a charge to the consolidated statements of comprehensive income as a finance cost.

Provisions are reviewed periodically and are adjusted to reflect the best estimate available as of the date of the consolidation statements of financial position. The expenses related to other provisions are presented in the consolidated statements of comprehensive income.

Disclosure of contingent obligations is provided when their existence will only be confirmed by future events or their amount cannot be reliably measured. Contingent assets are not recognized and are disclosed only if it is probable that the Company will generate future economic benefits.

Provision for mine closure -

The Company records a provision for mine closure when a legally enforceable obligation arises, which is independent of the full depletion of the mine reserves.

Provisions for mine closure or "reclamation obligations" are recognized when incurred and recorded as liabilities at the best estimate of the expenditure required to settle the obligation.

Notes to the consolidated financial statements (continued)

The Company recognizes a liability for closure of mining units once the obligation has been properly measured. The liability is initially recognized at the present value of the estimated costs. The liability is accreted over time for the change in present value based on discounted rates that reflects current market assessments and the risk specific to the liability through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset as "asset retirement and mine closure" or "reclamation costs" as part of the property, plant and equipment caption. Reclamation costs 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 costs. The estimated reclamation obligation is based on when spending for an existing disturbance is expected to occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site.

Changes in the estimated timing of closure or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the provision for closure liability and a corresponding adjustment to the related mining asset. Any reduction in the provision for closure and, therefore, any deduction from the mining asset to which it relates, may not exceed the carrying amount of the mining asset. If it does, any excess over the carrying amount is taken immediately to the consolidated statements of comprehensive income.

If the change in estimate results in an increase in the provision for closure and, therefore, an addition to the carrying value of the mining asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, the Company performs an impairment test.

Reclamation costs related to an inactive mine site are immediately recognized as expenses in the consolidated statements of comprehensive income.

- (m) Treasury shares -
The Company's own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as additional paid-in-capital in equity. The voting rights related to treasury shares are cancelled for the Company and no dividends on such shares are allocated.
- (n) Revenue from contracts with customers -
The Company is principally engaged in the business of producing gold and concentrated copper/silver. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Notes to the consolidated financial statements (continued)

The Company has concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

Trade receivables (not subject to provisional pricing) are non-interest bearing and are generally on terms of 30 days.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 3.

(i) *Contract balances -
Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Company does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

As of December 31, 2010 and 2019, there are not contract liabilities.

Cost to obtain a contract

The Company's contracts do not involve any sales commissions because its contracts are globally negotiated by its Corporate. Therefore, the Company does not recognize any costs to obtain a contract.

Notes to the consolidated financial statements (continued)

(ii) *Sales of gold -*

Gold sales relate to unrefined gold dore that is sold under spot sales contracts to banks (customer). The Company initially negotiate with the banks the quantity of gold bullion to be required which is delivered in terms of unrefined gold dore to a selected refiner (the refiner is not the customer). The performance obligation is satisfied once the shipment confirmation is issued at the time the refinery receives the gold dore, allowing payment from the banks to the Company in full in cash in accordance to contracts with the banks.

All risk of loss and damage of the gold dore passes to the refiner upon reception; however, control of the product does not pass to the refiner, it is simply providing processing services to the Company.

The Company has identified only one performance obligation related to the sale of gold dore.

Revenue is recognized at a point in time when control passes to the bank, which is when the payment is ensured at the same time when the refinery's shipment confirmation is issued to the bank. This generally occurs after the dore's refinery shipments are confirmed, not being required to physically delivered the gold dore to the banks but resides in the mint. However, the bank has title, is required to pay for the gold bullion and is able to direct the use of the gold bullion by instructing the refiner to transfer metal credits to or from its metal account, and is exposed to the risks and rewards of the gold bullion.

The date of shipment's confirmation and delivery might be different arising differences between the prices used. Therefore, these sales are subject to subsequent adjustments due the variation of assays. All these matters are resolved according a settlement process specified in the contract which result in the issue of debit/credit notes according to the assays results.

With these arrangements, there are no advance payments received from the banks, no conditional rights to consideration, so no contract assets are recognized. A trade receivable is recognized at the date of sale and it is usually paid on cash once delivery confirmation is issued. The contract is entered into and the transaction price is determined at outturn by virtue of the shipment confirmation being subject to further price adjustments when difference between delivery and shipment dates arises. Also, given each spot sale represents the enforceable contract and all performance obligations are satisfied at that time, there are no remaining performance obligations (unsatisfied or partially unsatisfied) requiring disclosure.

Notes to the consolidated financial statements (continued)

(iii) Sales of copper and silver concentrate -

Copper and silver in concentrate are sold under Free on Board (FOB) Incoterms and this represents the enforceable contract. The Company considers whether there are other commitments in the contract that involve separate performance obligations to which a portion of the transaction price must be allocated. The performance obligation is the delivery of the concentrate at the point where control passes to the customer.

The majority of the Company's sales of copper and silver in concentrate allow for price adjustments based on the market price at the end of the relevant quotation period (QP) stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

Revenue is recognized when control passes to the customer, which occurs at a point in time when the copper, silver in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Company expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognized.

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognized in the consolidated statements of comprehensive income and other comprehensive income each period and presented in "Other operating revenue". Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments.

Revenue is recognized at the amount the entity expects to be entitled. The price expected to be received at the end of the quotation period is generally set at the month of shipment or delivery according to the terms of the contracts, using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price. The requirements in IFRS 15 on constraint estimates of variable consideration are also applied to determine the amount of variable consideration that can be included in the transaction Price.

Sales for copper, silver and the subsequent changes in fair value of the trade receivable are presented in the caption "Other operating revenue".

(iv) *Interest income* -

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of comprehensive income.

Notes to the consolidated financial statements (continued)

As of December 31, 2020, 2019 and 2018 this caption mainly includes interest from short-term money market funds and interest from current bank accounts for an amount of US\$8,100, US\$18,430 and US\$11,448, respectively.

- (o) **Benefits to employees -**
In accordance to Peruvian laws, employees are entitled to receive one month paid vacation per year and one-month salary bonus paid in July and December.
- In addition, employees are entitled to receive one -month salary per year (approximately) as severance indemnity which are deposited in advance with a bank elected by the employee.
- If employees are dismissed without cause, they are entitled to a mandatory severance pay that is set at 1.5 monthly salaries for each year of service. The maximum severance payment is twelve salaries. Salaries and wages, bonuses, post-employment benefits and vacations are calculated in accordance with IAS 19, "Employee Benefits" and are calculated in accordance with current Peruvian legislation based on the accrual basis.
- (p) **Workers' profit sharing -**
The Company recognizes workers' profit sharing in accordance with IAS 19, "Employees Benefits". Workers' profit sharing is calculated in accordance with the Peruvian law (Legislative Decree No. 892), and the applicable rate is 8% over the taxable net base of current year. According to Peruvian law, the limit in the workers' profit sharing that an employee can receive is equivalent to 18 months of wages, and any excess above such limit has be transferred to the Regional Government and "National Fund for Employment's Promotion and Training" (FONDOEMPLEO). The workers' profit sharing is recorded as part of cost applicable to sales, see note 18.
- (q) **Taxes -**
Current income tax -
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in Peru.
- Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.
- Deferred income tax -*
The Company accounts for income and mining taxes 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 or net deferred income tax asset for the Company, as measured by the statutory tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the consolidated financial statements (continued)

The Company derives its deferred income tax charge or benefit by recording the change in the net deferred income tax liability or net deferred income tax asset balance for the year, based on Peruvian income and mining tax laws.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences, and the carry-forward of unused tax credits can be utilized.

Deferred tax related to items recognized in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Peruvian mining royalties and special mining tax –

In accordance with Law No. 28258, as amended by Law No. 29788, mining royalties are payable as the higher of either as a specified percentage of operating profit or 1% of revenues. If the mining royalty is calculated as a percentage of operating profit, marginal rates ranging from 1% to 12% that increase progressively for companies with higher operating margins will apply.

Mining royalties and special mining tax are accounted for in accordance with IAS 12 “Income Tax” because they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income-rather than physical quantities produced or as a percentage of revenue-after adjustment for temporary differences. Legal rules and rates used to calculate the amounts payable are those in effect on the date of the consolidated statements of financial position.

Therefore, obligations arising from Mining Royalties and Special Mining Tax are recognized as income tax under the scope of IAS 12. Both, Mining Royalties and Special Mining Tax generated deferred tax assets and liabilities which must be measured using the average rates expected to apply to operating profit in the quarter in which the Company expects to reverse temporary differences.

Value added tax -

Expenses and assets are recognized net of the amount of sales tax, except:

- (i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- (ii) When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

The net amount to be recovered, or payable, to the Tax authority is included as a sale receivable or payable in the consolidated statements of financial position.

Notes to the consolidated financial statements (continued)

Uncertainty over Income Tax Treatment –

The Company determines whether it considers each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments based on the approach that best predicts the resolution of the uncertainty.

The Company perform judgments and estimates when there is uncertainty regarding the income tax treatments.

The Company considers that it has uncertain tax positions, particularly those related to the depreciation of fixed assets outside the scope of the feasibility study, sales commissions with unrelated companies and various computer services.

The Company determined, based on its tax compliance and transfer pricing study, that its tax treatments are likely to be accepted by the tax authorities.

(r) Fair value measurement -

The Company measures its financial instruments, such as, derivatives and embedded derivatives, at fair value as of the date of the consolidated statements of financial position.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated statements of financial position on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's Management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the Company's Management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

Notes to the consolidated financial statements (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(s) Leases –

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets -

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings 5 to 10 years
- Plant and equipment 3 to 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (j) Impairment of non-financial assets.

(ii) Lease liabilities -

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Notes to the consolidated financial statements (continued)

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the consolidated financial statements (continued)

The Company's lease liabilities are included in other accounts payable.

(iii) Short-term leases and leases of low-value assets -

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

(t) Reclassifications of comparative information –

The Company reclassified Other accruals and liabilities for US\$49 million in years 2019; respectively. Such items were presented together with Provision and they are now presented as a separate item "Other accruals and liabilities". Also, the Company reclassified Provision for US\$3.6 million, now it is presented in the item Trade and other payable.

	2019 As previously reported US\$(000)	Reclassifications US\$(000)	2019 Modified US\$(000)
Consolidated Statements of financial position			
Current liabilities			
Trade and other payables	76,484	(3,678)	72,806
Provision	90,940	(45,623)	45,317
Other accruals and liabilities	-	49,301	49,301
Non-current liabilities			
Provision	1,587,856	(305)	1,587,551
Other accruals and liabilities	-	305	305

Notes to the consolidated financial statements (continued)

In addition, the Company reclassified Other accruals and liabilities for US\$21 million and US\$0.2 million in the statement of cash flows and also a reclassification to present in other line the income tax expense:

	2019 As previously reported US\$(000)	Reclassifications US\$(000)	2019 Modified US\$(000)
Consolidated Statements of cash flows			
Operating activities			
Provisions	30,082	(20,031)	10,051
Trade and other payables	(6,980)	(1,251)	(8,231)
Other accruals and liabilities	-	21,282	21,282
Value added tax credit and other taxes	(3,003)	(13,488)	(16,491)
Income tax collected (paid)	19,239	(19,239)	-
Income tax payable	32,201	(32,201)	-
Current income tax expense	-	64,928	64,928
Net cash and cash equivalents provided by operating activities	34,419	-	34,419
2018			
	As previously reported US\$(000)	Reclassifications US\$(000)	2018 Modified US\$(000)
Consolidated Statements of cash flows			
Operating activities			
Provision	(2,494)	(123)	(2,617)
Trade and other payables	1,708	320	2,028
Other accruals and liabilities	-	(197)	(197)
Current income tax expense	-	29,297	29,297
Value added tax credit and other taxes	13,856	(6,240)	7,616
Income tax payable	8,897	(8,897)	-
Income tax collected (paid)	14,160	(14,160)	-
Net cash and cash equivalents provided by operating activities	78,519	-	78,519

3. Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and assumptions are continuously evaluated and based on Management's experience and other facts, including the expectations about future events which are reasonable under the current situation. Uncertainty about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of assets and liabilities affected in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

3.1. Judgments

In the process of applying the Company's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(a) Contingencies -

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

Notes to the consolidated financial statements (continued)

- (b) Development start date -
The Company assesses the status of each exploration project to determine when the development phase begins. One of the criteria used to evaluate the development start date is when the Company determines that the property can be economically developed based on the results of feasibility studies.
- (c) Production start date -
The Company assesses the stage of each mine under development to determine when a mine moves into the production phase. The determination of the start date is based on the unique nature of each mining project; such as the complexity of the project and its location. The Company considers various relevant criteria to assess when the production phase is considered to have commenced. Some of the criteria used to identify the production start date include, but are not limited to:
- Completion of a reasonable period of testing of the mine plant and equipment.
 - Ability to produce metal in saleable form (within specifications).
 - Ability to sustain ongoing production of metal.

When a mine development /construction project moves into the production phase, the capitalization of certain mine development costs ceases and the cost of mining waste ore are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalization relating to mining asset additions or improvements. It is also at this point that depreciation or amortization commences.

- (d) Useful life of property, plant and equipment -
Depreciation is calculated under the straight-line method of accounting considering the lower of estimated useful lives of the assets or estimated reserves of the mining unit. See Note 2.4 (f) for useful lives.

Notes to the consolidated financial statements (continued)

(e) Revenue from contracts with customers -

The Company applied the judgement for determining the timing of satisfaction of services of revenue from contracts with customers. The Company concluded that the performance obligation is completed once the shipment confirmation is issued when the refinery receives the dore, allowing the fully payment in cash according the contracts. As a result, all risk of loss and damage of the gold dore pass to refiner upon reception.

The Company determined that the only performance obligation is the sale of gold dore.

3.2. Estimates and assumptions -

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Determination of mineral reserves and resources -

The Company calculates its reserves using methods generally applied by mining and industry according to SEC guidance. All estimated reserves represent estimated quantities of mineral proven and probable that under current conditions can be economically and legally processed.

The process of estimating quantities of reserves is complex and requires making subjective decisions when evaluating all geological, geophysical, engineering and economic information available. Reviews could occur on reserve estimates due to, among others, revisions to the data or geological assumptions, changes in prices, production costs and results of exploration activities. Changes in estimated reserves could affect the carrying value of mining concessions, development costs and property, plant and equipment, the charges in result for depreciation and amortization, and the carrying amount of the provision for mine closure.

(b) Units of production depreciation -

Estimated economically recoverable reserves are used in determining the depreciation and (or) amortization of mine-specific assets.

This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. Each mine's life is assessed at least annually to evaluate (i) physical life limitations and (ii) present assessments of economically recoverable reserves of the mine property. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Changes in estimates are accounted for prospectively.

Notes to the consolidated financial statements (continued)

- (c) Provision for mine closure -
The Company assesses its provision for mine closure at each reporting date. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of closure activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents Management's best estimate of the present value of the future closure costs required.
- (d) Inventories -
Inventories are classified as current or non-current depending on the length of time that Management estimates will be used in the production or extraction for each mining unit.
- Inventories are measured at the lower of its weighted average cost or its net realizable value. Net realizable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale.
- Stockpiles and ore on leach pads are measured by estimating the number of tons added and removed from the stockpile and leach pads, the number of contained gold ounces, assay data, and the estimated recovery percentage based on the expected processing method. Stockpile and ore on leach pad tonnages are verified by periodic surveys.
- For minerals inside leach platform inventories, reasonable estimation methods are employed because it is generally impracticable to determine the mineral contained in leach platforms by physical count. The quantity of material delivered to leach platforms are based on surveyed volumes of mined material and daily production records. Sampling and assaying determine the estimated ore grades of material delivered to leach platforms.
- (e) Impairment of non-financial assets -
The Company assesses each asset or cash generating unit in each reporting period to determine whether any indication of impairment exists or the reversal of impairment previously recorded (e.g. fluctuation of gold prices, community relations and social license to operate). Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of (i) the fair value less costs of disposal and (ii) value in use. The assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates and operating costs, among others. These estimates and assumptions are subject to risk and uncertainty.

Notes to the consolidated financial statements (continued)

The fair value of mining assets is calculated by the present value of future cash flows arising from the continued use of the asset, which include some estimates, such as the cost of future expansion plans, using assumptions that a third party might consider. The future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the value of money over time, as well as specific risks of the asset or cash-generating unit under evaluation.

The Company has determined the operations of its mining units Yanacocha and Conga as the cash generating units.

4. Standards issued but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarified:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37:

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

Notes to the consolidated financial statements (continued)

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments: 10 percent test fee for derecognition of financial liabilities:

As part of its 2018-2020 annual improvement process to IFRS, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different of the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of the other. An entity applies the amendment to financial liabilities that are amended or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and early adoption is permitted. The Group will apply the modifications to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the Company applies the modification for the first time.

The management has evaluated the impact and expects that these modifications will not have a significant impact on the Company’s consolidated financial statements.

5. Cash and cash equivalents

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Petty cash	22	22
Bank accounts	51,279	56,822
Term deposits (b)	<u>819,628</u>	<u>761,659</u>
	<u>870,929</u>	<u>818,503</u>

Notes to the consolidated financial statements (continued)

(b) The term deposit balance is made up as follows:

	2020 US\$(000)	2019 US\$(000)
JP Morgan	404,319	501,916
Citibank	215,073	214,282
Santander	50,114	–
BNP Paribas	50,080	45,461
Standard Chartered	50,031	–
MUFG Bank	50,011	–
	<u>819,628</u>	<u>761,659</u>

The bank accounts and term deposits yield interest at market rates. The carrying amounts approximate the fair value due to the short maturity of these balances, which are less than 90 days.

6. Trade and other receivables, net

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Trade receivables, net		
Foreign clients (subject to provisional pricing)	<u>16,919</u>	<u>683</u>
Other receivables		
Credit of tax on net assets	21,676	23,648
Advances to suppliers	7,095	9,872
Related entities, note 24(c)	2,300	598
Tax claims	386	3,946
Other	<u>2,728</u>	<u>5,247</u>
	34,185	43,311
Allowance for expected credit losses (b)	<u>(1,384)</u>	<u>(1,384)</u>
	<u>32,801</u>	<u>41,927</u>
Total trade and other receivables, net	<u>49,720</u>	<u>42,610</u>
By maturity:		
Current	28,044	18,962
Non-current	<u>21,676</u>	<u>23,648</u>
Total	<u>49,720</u>	<u>42,610</u>

Notes to the consolidated financial statements (continued)

Classification by nature:

	2020 US\$(000)	2019 US\$(000)
Financial receivables	27,658	15,016
Non-financial receivables	22,062	27,594
	<u>49,720</u>	<u>42,610</u>

The trade receivables are related to concentrate sold (copper and silver by-products). At December 31, 2020 and 2019 there were no material collectability issues that required an allowance for expected credit losses on the trade receivable balance.

Trade receivables (not subject to provisional pricing) are non-interest bearing and are generally negotiated on terms of 30 days.

- (b) The allowance for expected credit losses had the following movement during the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Opening balance	1,384	1,384	1,384
Additions/Deductions	—	—	—
Ending balance	<u>1,384</u>	<u>1,384</u>	<u>1,384</u>

7. Inventories, net

- (a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Precious metals	12,559	8,021
Leach in-circuit	3,117	5,158
Mill in-circuit	2,093	1,332
Materials and supplies	41,123	45,832
	58,892	60,343
Allowance for obsolescence of materials and supplies (b)	<u>(6,595)</u>	<u>(6,098)</u>
	<u>52,297</u>	<u>54,245</u>

Notes to the consolidated financial statements (continued)

- (b) The allowance for obsolescence of material and supplies had the following movement during the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Opening balance	6,098	7,515	7,076
Provision for impairment of materials and supplies	1,459	1,898	1,887
Reversal of provision for impairment of materials and supplies	(962)	(3,315)	(1,448)
Ending balance	<u>6,595</u>	<u>6,098</u>	<u>7,515</u>

Reversals of impaired materials are due to disposals of impaired materials that offset the accumulative provision in each period.

8. Stockpiles and ore on leach pads, net

- (a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Current portion -		
Stockpiles	7,363	23,769
Ore on leach pads	124,364	139,991
Net realizable value adjustment (b)	(10,212)	(28,837)
	<u>121,515</u>	<u>134,923</u>
Non-current portion -		
Stockpiles	33,088	35,888
Ore on leach pads	39,674	88,223
Net realizable value adjustment (b)	(3,075)	(19,088)
	<u>69,687</u>	<u>105,023</u>

- (b) The provision for net realizable value adjustment had the following movement during the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Opening balance, note 18	47,925	89,127	62,540
Provision	37,880	33,464	90,365
Reversal of provision	(72,518)	(74,666)	(63,778)
Ending balance, note 18	<u>13,287</u>	<u>47,925</u>	<u>89,127</u>

Provision reversals correspond to improvements of the overall long-term market conditions that reduced the gap between stockpiles and leach pads' cost and their net realizable value.

9. Financial instruments at fair value

In November 2008, the Company funded the San Jose Reservoir Trust an amount of US\$13 million to ensure the continuity of the Company's operations in the San Jose Reservoir after 2018. Such trust is irrevocable and is a separate legal entity of the Company. 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.

As of December 31, 2020 and 2019, the assets in the trust amount to US\$25,168 and US\$24,417, respectively and are represented by financial instruments at fair value.

During the years ended December 31, 2020, 2019 and 2018, an increase in fair value of the debt instruments was recognized in other comprehensive income for the amount of US\$123, and an increase of US\$1,246 and a decrease US\$91 during 2019 and 2018, respectively. During the years ended December 31, 2020 and 2019 the change in fair value of the investments in marketable stocks for US\$(207) and US\$821, respectively, were recognized as Finance income and Finance costs in the consolidated statements of comprehensive income.

10. Property, plant and equipment, net

(a) Below is presented the movement in cost:

	Opening balance US\$(000)	Additions US\$(000)	Sales and deductions US\$(000)	Transfer/Other changes US\$(000)	Final balances US\$(000)
Year 2020					
Cost-					
Land	17,053	-	-	269	17,322
Land improvements	28,982	-	-	-	28,982
Building and constructions	271,554	-	-	4,510	276,064
Machinery and equipment	216,872	-	(20,844)	14,187	210,215
Leach pads	1,817,226	-	-	12,253	1,829,479
Vehicles	9,402	-	(98)	951	10,255
Furniture and fixtures	2,556	-	-	-	2,556
Other equipment	59,262	-	-	2,232	61,494
Work in progress	436,699	143,489	-	(69,829)	510,359
Mining rights	37,521	-	-	-	37,521
Right of use asset	1,045	-	-	-	1,045
Asset retirement and mine closure	693,365	-	(4,125)	-	689,240
Stripping activity asset	151,494	-	-	35,045	186,539
Mine development	824,156	-	-	-	824,156
	<u>4,567,187</u>	<u>143,489</u>	<u>(25,067)</u>	<u>(382)</u>	<u>4,685,227</u>
Accumulated depreciation and amortization					
Land improvements	28,315	80	-	-	28,395
Building and constructions	226,129	6,981	-	-	233,110
Machinery and equipment	184,030	18,029	(20,385)	-	181,674
Leach pads	1,694,288	40,197	-	-	1,734,485
Vehicles	8,828	49	(98)	-	8,779
Furniture and fixtures	2,560	4	-	-	2,564
Other equipment	54,132	2,291	-	-	56,423
Mining rights	29,457	-	-	-	29,457
Right of use asset	461	268	-	-	729
Asset retirement and mine closure	478,826	61,882	-	-	540,708
Stripping activity asset	147,725	1,769	-	-	149,494
Mine development	674,142	5,688	-	-	679,830
	<u>3,528,893</u>	<u>137,238</u>	<u>(20,483)</u>	<u>-</u>	<u>3,645,648</u>
Net cost	<u>1,038,294</u>				<u>1,039,579</u>

Notes to the consolidated financial statements (continued)

	Opening balance US\$(000)	Additions US\$(000)	Sales and deductions US\$(000)	Transfer/Other changes US\$(000)	Final balances US\$(000)
Year 2019					
Cost-					
Land	9,459	-	-	7,594	17,053
Land improvements	36,454	-	(7,472)	-	28,982
Building and constructions	298,328	-	(26,556)	(218)	271,554
Machinery and equipment	244,560	-	(46,286)	18,598	216,872
Leach pads	1,723,270	-	-	93,956	1,817,226
Vehicles	9,921	-	(1,043)	524	9,402
Furniture and fixtures	2,556	-	-	-	2,556
Other equipment	58,924	-	(3,712)	4,050	59,262
Work in progress	444,688	184,403	-	(192,392)	436,699
Mining rights	37,521	-	-	-	37,521
Right of use asset	-	1,045	-	-	1,045
Asset retirement and mine closure	534,398	158,967	-	-	693,365
Stripping activity asset	148,487	-	-	3,007	151,494
Mine development	760,647	-	-	63,509	824,156
	<u>4,309,213</u>	<u>344,415</u>	<u>(85,069)</u>	<u>(1,372)</u>	<u>4,567,187</u>
Accumulated depreciation and amortization					
Land improvements	35,583	101	(7,369)	-	28,315
Building and constructions	247,979	5,702	(26,579)	(973)	226,129
Machinery and equipment	204,255	21,780	(42,978)	973	184,030
Leach pads	1,656,002	38,286	-	-	1,694,288
Vehicles	9,855	16	(1,043)	-	8,828
Furniture and fixtures	2,556	-	-	-	2,556
Other equipment	56,522	1,326	(3,712)	-	54,136
Mining rights	29,457	-	-	-	29,457
Right of use asset	-	461	-	-	461
Asset retirement and mine closure	424,008	54,818	-	-	478,826
Stripping activity asset	146,058	1,667	-	-	147,725
Mine development	656,484	17,658	-	-	674,142
	<u>3,468,759</u>	<u>141,815</u>	<u>(81,681)</u>	<u>-</u>	<u>3,528,893</u>
Net cost	<u>840,454</u>				<u>1,038,294</u>

Additions to work in progress is primarily related to development of the Sulfides Project in 2020 and development of the Quecher Main project in 2019. As of December 31, 2020, the Company does not have material commitments related to these projects.

The depreciation and amortization expense for the year ended December 31, 2020 and 2019 was recorded in the "Cost applicable to sales" caption in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

(b) Impairment of long-lived assets -

In accordance with the accounting policies and processes, each asset or Cash Generating Unit "CGU" is evaluated annually at year end, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed. The Company has two CGU's: Yanacocha mine and Conga project.

In December 2018, the Company performed a formal evaluation of its cash generating units and concluded that there were no impairment indicators to such date.

During 2019, the Company's Management identified as an impairment indicator the significant increase of the asset retirement and mine closure, as a result the Company determined the recoverable amount for its CGU Yanacocha. Regarding to CGU Conga the Management did not identify any important indicator. As a result of this analysis, the Company concluded that no additional impairment loss on CGU Yanacocha was required to be recorded as the recoverable amount exceeded the carrying amount of the CGU's assets.

In December 2020, the Company performed a formal evaluation of its cash generating units and concluded that there are indicators of reversal of impairment of its Yanacocha CGU and impairment indicators in its Conga CGU, therefore it determined the recoverable value of both CGUs. As a result of this analysis the Company concluded that no reversals of impairment loss on either of its' CGU as the recoverable amount was slightly higher to the carrying amount of the CGU's assets; however, due to de sensitive of the cash flows to the discount rate, long term prices and the term of the cash flows, the Management has concluded that there is not appropriate recognized a reversal for the CGUs.

In assessing whether impairment or reversal of impairment was required, the carrying value of the asset or CGU was compared with its recoverable amount. The recoverable amount is the higher of (i) the CGU's fair value less costs of disposal (FVLCD) and (ii) value in use (VIU). Given the nature of the Company's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the recoverable amount for each CGU was estimated based on estimated discounted future estimated cash flows expected to be generated from the continued use of the CGUs using market based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, and its eventual disposal, based on the latest life of mine (LOM) plans. These cash flows were discounted using a real pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Estimates included quantities of recoverable minerals, production levels, operating costs and capital requirements and sourced from the planning process, including the life of mine (LOM) plans, business plan and CGU-specific studies.

Key assumptions used for the impairment testing as of December 31, 2020:

The determination of value in use was most sensitive to the following key assumptions:

- Production volumes.
- Commodity prices.
- Discount rate.
- Cost/operating income

Notes to the consolidated financial statements (continued)

Production volumes: Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted.

As each producing mining unit has specific reserve characteristics and economic circumstances, the cash flows of the mines were computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Company's process for the estimation of proved and probable reserves and resource estimates.

Commodity prices: Forecasted commodity prices were based on management's estimates and were derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied.

Estimated prices for the current and long-term periods that have were used to estimate future revenues were as follows:

	Current US\$	Long-term US\$
Gold (per ounce)	1,876	1,500
Copper (per pound)	3.1	3.0

Discount rate: In calculating the value in use, a pre-tax discount rate in a range of 8.9% to 9.4% was applied to the Yanacocha pre-tax cash flows, as for the Conga pre-tax cash flows a discount rate in a range of 9.38% to 10.36%. This discount rate was derived from the Company's pre-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU.

Cost/operating income

For Yanacocha's CGU, costs are determined based on the Company's cost structure and the mining plan for the following years and based on the approved prefeasibility model of Sulfides project. For Conga the cost are determined according to the prefeasibility model.

Notes to the consolidated financial statements (continued)

Sensitive Analysis

When determining the value-in-use of the CGUs' Yanacocha and Conga, management estimated a pre-tax discount rate between 8.9%-9.4%, and 9.4%-10.4%, respectively. WACC is a key assumption in the determination of the recoverable amounts, and changes in WACC would impact the recoverable amounts as follows:

Yanacocha (in millions of US Dollars)

WACC	8.9%	9.4%
-0.5%	125	54.5
+0.5%	(14)	(77)

Conga (in millions of US Dollars)

WACC	9.4%	10.4%
-0.5%	132	(30)
+0.5%	(33)	(158)

11. Trade and other payables

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Trade payables (b)		
Domestic suppliers	44,977	45,671
Related entities, note 24(c)	12,374	11,426
	<u>57,351</u>	<u>57,097</u>
Other payables		
Remuneration and similar benefits payable	4,649	7,818
Other taxes payable	4,097	5,195
Royalties payable to the Peruvian State	2,548	2,696
	<u>11,294</u>	<u>15,709</u>
	<u>68,645</u>	<u>72,806</u>

(b) Trade payables arise mainly from the acquisition of materials, supplies and spare parts and services provided by third parties. These obligations have current maturities, accrue no interest, are not secured and are mostly denominated in U.S. dollars.

12. Provisions

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Provisions		
Provision for mine closure and exploration projects (b)	1,738,428	1,608,380
Provision of social responsibility (c)	16,609	18,326
Other provisions	7,352	6,162
	<u>1,762,389</u>	<u>1,632,868</u>

	2020 US\$(000)	2019 US\$(000)
Classification by maturity:		
Current portion	101,786	45,317
Non-current portion	<u>1,660,603</u>	<u>1,587,551</u>
	<u>1,762,389</u>	<u>1,632,868</u>

- (b) **Provision for mine closure and explorations projects -**
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 provision for mine closure comprises activities to be carried out by the Company in the restoration of mines and adjacent areas in the completion stage of the gold extraction process. Such activities include the restoration of mining locations, water treatment plant operations, as well as reforestation and land treatments.

The movement of the provision for mine closure for 2020, 2019 and 2018 is broken down as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Opening balance	1,608,380	1,294,464	1,234,731
Additional provisions	120,655	301,096	43,560
Payments	(22,656)	(23,889)	(19,842)
Unwinding of discount, note 22	<u>32,049</u>	<u>36,709</u>	<u>36,015</u>
Ending balance	<u>1,738,428</u>	<u>1,608,380</u>	<u>1,294,464</u>
Classification by maturity			
Current portion	92,706	39,156	19,325
Non-current portion	<u>1,645,722</u>	<u>1,569,224</u>	<u>1,275,139</u>
	<u>1,738,428</u>	<u>1,608,380</u>	<u>1,294,464</u>

The provision for mine closure and exploration projects represents the present value of the closure costs that are expected to be incurred between the years 2020 and 2070.

There were minimal changes to the updated closure plan in 2017 prior to submitting to Peruvian regulators in September 2017. The regulators completed their review and approved the updated closure plan in November 2017.

Notes to the consolidated financial statements (continued)

During the years ended December 31, 2020, 2019 and 2018, the Company recorded an increase to the reclamation liability of US\$121 million, US\$301 million and US\$44 million, respectively. The update to the reclamation obligation resulted in an decrease to the recorded asset retirement cost asset of (US\$4) million (US\$159 million and US\$27.2 million in 2019 and 2018, respectively) related to the producing portions of the mine (see note 10) and a non-cash charge to reclamation expense for the year ended December 31, 2020 of US\$124 million (US\$142 million and US\$16.3 million as December 31, 2019 and 2018, respectively) related to the areas of Carachugo, Yanacocha, Maqui Maqui and Cerro Negro operations no longer in production (see note 18). The increase of the 2020 reclamation obligation is mainly due to higher water treatment costs, whereas in 2019 the increase was mainly due to new disturbance costs from the Quecher Main project and changes in the labor cost estimate. The discount rates used in the calculation of the provision as December 31, 2020, 2019 and 2018 were between 0.4% and 6.0%.

- (c) Provision of social responsibility -
The provision of social responsibility relates to community commitments to develop projects near the mine site, including training and support for other activities such as building infrastructure and donations.

The movement of the provision for social responsibility for 2020, 2019 and 2018 is broken down as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Opening balance	18,326	18,010	21,689
Additional provisions	-	888	-
Payments	(6)	(572)	(3,679)
Corrections	(1,711)	-	-
Ending balance	<u>16,609</u>	<u>18,326</u>	<u>18,010</u>
Classification by maturity			
Current portion	1,728	761	8,351
Non-current portion	<u>14,881</u>	<u>17,565</u>	<u>9,659</u>
	<u>16,609</u>	<u>18,326</u>	<u>18,010</u>

13. Other accruals and liabilities

- (a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Accrual of capital expenditure	20,147	8,139
Workers' profit sharing payable (b)	17,311	12,793
Interests payable, see note 23	16,840	16,840
Accrual of operating costs (c)	15,938	11,238
Lease liabilities	330	596
	<u>70,566</u>	<u>49,606</u>
Classification by maturity:		
Current portion	70,526	49,301
Non-current portion	<u>40</u>	<u>305</u>
	<u>70,566</u>	<u>49,606</u>

Notes to the consolidated financial statements (continued)

- (b) Accrual of operating cost -
The accrual of operating cost relates to the accruals of services received by the Company as part of its operations that were pending to be invoiced such as power, maintenance, contractors and others.
- (c) Workers' profit sharing -
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.

Notes to the consolidated financial statements (continued)

14. Debt instruments

On June 14, 2018, the Company approved the sale of 63,922,565 shares of Minera Yanacocha, S.R.L. to Summit Global Management II BV, a wholly-owned subsidiary of Sumitomo Corporation (Sumitomo) for a consideration of US\$47,911. The transaction resulted in Sumitomo owning 5% of Minera Yanacocha, S.R.L. with Newmont Second Capital Corporation and Buenaventura's ownership percentages decreasing to 51.35% and 43.65%, respectively.

Under the terms of the transaction, Sumitomo has the option to require the Company to repurchase the 5% interest in Minera Yanacocha, S.R.L. if the Yanacocha Sulphides project does not adequately progress by June 2022 or if the project is approved with an incremental rate of return below a contractually agreed upon rate. Under the terms of the sales agreement, the cash paid by Sumitomo at closing has been placed in an escrow for repayment in the event the option is exercised. As of December 31, 2020 and December 31, 2019, the Company holds US\$48,752 and US\$48,617, respectively in an escrow account with Citibank New York and generates interest at a market rate. This balance is included in the caption Restricted Cash in the consolidated statement of financial position. The restricted cash is not available to finance the Company's day-to-day operations and, therefore, has been excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows. It has been disclosed as a non-current asset.

The shares held by Sumitomo meet the definition of a compound instrument and is classified as a liability (with a portion recorded to equity) in the consolidated financial statements of the Company. The difference between the present value of the compound instrument at the date of the transaction for an amount of US\$41,695 and the gross redemption amount of US\$47,911 was recorded as additional paid-in-capital in equity for an amount of US\$6,216 at the date of the transaction.

The value of the compound instrument as of December 31, 2020 and December 31, 2019 amounts to US\$45,423 and US\$43,927, respectively. For the years ended December 31, 2020, 2019 and 2018 the unwinding of the discount was recognized in the caption "Finance costs" in the consolidated statement of comprehensive income for an amount of US\$1,497, US\$1,497 and US\$1,497, respectively, see note 22.

15. Partners' equity

(a) Partners' contributions -

As of December 31, 2020 and December 31, 2019, Partners' contributions comprise 1,214,528,739 common partnership interests at par value of one Peruvian Sol each, fully subscribed and paid-in (equivalent to US\$398,216 at the historical exchange rate). Such partnership interest includes 656,484,745 common partnership interests that are owned by foreign investors.

On December 21, 2017, Minera Yanacocha purchased back 63,922,565 partnership interests owned by International Finance Corporation (IFC) for US\$47,911, which represented 5% of the capital stock of the Company. On February 19, 2018, the Board of the partners approved the reduction of 63,922,565 of the common partnership interests equivalent to US\$19,711. On June 14, 2018, the Board of the partners approved the sale of 63,922,565 partnership units to Summit Global Management II BV, see note 14.

Under current Peruvian regulations, there is no restriction on the remittance of dividends or repatriation of foreign investment, except as discussed in sections below.

The legal structure of the Company is that of a Peruvian limited liability partnership. Major features of such legal structure are: (i) the number of Partners cannot exceed 20, (ii) capital comprises the partnership interests, and (iii) there is no obligation to create a legal reserve.

Notes to the consolidated financial statements (continued)

- (b) Retained earnings -
Distribution of earnings to Partners other than legal entities domiciled in Peru is subject to a withholding income tax charged to the partners.

Until December 31, 2017, by Law No. 30296 published on December 31, 2014, for individuals and non-resident legal entities, the applicable tax rate was 6.8% for dividend distributions in cash or non-monetary assets for fiscal year 2017. Pursuant to Legislative Decree No. 1261, published on December 10, 2016 and effective as of January 1, 2017, the applicable tax rate to the distribution of cash dividends and non-monetary assets for the year 2017 onwards is 5%.

- (c) Dividends declared and paid -
During the years 2020, 2019 and 2018, no dividend distribution was made.

16. Tax Situation

- (a) Current tax regime -
The Company and its subsidiary are subject to the Peruvian tax regime. The main tax regulations issued in recent years were the following:

- On March 31, 2020, Superintendence Resolution 066-2020/SUNAT was published in which new default monthly interest rates were established effective April 1, 2020. The default interest rate in national currency changes from 1.2% to 1% and in the case of foreign currency it changes from 0.6% to 0.5%. Likewise, interest rates for the return of undue or excess payments in national currency (soles) change from 0.50% to 0.42% and in the case of foreign currency (US Dollars) change from 0.30% to 0.25%. Finally, the interest rate on returns due to withholding and/or non-applied perceptions of VAT changes from 1.2% to 1%.
- Peru's Executive Power issued Supreme Decree 086-2020-EF on April 21, 2020, modifying the requirements for deducting "wasted goods" for income tax purposes. The Company compliance the requirements of the law about destructions for year 2020.
- On May 10, 2020, Peru's Executive Power enacted Legislative Decree 1488, establishing special depreciation rules. This measure responds to the COVID-19 crisis. Legislative Decree 1488 is effective January 1, 2021.

Notes to the consolidated financial statements (continued)

In Law 31107, published in the Official Gazette on 31 December 2020, the Peruvian Government permits taxpayers to elect to apply the 20% depreciation rate (rather than the 5% rate) under the special depreciation regime for buildings and construction. Under prior law (Legislative Decree 1488), the 20% rate automatically applied if the following requirements were met: (i) the construction began January 1, 2020 and (ii) 80% or more of the work was completed by December 31, 2020. Once made on the annual tax return, the election to apply the 20% rate is irrevocable.

In addition, for data processing equipment, machinery and equipment and ground transport vehicles acquired in 2020 and 2021, the law has stated that

- i. For data processing equipment (Slot machines excluded) a maximum tax depreciation rate of 50%.
- ii. Machinery and equipment (mining equipment not included) a maximum tax depreciation rate of 20%.
- iii. In the case of vehicles used by companies authorized to provide the service of transport of persons and/or goods, ground transport vehicles (except railways) which have a technology of higher environmental requirement than that provided for vehicles with EURO IV, Tier II and EPA 2007 technology are included in the new regimen a maximum tax depreciation rate of 33.3%.
- iv. Ground transport vehicles (except railways) of natural gas are included in the new regimen a maximum tax depreciation rate of 50%.

This law takes effect from January 1, 2021. This changed law will be applied to Company.

- Since January 1, 2019, the applicable treatment of royalties and remuneration for services rendered by non-domiciled was modified (Legislative Decree No. 1369).
- The rules that regulate the obligation of legal persons and / or legal entities to inform the identification of their final beneficiaries (Legislative Decree No. 1372) were established.

In July 2018, Law No. 30823 was published. Under this Law, the Congress delegated to the Executive Power the power to legislate on various issues, including tax and financial matters. In this sense, the main tax regulations issued are the following:

- (i) The Tax Code was modified in order to provide greater guarantees to taxpayers in the application of the general anti-avoidance rule (Rule XVI of the Preliminary Title of the Tax Code); as well as to provide the Tax Administration with tools for its effective implementation.
 - (ii) Rules have been established for the accrual of income and expenses for tax purposes since January 1, 2019. Until 2018, there was no normative definition of this concept, so in many cases, accounting rules were used for its interpretation.
- (b) Tax stabilization agreements -
The Company has entered into the following tax stability agreement with a term of 15 years:

Mine	Effective	Date of the Tax Agreement	Tax Regimes in Force
La Quinua	January 1, 2004	August 25, 2003	August 25, 2003

Notes to the consolidated financial statements (continued)

The La Quinua tax stabilization guaranteed the Company's use of the tax regime shown in the table above and permitted maintenance of its accounting records in U.S. dollars for tax purposes, which expired on January 1, 2019.

The Company determines taxable income based on its understanding and that of its legal advisors, of applicable tax legislation. Taxable income differs from pre-tax income disclosed within these consolidated financial statements by those items that the applicable tax legislation deems to be non-taxable or non-deductible.

Pursuant to Legislative Decree No. 1261, published on December 10, 2016 and effective as of January 1, 2017, the applicable tax rate on the taxable income is 29.5%.

(c) Years open to tax review -

As general rule, during the four years following the year of filing the tax return, the tax authorities have the power to review and, as applicable, correct the income tax computed by the Company.

However, in year 2020 the prescription period was suspended due to the declaration of the state of emergency and social isolation (quarantine), this issue was confirmed by the Tax Authority in reports No. 031-2020 and No. 039.2020, considering this tax return of fiscal year 2015 is still be open for examination until March 2021. In that regard, the tax returns of the years 2015 to 2020 are open to assessment. The fiscal year 2014 is under examination by the Tax Authority (SUNAT).

(d) Transfer pricing -

For purposes of determining the Income Tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Tax Administration can request this information based on analysis of the Company's operations.

(e) Other mining taxes -

(i) Law No. 29788, Mining Royalties

On September 28, 2011, the Peruvian Government enacted new legislation to comprise a new mining tax payable to the Peruvian Government for extracting metallic and non-metallic mineral resources from its mining concessions.

Pursuant to this legislation, the mining royalty is payable quarterly based on sales and operating profit. The royalty amount due is 1% of revenue. An additional mining tax due is calculated based on the level of operating profit up to a maximum applicable rate of 12%. This component of the new mining tax only applies to those projects that are not covered by a tax stabilization agreement. During 2020, 2019, and 2018, the amounts included in cost of production related to mining royalties were US\$6,167 US\$7,360 and US\$1,273, respectively. During 2020 and 2019, the amount included in mining tax expense related to mining royalties were US\$55 and US\$1,563 and during 2018 there was no amount included in mining tax expense.

(ii) Law No. 29789, Special Mining Tax

The Special Mining Tax (IEM) applies to mines not covered by a tax stabilization agreement. The IEM is payable on a quarterly basis with rates ranging from 2% to 8.4% of operating profit.

Notes to the consolidated financial statements (continued)

The rate varies depending on the level of operating profit. During the years ended December 31, 2020, 2019 and 2018 the amounts included in income and mining tax expense were US\$5,065, US\$9,702 and US\$592, respectively.

(iii) Law No. 29790, Special Mining Burden

The Special Mining Burden (GEM) applies to mines covered by a tax stabilization agreement. The GEM is payable on a quarterly basis with rates ranging from 4% to 13.12% of operating profit. The rate varies depending on the level of operating profit margin. The GEM applied to operations at La Quinoa in 2018 and 2017. This resulted in US\$8,230 and US\$3,526, respectively, of additional Income and mining tax expense. Due to that the tax stabilization agreement expired on January 1, 2019, Special Mining Burden was not declared in 2019 and 2020.

(iv) Law No. 29471, Supplementary Fund

The Supplementary Fund for retirement of mining applies to metallurgical and steel workers, affiliated to the National Pension System (SNP) and the Private Pension System (PPS); and is applicable since May 11, 2012. This Fund is formed by employee and employer contributions which are distributed according to the following detail:

- Employers will contribute 0.5% of the annual income before taxes.
- Employees will contribute 0.5% of their monthly gross salary.
- The employer's contributions are paid before tax; therefore these amounts are deductible expenses for the year.

The new pension fund tax is calculated based on annual income and is payable quarterly. During the years ended December 31, 2020, 2019 and 2018 the amounts included in Income and mining tax expense amounted to US\$868, US\$728 and US\$39, respectively.

Notes to the consolidated financial statements (continued)

- (f) Peruvian income tax -
The Company's income tax provision consisted of the following:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Current Peruvian income tax	51,197	42,978	12,701
Royalties and mining taxes	5,065	11,444	8,888
Income tax from prior years (refunds)/payments	(1,712)	8,459	8,269
Other taxes	1,363	993	510
Income tax prior years refunds (*)	(2,895)	(3,002)	-
Fines from previous years	-	4,056	-
Current income tax expense	53,018	64,928	30,368
Deferred income tax benefit	-	-	(1,071)
Income tax expense	<u>53,018</u>	<u>64,928</u>	<u>29,297</u>

- (*) Tax refunds were obtained through tax courts resolutions regarding to outstanding tax claims of the income tax payments performed on year 2008 recognized in 2020 and performed on year 2004 recognized in 2019.

- (g) Deferred income tax asset -
As of December 31, 2020 and 2019, the Company maintains a deferred income tax asset for US\$1,071 recorded in year 2018. The recognized deferred income tax asset corresponds entirely to additional tax credits that can be recovered by reducing the income tax paid of open periods subject to review of the tax authority. The Company has temporary differences that make up a deferred income tax asset for US\$1.1 billion, this deferred income tax asset has not been recognized as management believes that there are no probable sufficient taxable profit in future periods nor evidence of tax planning opportunities to support the recognition of this temporary differences as income tax assets.

The Company has temporary differences that make up a deferred income tax asset for US\$1.1 billion, this deferred income tax asset has not been recognized as management believes that there are no probable sufficient taxable profit in future periods nor evidence of tax planning opportunities to support the recognition of this temporary differences as income tax assets.

Notes to the consolidated financial statements (continued)

(h) Reconciliation of income tax expense (benefit) –

Below is a reconciliation of tax expense and the accounts profit multiplied by the statutory tax rate for the years 2020, 2019 and 2018:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Loss before income tax	(112,431)	(30,329)	(52,220)
Peruvian statutory tax rate	29.5%	29.5%	29.5%
Income tax income	(33,167)	(8,947)	(15,405)
Valuation allowance on deferred tax asset	57,131	46,473	23,771
Effect of change in translation to US dollars	23,075	(4,217)	-
Royalties and Mining taxes	5,065	11,444	8,888
Credit of Royalties and Mining taxes	(1,494)	(3,376)	(2,622)
Non-deductible expenses	7,015	13,837	6,572
Ruling on a tax case from 2007-2009	(2,895)	-	-
Income tax prior years (refunds) / payments	(1,712)	8,459	8,269
Difference in income tax rate applicable to La Quinoa at 29%	-	-	(176)
Ruling on a tax case from 2004	-	(2,801)	-
Fines from prior years, note 24	-	4,056	-
Total income tax expense	<u>53,018</u>	<u>64,928</u>	<u>29,297</u>

- (j) As of December 31, 2020, the Company determined a current income tax payable of US\$39,604 (Income tax payable of US\$20,276 as December 31, 2019) and mining taxes payable for US\$2,425 (US\$2,877 as December 31, 2019). The current income tax payable of year 2020 includes the current income tax offset by the credits of the period. No contingencies were recognized in 2020.

17. Revenue from contracts with customers

- (a) The Company's revenues are mainly from sales of gold ounces. The table below presents the sales to customers by geographic region:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Sales and services by geographic region:			
Metal sales			
Europe (Switzerland)	590,002	734,526	518,664
America	1,135	-	139,989
Singapore	1,257	-	-
	<u>592,394</u>	<u>734,526</u>	<u>658,653</u>

- (b) Other operating revenue is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Copper and silver in concentrate	27,765	4,098	20,442
Others	3	678	1,523
	<u>27,768</u>	<u>4,776</u>	<u>21,965</u>

Notes to the consolidated financial statements (continued)

For the year ended December 31, 2020, 2019 and 2018, the amount of the subsequent changes in fair value of the trade receivable were US\$583, US\$176 and US\$15, respectively and are presented as part of the caption "Copper and silver in concentrate".

- (c) Concentration of sales -
In 2020, the 100% of Dore sales were performed to Royal Bank of Canada consigned to Argor Hereaus (Switzerland), the 100% of concentrate sales performed to Ocean Partners, and, during the last quarter of 2020, carbon fines sales to Trafigura. As of December 31, 2019, 100% of sales was performed to Royal Bank of Canada consigned to Argor Hereaus (Switzerland) and no copper concentrate sales performed during the period.

The Company's sales of gold and silver and copper concentrates are delivered to investment banks and national and international well-known companies. Some of these clients have long-term sales contracts with the Company for the supply of the production from the Company's mines.

Notes to the consolidated financial statements (continued)

18. Costs applicable to sales

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Beginning balance of finished goods and in-process	302,382	341,213	345,489
Beginning balance of provision for net realizable value, note 8(b)	(47,925)	(89,127)	(62,540)
Royalties to related parties, note 1(a) and note 24	18,638	22,297	20,385
Mining royalties to the government	7,570	9,255	2,875
Consumption of supplies	138,041	200,036	215,863
Personnel expenses	61,298	72,325	82,645
Other services	31,864	41,120	43,671
Maintenance	17,415	26,645	22,585
Power	20,241	23,619	24,203
Depreciation and amortization, note 2.4(k) and note 10	140,252	144,862	156,212
Workers' profit sharing	17,199	12,804	3,837
Incremental costs related to COVID-19 pandemic and care and maintenance (c)	43,672	-	-
Provision for mine closure, note 12(b)	124,780	142,129	16,285
Ending balance of provision for net realizable value, note 8(b)	13,287	47,925	89,127
Ending balance of finished goods and in-process	<u>(222,258)</u>	<u>(302,382)</u>	<u>(341,213)</u>
	<u>666,456</u>	<u>692,721</u>	<u>619,424</u>

(b) For the years ended December 31, 2020, 2019 and 2018, the cost of inventories recognized in cost of sales was US\$299,955, US\$326,790 and US\$327,459, respectively.

(c) The Company recognized charges totaling US\$43.7 million for the year ended December 31, 2020, associated with the COVID-19 pandemic and revised operating plans. These charges, none of which were capitalized into inventory, are made up as follows

**For the year ended to
December 31, 2020
US\$(000)**

Incremental costs (i)	27,157
Personnel expenses (i)	11,446
Labor expenses (ii)	<u>5,069</u>
	<u>43,672</u>

(i) Represents incremental costs associated with care and maintenance status as part of Peru's declaration of a National Emergency as a result of the COVID-19 outbreak, which restricted the Company's operations. The costs primarily include labor costs (US\$14.3 million), services (US\$9.5 million) and other costs (US\$3.3 million).

Notes to the consolidated financial statements (continued)

(ii) Expenses associated to the implementation of the Surveillance, Prevention and Control Plan as part of gradual resumption of operations. Refer to Note 1(c) for additional information.

(iii) Represents mainly payroll premiums distributed to employees.

19. Operating expenses, net

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Exploration and advanced projects	19,279	33,669	62,643
Severance program	4,454	2,210	8,678
Social responsibility commitments	6,730	250	-
Write-off of fixed assets	460	1,204	-
Cost of sales from the sale of fixed assets	30	2,092	5,445
Tax fine	11	2,019	3,954
Revenue from sale of fixed assets	(40)	(8,088)	(4,821)
Others, net	3,398	2,631	256
	<u>34,322</u>	<u>35,987</u>	<u>76,155</u>

20. Administrative expenses

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Management expenses, note 24	874	1,341	1,317
Other	353	403	1,466
	<u>1,227</u>	<u>1,744</u>	<u>2,783</u>

Notes to the consolidated financial statements (continued)

21. Selling expenses

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Selling expenses	1,412	1,719	1,551
Other	510	3	1,076
	<u>1,922</u>	<u>1,722</u>	<u>2,627</u>

22. Finance costs

This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Unwinding of the discount of the provision for mining closure, note 12(b)	32,049	36,709	36,015
Commissions of guarantee letters	3,153	2,485	2,113
Unwinding of debt instruments, note 14	1,497	1,497	735
Interests on tax contingency and others, see note 23	-	16,938	161
	<u>36,699</u>	<u>57,629</u>	<u>39,024</u>

23. Commitments and contingencies

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 usufruct agreements with related entities. The main conditions are:

- The Company must pay to Chaupiloma, 3% of the quarterly net sales, according to the lease agreement. The mining rights subject to this 3% royalty are those identified in the lease agreement as part of the "Area of Influence of Chaupiloma". Some of these mining rights are in exploitation and the rest of them in exploration.
- The Company must pay to Los Tapados S.A., 3% of the 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. These mining rights are in exploitation and others inactive.

Notes to the consolidated financial statements (continued)

Legal proceedings -

Conga project Constitutional claim -

On October 18, 2012, Marco Antonio Arana Zegarra filed a constitutional claim against the Ministry of Energy and Mines and Yanacocha requesting the Court to order the suspension of the Conga project as well as to declare not applicable the October 27, 2010, directorial resolution approving the Conga project Environmental Impact Assessment (EIA). On October 23, 2012, a Cajamarca judge dismissed the claims based on formal grounds finding that: (i) plaintiffs had not exhausted previous administrative proceedings; (ii) the directorial resolution approving the Conga EIA is valid, and was not challenged when issued in the administrative proceedings; (iii) there was inadequate evidence to conclude that the Conga project is a threat to the constitutional right of living in an adequate environment and; (iv) the directorial resolution approving the Conga project EIA does not guarantee that the Conga project will proceed, so there was no imminent threat to be addressed by the Court. The plaintiffs appealed the dismissal of the case. The Civil Court of the Superior Court of Cajamarca confirmed the above mentioned resolution and the plaintiff presented an appeal. On March 13, 2015, the Constitutional Court published its ruling stating that the case should be sent back to the first court with an order to formally admit the case and start the judicial process in order to review the claim and the proofs presented by the plaintiff. Yanacocha has answered the claim. Neither the Company nor Yanacocha can reasonably predict the outcome of this litigation.

The Company has not established a provision in the accompanying financial statements for a loss arising from this contingency, which it does not consider probable.

Environmental -

The Peruvian Agency in charge of conducting environmental evaluations and audits is the OEFA, the Environmental Assessment and Enforcement Agency, this institution conducts periodic supervision of the Yanacocha mine. From 2011 to 2020, the OEFA issued notifications of alleged breaches of Yanacocha's environmental standards and environmental management instruments, related to past supervisions. OEFA has resolved identified findings that do not translate into environmental deterioration as a result of some bad practice in the Yanacocha operation. The experience with OEFA, in the case of finding administrative responsibility to Yanacocha, results in a corrective action, in addition to imposing a fine that is calculated by the avoided cost capitalized on the date of issuance of the directorial resolution, multiplied by potential factors of environmental impact. The presumed offenses identified by the OEFA currently range from zero to 33,676 units (UIT), each tax unit being equivalent to approximately US\$1,194 based on the current exchange rate with a potential fine for matters pending resolution from (US\$0 to US\$40,209). Yanacocha is responding to all notifications of alleged violations, but cannot reasonably predict the outcome of the agency's allegations.

The Company has not established a provision in the accompanying consolidated financial statements for a loss arising from this contingency, which it does not consider probable.

Notes to the consolidated financial statements (continued)

Open tax procedures -

The Tax Authority has the right to examine, and, if necessary, amend the Company's income tax provision for the last four years. The Company's income tax filings for the years 2016 through 2019 are open to examination by the tax authorities. However, due to the fact that SUNAT could not carry out its inspection tasks during the quarantine period, the calculation of the statute of limitations was suspended for the 2015 period; In this sense, the prescription for this period (2015) would expire the last week of March 2021, approximately. For value added tax, the periods open for examination are December 2016 through 2020. Regarding the referred quarantine period, the calculation of the statute of limitations related to the value added tax also was suspended for December 2015 to November 2016; In this sense, the prescription for those periods would expire the last week of March 2021, approximately. To date, National Tax Supervisor "SUNAT" has concluded its review of the Company's tax exams through the year 2013. Fiscal year 2014 is under review by the tax authority (SUNAT). For years 2002 -2003, the Company is in the claim and appeal process.

In the Company Management's and legal advisors' opinion, there are sound legal grounds to sustain the Company's tax positions; as a result, Management expects to obtain favorable results on these processes and any additional tax assessment would not be significant to the consolidated financial statements.

For the periods pending of examination, due to the many 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. However, in Management's and legal advisors' opinion, any additional tax assessment would not be significant to the consolidated financial statements.

Tax contingencies -

Withholding income tax for fiscal years 2002 and 2003 -

The Tax Administration challenged the withholding tax rate applied on the technical assistance services provided by a non-resident supplier. The services were executed in Peru and also abroad; however, the Company was not able to prove that during the tax audit. Based on that, the Tax Administration considers that the services were wholly executed in Peru; therefore, the withholding tax rate should be 30% instead of 12%. Currently there is no contingency in this regard. The tax liability has been paid by the Company.

Notes to the consolidated financial statements (continued)

Tax Dispute related to the amortization of the contractual rights –

In 2000, Yanacocha paid Buenaventura and Minas Conga S.R.L. a total of US\$29 million to assume their respective contractual positions in mining concession agreements with Chaupiloma Dos de Cajamarca S.M.R.L. The contractual rights allowed Yanacocha the opportunity to conduct exploration on the concessions, but not a purchase of the concessions. The tax authority alleges that the payments to Buenaventura and Minas Conga S.R.L. were acquisitions of mining concessions requiring the amortization of the amounts under the Peru Mining Law over the life of the mine. Yanacocha expensed the amounts at issue in the initial year since the payments were not for the acquisition of a concession but rather these expenses represent the payment of an intangible and therefore, amortizable in a single year or proportionally for up to ten years according to Income Tax Law. In 2010, the tax court in Peru ruled in favor of Yanacocha and the tax authority appealed the issue to the judiciary. The first appellate court confirmed the ruling of the tax court in favor of Yanacocha. However, in November 2015, a Superior Court in Peru made an appellate decision overturning the two prior findings in favor of Yanacocha. Yanacocha has appealed the Superior Court ruling to the Peru Supreme Court. On January 18, 2019, the Peru Supreme Court issued notice that three judges support the position of the tax authority and two judges support the position of Yanacocha. Because four votes are required for a final decision, an additional judge was selected to issue a decision and the parties conducted oral arguments in April 2019. In early February 2020, the additional judge ruled in favor of the tax authority, finalizing a decision of the Peru Supreme Court against Yanacocha. As a result of the decision, the amount of US\$29 was recognized as of December 31, 2019 (see note 16(f) and note 22), but Yanacocha filed two actions objecting to potential excessive interest and duplicity of criteria of up to US\$60 and US\$81, respectively. It is not possible to fully predict the outcome of this litigation.

Letters of Guarantee -

The Company has signed Letters of Guarantee with various financial institutions in accordance with the Mine Closure Regulation approved by Supreme Decree No. 033-2005 of the Ministry of Energy and Mines. The table below sets out the outstanding signed commitments at year ends by financial institution.

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Scotiabank	259,027	253,317	235,000
Pacífico Zurich	200,000	200,000	-
La Positiva	70,000	70,000	-
Rimac (Travelers)	60,000	60,000	-
Santander	25,000	-	-
MUFG Bank	25,000	-	-
Banco de Credito del Peru (a)	-	-	114,251
BBVA Continental	-	-	190,000
	<u>639,027</u>	<u>583,317</u>	<u>539,251</u>

(a) Letters of guarantee of Banco de Credito del Peru include US\$6,321 related to San Jose Reservoir Trust in 2017. In 2020 and 2019 letters of guarantee were not required.

Letters of guarantee shall come into force if the Company fails to execute in whole or in part the mine closure plan.

Notes to the consolidated financial statements (continued)

24. Transactions with related parties

(a) The main transactions carried out by the Company with its related parties in the years 2020, 2019 and 2018 were:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Royalties accrued:			
Affiliates:			
S.M.R.L. Chaupiloma Dos de Cajamarca, note 18 and 1(a)	18,638	22,297	20,385
Services rendered by:			
Affiliates:			
Newmont Peru S.R.L. (management services) (b)	9,017	10,729	12,837
Newmont International Services	5,264	10,822	5,181
Newmont USA Limited	10,214	4,118	5,381

(b) Management services including key personnel are provided by a related party.

(c) As a result of the transactions indicated in the paragraph (a), the Company had the following accounts receivable and payable from and (or) to affiliates:

	2020 US\$(000)	2019 US\$(000)
Balance receivable from related parties, note 6		
Newmont International Services Limited	1,431	168
Newmont USA Limited	435	144
Oroplata S.A.	254	-
Suriname Gold Company	-	135
NVL, USA Limited, Delaware	156	102
Newmont Peru S.R.L.	22	26
Newmont Global Employment Limited	5	20
Others	(3)	3
	<u>2,300</u>	<u>598</u>
Balance payable for related parties, note 11		
S.M.R. Chaupiloma Dos de Cajamarca	4,596	4,863
Newmont International Service Limited	4,227	3,297
Newmont Peru S.R.L.	1,033	1,101
Newmont Technologies Limited.	142	1,042
Newmont USA Limited.	2,366	1,034
Newmont US Carlin Limited	-	3
Others	10	86
	<u>12,374</u>	<u>11,426</u>

All the balances above are of current maturity, have no specific guarantees and are not interest bearing.

For the years ended December 31, 2020, 2019 and 2018, there is no allowance for expected credit losses related to related parties accounts.

Notes to the consolidated financial statements (continued)

25. Financial - risk management objectives and policies

The Company's operations are exposed to certain financial risks: some market risks (foreign exchange risk, interest rate risk and price risk, credit risk and liquidity risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The most important aspects in risk management are the following:

- (a) Market risks -
 - (i) Foreign exchange risk -
Foreign exchange risk exposure arises from exchange rate fluctuations of balances denominated in different currencies than the U.S. dollar. Since transactions and balances denominated in foreign currency are not significant, the current exchange rate risk exposure is limited. Management has decided to assume the exchange risk exposure with the results of the Company's operations; therefore it has not engaged in hedging activities.
 - (ii) Interest rate risk -
The Company does not maintain significant interest-bearing assets or liabilities; therefore, net income (loss) and cash flows of the Company are substantially independent from the changes in market interest rates.
 - (iv) Price risk -
The Company's financial instruments exposed to price risk are limited to its trade accounts receivable (exposed to gold price) and its available-for-sale financial assets, none of which show a material balance at the end of year, therefore no significant impact on the consolidated financial statements has arisen due to changes in their price that would need to be disclosed.
- (b) Credit risk -
The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in Canada and operate in largely independent markets. The Company's products (refined gold dore) are negotiated in international markets being subject to the global demand, as a result it does not concentrate risks related to limited number of clients. The Company counts with counterparties with high credit-rating, and have not had any significant default event arising from risk concentration.

Notes to the consolidated financial statements (continued)

Credit risk is managed on a group basis by Newmont according to its policies. Financial instruments exposed to credit risk are cash and cash equivalents, investments in debt and equity instruments, trade accounts receivable and other accounts receivable. For banks and financial institutions, only independently rated parties with a minimum "A" rating are accepted. Regarding trade accounts receivable, according to the practice in the latest years, collections have generally been in full. A credit review of the portfolio is performed quarterly to determine any deterioration in credit quality. The Company does not foresee any significant losses that may arise from this risk.

Set out below is the information about the credit risk exposure on the Company's trade and other receivables:

	Current US\$(000)	Days past due			Total US\$(000)
		< 30 days US\$(000)	30 – 90 days US\$(000)	> 90 days US\$(000)	
As of December 31, 2020					
Trade receivables	-	21,274	2,797	4,971	29,042
Expected credit loss rate	-%	-%	-%	27.84%	4.77%
Expected credit loss	-	-	-	(1,384)	(1,384)
Total	-	21,274	2,797	3,587	27,658
As of December 31, 2019					
Trade receivables	-	5,047	7,976	3,377	16,400
Expected credit loss rate	-%	-%	-%	40.98%	8.44%
Expected credit loss	-	-	-	(1,384)	(1,384)
Total	-	5,047	7,976	1,993	15,016

- (c) Liquidity risk -
Management administrates its exposure to liquidity risk through financing from internal operations, Company's partners and maintaining good relationships with local and foreign banks in order to maintain adequate levels of credit available. The Company currently has no existing bank lines of credit.

Notes to the consolidated financial statements (continued)

The following table represents the analysis of the Company's financial liabilities, considering the remaining period to reach such maturity as of the consolidated statement of financial position date (see notes 11 and 12):

	2020			Total US\$(000)
	Less than 1 year US\$(000)	Between 1 to 2 years US\$(000)	Between 2 to 5 years US\$(000)	
Trade accounts payable – domestic suppliers	44,977	-	-	44,977
Debt instruments	-	-	45,423	45,423
Trade accounts payable - Related parties	12,374	-	-	12,374
Leases liabilities	290	40	-	330
	<u>57,641</u>	<u>40</u>	<u>45,423</u>	<u>103,104</u>
	2019			Total US\$(000)
	Less than 1 year US\$(000)	Between 1 to 2 years US\$(000)	Between 2 to 5 years US\$(000)	
Trade accounts payable – domestic suppliers	45,671	-	-	45,671
Debt instruments	-	-	43,927	43,927
Trade accounts payable - Related parties	11,426	-	-	11,426
Leases liabilities	291	305	-	596
	<u>57,388</u>	<u>305</u>	<u>43,927</u>	<u>101,620</u>

(d) Capital risk management -

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern in order to provide expected returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Notes to the consolidated financial statements (continued)

The Company manages its capital structure and makes adjustments to meet the changing economic market conditions. The Company's policy is to fund all projects of short and long term with their own operating resources. To maintain or adjust the capital structure, the Company may change the policy of paying dividends to shareholders, return capital to shareholders or issue new shares. No formal dividend policy exists. The financial position of the Company is as follows:

	2020 US\$(000)	2019 US\$(000)
Debt and accounts payables	226,333	188,896
Leasing	330	596
Less cash and short-term deposits	(870,929)	(818,503)
Net debt	(644,266)	(629,011)
Total liquidity	<u>870,929</u>	<u>818,503</u>

(e) Fair value measurement -

Fair value accounting 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).

As required by accounting guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assets that are measured at fair value on a recurring basis (at least annually) correspond to the San José Reservoir Trust assets and the accounts receivable from the sales of copper and silver concentrate subject to provisional pricing.

The Company's San José Reservoir Trust assets are made up of marketable equity and debt securities that are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

There were no transfers between Level 1 and Level 2 during 2019.

The Company's impairment model uses valuation techniques to determine the WACC. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates as such is classified within Level 2 of the fair value hierarchy.

Notes to the consolidated financial statements (continued)

Carrying value versus fair value

Set out below is a comparison of the carrying amount and fair value of the Company's financial instruments, other than those which carrying amounts are reasonable approximation of fair value:

	Carrying amount		Fair value	
	2020 US\$(000)	2019 US\$(000)	2020 US\$(000)	2019 US\$(000)
Financial assets:				
Trade and other receivables, net	27,658	15,016	27,658	15,016
Restricted cash	48,752	48,617	49,042	50,353
Financial assets at fair value	21,676	23,648	21,676	23,648
	<u>98,086</u>	<u>87,281</u>	<u>98,376</u>	<u>89,017</u>
	Carrying amount		Fair value	
	2020 US\$(000)	2019 US\$(000)	2020 US\$(000)	2019 US\$(000)
Financial liabilities:				
Debt instrument	45,423	43,927	47,479	45,633
	<u>45,423</u>	<u>43,927</u>	<u>47,479</u>	<u>45,633</u>

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to short-term maturities of these instruments. Trade receivables subject to provisional pricing are already carried at fair value.

26. Summary of significant differences between accounting principles followed by the Company and U.S. Generally Accepted Accounting Principles (U.S. GAAP)

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards 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) Impairment -
Under IFRS, the Company estimates the recoverable amount of an asset whenever there is an indication that the asset may be impaired. The recoverable amount is the higher of (i) the fair value less costs of disposal and (ii) its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Impairment loss previously recorded is reversible in subsequent periods under certain conditions.

Notes to the consolidated financial statements (continued)

Under IFRS, the Company recorded in 2013 and 2016 an impairment loss related to its Conga and Yanacocha CGU for US\$1,126,543 and US\$1,342,645, respectively. In 2020, 2019, and 2018, the Company did not recognize any impairment losses.

Under U.S. GAAP, the Company used undiscounted cash flows to perform an impairment evaluation. In December 2020, the Company performed a formal evaluation of its cash generating units and concluded that there are indicators of reversal of impairment of its Yanacocha CGU and impairment indicators in its Conga CGU, therefore it determined the recoverable value of both CGUs. As a result of this analysis the Company concluded that no reversals of impairment loss on either of its' CGU as the recoverable amount was slightly higher to the carrying amount of the CGU's assets; however, due to de sensitive of the cash flows to the discount rate, long term prices and the term of the cash flows, the Management has concluded that there is not appropriate recognized a reversal for the CGUs. In 2019 and 2018, no impairment indicators were identified for its Yanacocha and Conga CGU. In 2016, the Company recorded an impairment loss related to its Yanacocha CGU for US\$933,200.

For reconciling the net income/loss and net equity from U.S. GAAP to IFRS, the Company eliminates the higher depreciation recorded under U.S. GAAP corresponding to the impaired assets under IFRS.

(b) Stripping activity asset -

Under IFRS, the stripping costs in the production phase of a surface mine are accounted according to the accounting principles disclosed in note 2, consequently the stripping activity asset is capitalized as stripping activity asset and has an impact in the depreciation expense.

Under U.S. GAAP, the costs of clearing removal (stripping cost of production) incurred during the production stage are recorded as part of the production cost of inventories, accordingly, such costs are recorded on the income statement at an earlier time than IFRS.

(c) Reclamation and mine closure –

Under IFRS, the liability is measured in accordance with IAS 37 and IFRIC 1. Upward and downward revisions in the amount of undiscounted estimated cash flows are discounted using the current market-based discount rate (this includes changes in the time value of money and the risks specific to the liability), see note 2.4(I).

Under IFRS, the Company updates the discount rate used to discount its liability at the closing date, this change in the discount rate has an impact (increase/decrease) in the asset retirement cost and reclamation liability.

Under U.S. GAAP, upward revisions in the amount of undiscounted estimated cash flows are discounted using the current credit-adjusted risk-free rate. Downward revisions in the amount of undiscounted estimated cash flows are discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized.

Under U.S. GAAP, there are no requirements of update the discount rate.

(d) Inventories -

Under IFRS, the cost of inventory mainly includes a lower depreciation as a result of the reduced value of property, plant and equipment due to the impairments recorded in prior years, the impact of the stripping activity asset and workers' profit sharing.

Notes to the consolidated financial statements (continued)

Under U.S. GAAP, the cost of inventory is affected by a different depreciation since the impairment recognized under U.S. GAAP is different than the one recognized under IFRS. According to U.S. GAAP, the workers' profit sharing is excluded of the inventory costing.

(e) Contingencies -

Under IFRS, a provision is recognized when:

- An entity has a present obligation (legal or constructive) as a result of a past event.
- It is probable that an outflow of resources will be required to settle the obligation.
- A reliable estimate of the obligation can be made.

For the purposes of IAS 37, "probable" is defined as more likely than not and refers to a probability of greater than 50%.

Under U.S. GAAP, a loss contingency is recognized if both of the following conditions are met: It is probable (likely to occur) that an asset had been impaired or a liability has been incurred. The amount of loss can be reasonably estimated. The meaning of "probable" under ASC 450 is "the future event or events are likely to occur" (generally interpreted as between 70%-80%).

(f) Debt instruments -

Under IFRS, the shares held by Sumitomo (see note 13) meet the definition of a compound instrument according to IAS 32. As a result, it is classified as a liability (with a portion recorded to equity) until the option expires, in which case it will be required to be classified it as equity. There is no gain or loss on conversion at maturity. In the case the option is executed, both the liability and the equity would be reversed with a credit to cash.

Under U.S. GAAP, the shares held by Sumitomo are classified as temporary equity – contingently redeemable non-controlling interest ("CRNCI") according ASC 480-10-S99-3A; as long as the option is not expired or it is exercised the CRNCI is recorded at fair value of inception which was determined to be equal to the purchase price.

(g) Subsequent events -

Under IFRS, the settlement after the reporting period of a court case that confirms that the entity had a present obligation at the end of the reporting period is an adjusting event after the reporting period.

During 2019, under IFRS the Company recognized a liability in tax payable, interest and fines for US\$29 million related to a court case in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, including the amount of the income tax to pay and the additional penalties and interests. See Note 23.

Under U.S. GAAP, a change in facts after the reporting date but before the financial statements are issued or are available in relation to a tax position which is effectively settled through litigation shall be recognized in the period in which the change in facts occurs, therefore the Company recognized the tax claim in the first quarter of 2020.

(h) Deferred income tax -

The differences between U.S. GAAP and IFRS are re-measurements that lead to different temporary differences. The Company has to account for such differences.

As the Company does not recognize deferred income tax assets based on its recoverability analysis, there is no differences to reconcile.

Notes to the consolidated financial statements (continued)

(i) Deferred workers' profit sharing -

Under IFRS, the worker's profit sharing is calculated based on the Company's taxable income and is recorded as an employee benefit (cost of production or administrative expenses, depending on the function of the workers).

Under U.S. GAAP, the workers' profit sharing is treated in a similar way as income tax since both are calculated based on the Company's taxable income. Therefore, the Company calculates a deferred workers' profit sharing resulting from the taxable and deductible and deductible temporary differences.

As the Company does not recognize deferred workers' profit sharing assets based on its recoverability analysis in U.S. GAAP, there is no differences to reconcile.

27. Reconciliation between net income and Partners' Equity determined under IFRS and U.S. GAAP

The following is a summary of the adjustment to net income for the years ended December 31, 2020, 2019 and 2018, and to partners' equity as of December 31, 2020, 2019 and 2018 that would be required if U.S. GAAP had been applied instead of IFRS in the consolidated financial statements:

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Loss for the year under IFRS	(165,449)	(95,257)	(81,517)
Items increasing (decreasing) reported net profit:			
Reversal of depreciation of assets impaired under IFRS, note 24(a)	(97,352)	(205,653)	(320,424)
Reversal of depreciation of assets impaired under U.S. GAAP, note 24(a)	104,108	204,276	254,006
Stripping activity asset, note 24(b)	(32,169)	7,533	18,227
Reclamation and mine closure, note 24(c)	(61,555)	54,873	(20,537)
Asset retirement costs, note 24(c)	16,702	14,504	89,280
Inventories, note 24(d)	(929)	(7,740)	(10,217)
Contingencies, note 24(e)	-	-	1,228
Debt instrument interest, note 24(f)	1,497	1,497	735
Interest regarding tax claim, note 24(g)	(16,496)	16,839	-
Income tax payable, including fines, note 24(g)	(11,920)	12,168	-
Others	20	276	151
	<u>(98,094)</u>	<u>98,573</u>	<u>12,449</u>
Income (loss) for the year under U.S. GAAP	<u>(263,543)</u>	<u>3,316</u>	<u>(69,068)</u>

Notes to the consolidated financial statements (continued)

	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Partners' equity under IFRS	324,387	489,712	583,723
Items increasing (decreasing) reported partners' equity:			
Impairment loss for IFRS, note 24(a)	2,469,188	2,469,188	2,469,188
Reversal of depreciation of assets impaired under IFRS, note 24(a)	(1,297,689)	(1,200,337)	(994,684)
Elimination of impairment loss recorded under U.S. GAAP, note 24(a)	(933,200)	(933,200)	(933,200)
Reversal of depreciation of assets impaired under U.S. GAAP note 24(a)	800,296	696,188	491,912
Stripping activity asset, note 24(b)	(40,409)	(8,240)	(15,773)
Asset retirement cost, note 24(c)	(29,149)	(59,160)	(1,026)
Reclamation and mine closure, note 24(c)	64,971	139,834	12,323
Inventories, note 24(d)	(5,766)	(4,837)	2,903
Debt instruments, note 24(f)	45,424	43,927	42,430
Contingencies, note 24(e)	1,228	1,228	1,228
Income tax payable contingency, including fines note 24(g)	-	12,168	-
Interest regarding tax claim, note 24(g)	-	16,839	-
Others	3,681	3,072	2,776
	<u>1,078,575</u>	<u>1,176,679</u>	<u>1,078,077</u>
Partners' equity under U.S. GAAP	<u>1,402,962</u>	<u>1,666,382</u>	<u>1,661,800</u>

28. New U.S. GAAP Accounting Pronouncements

Accounting Standards Update-2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued an ASU that requires entities to estimate all expected credit losses for most financial assets held at the reporting date based on an expected loss model, which requires consideration of historical experience, current conditions, and reasonable and supportable forecasts. The Company adopted this ASU effective January 1, 2020, and the adoption of this ASU did not have a material impact on its financial statements.

Accounting Standards Update 2020-04—Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting

In March 2020, the Financial Accounting Standards Board (FASB) issued an ASU provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications in light of the expected market transition from the London Interbank Offered Rate (LIBOR). Banks that report information used to set LIBOR will no longer be required to do so after 2021. Under the guidance, an entity that makes an optional election would present and account for a modified contract as a continuation of the existing contract. Contracts will need to be modified to replace LIBOR with new rates. For all entities, this ASU was effective upon issuance (March 12, 2020) and generally can be applied through December 31, 2022. The Company does not expect this ASU to have an impact on its accounting or financial statements.

Accounting Standards Update 2020-06—Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) simplifies accounting for convertible instruments by eliminating two of the three models in ASC 470-20 that require separate accounting for embedded conversion features and requires use of the "if-converted method" for all convertible instruments in diluted EPS calculations. For public entities, this ASU is effective for fiscal years ending after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, including adoption in an interim period. The Company does not expect this ASU to have an impact on its accounting or financial statements.

29. Subsequent Event

The Company continues to monitor the evolution of the pandemic situation and the guidance of national and international authorities, as events beyond the control of Management may arise that require adjustment of the business plan. A new outbreak or further spread of COVID-19 and the consequent steps taken to limit the spread of the disease could affect the Company's ability to conduct business in the usual way and therefore affect the financial condition and operating result of the Company.

Sociedad Minera Cerro Verde S.A.A.

Financial Statements for the years 2020, 2019 and 2018
together with the Report of Independent Auditors

Sociedad Minera Cerro Verde S.A.A.

Financial Statements for the years 2020, 2019 and 2018
together with the Report of Independent Auditors

Content

<u>Report of Independent Auditors</u>	<u>F-218</u>
Financial Statements	
<u>Statement of financial position</u>	<u>F-220</u>
<u>Statements of comprehensive income</u>	<u>F-221</u>
<u>Statements of changes in equity</u>	<u>F-222</u>
<u>Statements of cash flows</u>	<u>F-223</u>
<u>Notes to the financial statements</u>	<u>F-225</u>

Report of Independent Auditors

To the Shareholders and the Board of Directors of Sociedad Minera Cerro Verde S.A.A.

Opinion on the Financial Statements

We have audited the accompanying statement of financial position of Sociedad Minera Cerro Verde S.A.A., (the Company) as of December 31, 2020 and 2019, and the related statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board, which differ in certain respects from the accounting principles generally accepted in the United States of America (see notes 23 and 24 to the financial statements).

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Report of Independent Auditors (continued)

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Paredes, Burga & Asociados S. Civil de R.L.
A member practice of Ernst & Young Global Limited

/s/ Katherine Villanueva
We have served as the Company's auditor since 2007.
Lima, Peru
April 29, 2021

Sociedad Minera Cerro Verde S.A.A.
Statement of financial position
As of December 31, 2020 and 2019

	<u>Note</u>	<u>2020</u> US\$(000)	<u>2019</u> US\$(000)
Assets			
Current assets			
Cash and cash equivalents	2(d),3	533,730	481,491
Trade accounts receivable, net		124	1,887
Other accounts receivable, net	2(d)	5,540	6,529
Trade accounts receivable - Related parties	2(d),4,21	594,409	453,070
Other non-financial assets	6	41,360	105,680
Inventories, net	2(f),5	566,794	552,197
Prepayments		12,931	14,074
Total current assets		<u>1,754,888</u>	<u>1,614,928</u>
Non - current assets			
Property, plant and equipment, net	2(g,h),7	5,495,976	5,690,851
Inventories, net	2(f),5	301,075	255,123
Intangible assets, net	2(i)	8,385	9,337
Other non-financial assets	6	205,627	239,185
Prepayments		1,508	-
Total non-current assets		<u>6,012,571</u>	<u>6,194,496</u>
Total assets		<u>7,767,459</u>	<u>7,809,424</u>
Liabilities and equity, net			
Current liabilities			
Trade accounts payable	2(e),8	207,625	252,865
Accounts payable - Related parties	2(e),4	3,446	4,014
Income tax payable	2(m),13(b)	43,584	13,505
Benefits to employees	2(n)	49,712	34,249
Other accounts payable	2(e),9	126,465	99,380
Other financial liabilities	2(e),10	10,223	8,855
Provisions	2(k),11	9,625	7,918
Total current liabilities		<u>450,680</u>	<u>420,786</u>
Non - current liabilities			
Other accounts payable	2(e),9	285,392	379,724
Other financial liabilities	2(e),10	592,445	902,820
Benefits to employees	2(n)	27,320	15,249
Provisions	2(k),11	307,974	278,419
Income tax liabilities	2(m),13(b)	72,246	83,314
Deferred income tax liability, net	2(m),13(g)	396,074	369,789
Total non-current liabilities		<u>1,681,451</u>	<u>2,029,315</u>
Total liabilities		<u>2,132,131</u>	<u>2,450,101</u>
Shareholders' equity			
Capital stock	12 (a)	990,659	990,659
Other capital reserves	12 (b)	198,132	198,132
Other equity contributions	12 (d)	11,535	10,074
Retained earnings		4,435,002	4,160,458
Total shareholders' equity		<u>5,635,328</u>	<u>5,359,323</u>
Total liabilities and shareholders' equity		<u>7,767,459</u>	<u>7,809,424</u>

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

Sociedad Minera Cerro Verde S.A.A.

Statements of comprehensive income

For the years ended December 31, 2020, 2019 and 2018

	<u>Note</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
		US\$(000)	US\$(000)	US\$(000)
Revenues	14	2,538,593	2,896,894	3,061,930
Cost of sales	15	(1,809,255)	(1,961,577)	(2,018,876)
Gross Margin		<u>729,338</u>	<u>935,317</u>	<u>1,043,054</u>
Operating expenses				
Selling expenses	16	(97,680)	(109,483)	(137,008)
Other operating expenses	17	(38,484)	(38,116)	(68,683)
Other operating income		6,157	680	-
		<u>(130,007)</u>	<u>(146,919)</u>	<u>(205,691)</u>
Operating Profit		<u>599,331</u>	<u>788,398</u>	<u>837,363</u>
Financial income		2,350	10,356	28,089
Financial expenses	18	(142,675)	(115,877)	(426,733)
Foreign exchange gain differences, net		52,464	5,574	6,161
Profit before income tax		<u>511,470</u>	<u>688,451</u>	<u>444,880</u>
Income tax expense	13(b)	(236,926)	(298,074)	(325,170)
Net Profit for the year		<u>274,544</u>	<u>390,377</u>	<u>119,710</u>
Basic and diluted profit per share (in US\$)	19	<u>0.784</u>	<u>1.115</u>	<u>0.342</u>

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

Sociedad Minera Cerro Verde S.A.A.

Statements of changes in equity

For the years ended December 31, 2020, 2019 and 2018

	<u>Note</u>	<u>Capital stock</u> US\$(000)	<u>Other capital reserves</u> US\$(000)	<u>Other capital contributions</u> US\$(000)	<u>Retained earnings</u> US\$(000)	<u>Total</u> US\$(000)
Balance as of January 1, 2018		990,659	198,132	-	4,000,371	5,189,162
Reclassification of stock-based compensation	12	-	-	8,147	-	8,147
Reclassified balance as of January 1, 2018		990,659	198,132	8,147	4,000,371	5,197,309
Cash dividends declared		-	-	-	(200,000)	(200,000)
Stock-based compensation	12(d)	-	-	713	-	713
Net profit for the year		-	-	-	119,710	119,710
Reclassified balance as of December 31, 2018	12	990,659	198,132	8,860	3,920,081	5,117,732
Cash dividends declared		-	-	-	(150,000)	(150,000)
Stock-based compensation	12(d)	-	-	1,214	-	1,214
Net profit for the year		-	-	-	390,377	390,377
Balance as of December 31, 2019	12	990,659	198,132	10,074	4,160,458	5,359,323
Stock-based compensation	12(d)	-	-	1,461	-	1,461
Net profit for the year		-	-	-	274,544	274,544
Balance as of December 31, 2020		<u>990,659</u>	<u>198,132</u>	<u>11,535</u>	<u>4,435,002</u>	<u>5,635,328</u>

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

Statements of cash flows

For the years ended December 31, 2020, 2019 and 2018

	Note	2020 US\$(000)	2019 US\$(000)	2018 US\$(000)
Operating activities				
Net profit for the year	19	274,544	390,377	119,710
Adjustments to reconcile net profit for the year with the cash provided from operating activities for:				
Income tax expense	13	235,613	317,205	366,998
Depreciation and amortization	15	484,237	535,000	512,298
Accretion on remediation and mine closure provision	11	4,196	4,048	4,322
Net (gain) loss on sale of property, plant and equipment		(11)	279	964
Provision of mining royalties dispute	13	33,176	66,123	379,282
Provision (gain) for uncertainty about treatments of income taxes		1,313	(13,781)	-
Profit sharing update	15(a), 17,18	42,041	-	-
Capital project canceled		6,255	-	-
Other adjustments		5,201	-	-
Net changes in assets and liabilities				
Trade accounts receivable		(139,577)	(39,300)	67,475
Other accounts receivable		623	3,535	1,954
Inventories	5	(60,549)	(63,871)	(49,371)
Other non-financial assets		(17,380)	(3,040)	(76,186)
Trade accounts payable		(26,418)	20,796	29,419
Other accounts payable		47,419	44,573	48,130
Benefits to employees		18,178	(8,276)	(50,440)
Other provisions		(18,905)	12,164	(11,561)
Mining royalties dispute payments	13	(138,904)	(186,953)	(56,186)
Interest paid (not included in the financing activities)		(21,260)	(37,226)	(47,442)
Interest lease payments	10(a)	(4,875)	(5,242)	-
Income tax paid		(86,610)	(216,369)	(430,810)
Net cash and cash equivalents provided by operating activities		638,307	820,042	808,556

Statements of cash flows (continued)

	<u>Note</u>	<u>2020</u> US\$(000)	<u>2019</u> US\$(000)	<u>2018</u> US\$(000)
Investing activities				
Proceeds from the sale of property, plant and equipment		189	1,243	109
Purchases of property, plant and equipment	7,8	(178,991)	(283,459)	(280,183)
Stripping activity asset		(92,890)	(197,038)	(177,327)
Net cash and cash equivalents used in investing activities		<u>(271,692)</u>	<u>(479,254)</u>	<u>(457,401)</u>
Financing activities				
Payments of loans	10(b)	(305,000)	(200,000)	(250,000)
Dividends	12(c)	-	(150,000)	(200,000)
Lease principal payments	10(a)	(9,376)	(10,479)	-
Net cash and cash equivalents used in financing activities		<u>(314,376)</u>	<u>(360,479)</u>	<u>(450,000)</u>
Net increase (decrease) in cash and cash equivalents		52,239	(19,691)	(98,845)
Cash and cash equivalents at beginning of year		481,491	501,182	600,027
Cash and cash equivalents at the end of the year	3	<u>533,730</u>	<u>481,491</u>	<u>501,182</u>
Transactions with no effects in cash flows:				
Changes on the provision for remediation and mine closure	11(b)	(37,569)	(59,964)	29,293

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

Sociedad Minera Cerro Verde S.A.A.

Notes to the Financial Statements
As of December 31, 2020, 2019 and 2018

1. Identification and business activity

(a) Identification -

Sociedad Minera Cerro Verde S.A.A. (the Company) was incorporated in Peru on August 20, 1993, as a result of the privatization process of certain mining units carried out by the Peruvian State in that year. The Company's shares began being listed on the Lima Stock Exchange on November 14, 2000.

Through its subsidiary Cyprus Climax Metals Company, Freeport Minerals Corporation (FMC), a wholly owned subsidiary of Freeport-McMoRan Inc. (Freeport), owns 53.56% of the voting shares of the Company, SMM Cerro Verde Netherlands B.V. (SMM Cerro Verde), a subsidiary of Sumitomo Metal Mining Company Ltd. (Sumitomo), owns 21.00%, Compañía de Minas Buenaventura S.A.A. (Buenaventura) owns 19.58%, and other stakeholders own the remaining 5.86%.

The Company's legal address is Jacinto Ibañez Street N°315 - Parque Industrial, Arequipa in the city of Arequipa and the ore deposit is located 20 miles southwest of that city (Asiento Minero Cerro Verde S/N Uchumayo – Arequipa).

(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, copper concentrate and molybdenum concentrate.

Cerro Verde's operation consists of an open-pit copper mine, with a processing capacity of 548,500 metric ton-per-day that includes (i) concentrator facilities with a 409,500 metric ton-per-day capacity (361,500 metric ton-per-day before the expansion approved by the Ministry of Energy and Mines during 2018), (ii) solution extraction and electrowinning (SX/EW) leaching facilities with leach copper production derived from a 39,000 metric ton-per-day crushed leach facility and (iii) a run-of-mine (ROM) leach system with a capacity of 100,000 metric ton-per-day. This SX/EW leaching operation has a production capacity of approximately 200 million pounds of copper per year. The leaching and flotation process carried out at these plants are part of the benefit concession "Planta de Beneficio Cerro Verde."

(c) COVID-19 outbreak in Peru -

On March 15, 2020, the Peruvian government issued a Supreme Decree and declaration of a National Emergency in its efforts to contain the outbreak of COVID-19. The order was initially for fifteen days but was subsequently extended for different periods through May 31, 2021. To comply with the government's requirements, Cerro Verde temporarily transitioned to a care and maintenance status and adjusted its operations to prioritize critical activities.

During the second quarter 2020, the Company restored operations following COVID-19 restrictions imposed by the Peruvian government in March 2020. On May 4, 2020, the Peruvian government updated its State of Emergency authorizing the restarting of economic activities to allow major mining operations to gradually increase activities. During the second half of May 2020, the Peruvian government approved the Surveillance, Prevention and Control Plan of COVID-19 at Work, which establishes the guidelines for the surveillance, prevention and control of the health of workers at risk of exposure to the virus. The implementation of these measures and actions for prevention, early detection and response helps to control the risk of spread and health impacts caused by COVID-19 during the development of operational activities in order to protect the health of workers and contractors and allow for the gradual resumption of normal operations.

Because of the significant negative impacts of the COVID-19 pandemic on the global economy, in April 2020 Cerro Verde revised its operating plans. Cerro Verde assessed its near-term operating plans with a focus on maximizing cash flow and protecting liquidity in a weak and uncertain economic environment and to preserve asset values for anticipated improved copper prices as economic conditions recover. Cerro Verde continued to make progress toward restoring operations during third and fourth-quarter 2020. The Company will continue to closely monitor health and market conditions and make further adjustments to mine plans as required. Refer to Note 15(b) for a discussion of idle facility costs associated with the temporary shutdown and incremental expenses related to the COVID-19 pandemic.

In conjunction with the revised operating plans, the Company implemented a series of initiatives to reduce costs including employee retirement programs, third-party service costs, facilities costs, travel and other expenses (refer to Note 15(b)).

In addition to the implementation of operational protocols, the Company also continues to work closely with communities where it operates and has provided support and in-kind contributions of medical supplies and equipment in its efforts of prioritizing health and safety.

(d) Financial statements approval -

The financial statements for the year ended December 31, 2020 were approved by Company's Management on April 29, 2021 and the subsequent events have been considered through those dates.

The financial statements for the year ended December 31, 2019, were approved at the Board of Directors and Shareholders' Meetings on February 26, 2020.

2. Significant accounting principles and policies

The significant accounting policies applied in the preparation of the financial statements are summarized below:

(a) Basis of presentation -

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared based on historical cost, except for accounts receivable and/or payable related to embedded derivatives, which have been measured at fair value (see Note 2(d)). The financial statements are presented in United States dollars (US\$) and include the years ended December 31, 2020 and 2019. Unless otherwise indicated, all values have been rounded to the nearest thousand.

(b) Use of judgments, estimates and assumptions -

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions in order to determine the amounts of the assets and liabilities, and the disclosure of contingent assets and liabilities as of December 31, 2020 and 2019, and the amounts of reported revenues and expenses for the years ended December 31, 2020, 2019 and 2018.

Information about significant judgments, estimates and assumptions made by Management in the preparation of the financial statements follows:

(b.1) Judgments -

(i) Contingencies -

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential amount of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

(ii) Stripping cost -

The Company incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. Production stripping costs can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The waste removal cost is included as part of the costs of inventory, while the production stripping costs are capitalized as a stripping activity asset, as part of the "property, plant and equipment" caption, if certain criteria are met.

Once the Company has identified its production stripping for its surface mining operation, it identifies the separate components of the ore body. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and to determine the expected volumes (e.g., in tons) of waste to be stripped and ore to be mined in each of these components.

(b.2) Estimates and assumptions -

(i) Determination of mineral reserves -

Mineral reserves are the part of a mineral deposit that can be economically and legally extracted from the mine concessions. The Company estimates its mineral reserves based on information compiled by individuals qualified in reference to geological data about the size, depth and form of the ore body, and requires geological judgments in order to interpret the data.

The estimation of recoverable reserves involves numerous uncertainties with respect to the ultimate geology of the ore body, including quantities, grades and recovery rates. Estimating the quantity and grade of mineral reserves requires the Company to determine the size, shape and depth of the ore body by analyzing geological data. In addition to the geology, assumptions are required to determine the economic feasibility of mining the reserves, including estimates of future commodity prices and demand, future requirements of capital and production costs, and estimated exchange rates. Revisions in reserve or resource estimates have an impact on the value of mining properties, property, plant and equipment, provisions for cost of mine closure, recognition of assets for deferred taxes and depreciation and amortization of assets.

(ii) Units of production depreciation -

Estimated mineral reserves are used in determining the depreciation and/or amortization of mine-specific assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, is impacted by both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves.

(iii) Provision for remediation and mine closure -

The Company assesses its provision for remediation and mine closure quarterly. It is necessary to make estimates and assumptions in determining this provision, including cost estimates of activities that are necessary for the rehabilitation of the site, technological and regulatory changes, interest rates and inflation rates. As discussed in Note 2(j), estimated changes in the fair value of the provision for remediation and mine closure or the useful life of the related assets are recognized as an increase or decrease in the book value of the provision and related asset retirement cost (ARC) in accordance with IAS 16, "Property, Plant and Equipment."

According to the Company's accounting policies, the provision for remediation and mine closure represents the present value of the costs that are expected to be incurred in the closure period of the operating activities of the Company. 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 work required, which would reflect future economic conditions. Also, the timing of disbursements depends on the useful life of the mine, which are based on estimates of future commodity prices.

If any change in the estimate results in an increase to the provision for remediation and mine closure and related ARC, the Company considers whether or not this is an indicator of impairment of the assets and applies impairment tests in accordance with IAS 36, "Impairments of Assets."

(iv) Inventories -

Net realizable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices, less estimated costs to complete production and bring the inventory to sale. Additionally, in calculating the net realizable value of the Company's long-term stockpiles, Management also considers the time value of money.

Mill and leach stockpiles generally contain lower grade ores that have been extracted from the ore body and are available for copper recovery. Mill stockpiles contain sulfide ores and recovery of metal is through milling and concentrating. Leach stockpiles contain oxide ores and certain secondary sulfide ores and recovery of metal is through exposure to acidic solutions that dissolve contained copper and deliver it in solution to extraction processing facilities.

Because it is generally impracticable to determine copper contained in mill and leach stockpiles by physical count, reasonable estimation methods are employed. 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 cuttings determine the estimated copper grades of material delivered to 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 produced into copper concentrate almost immediately.

Expected copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, historical trends and other factors, including mineralogy of the ore and rock type. Total copper recovery in leach stockpiles can vary significantly depending on several variables, including type of copper recovery, mineralogy and the size of the rock. For newly placed material of active stockpiles, as much as 80 percent of total copper recovery may be extracted during the first year, and the remaining copper may be recovered over many years. Processes and recovery rates are monitored continuously, and recovery rate estimates are adjusted periodically as additional information becomes available and as related technology changes.

(v) Asset impairment -

Management has determined that the Company's operations consist of one cash generating unit. The Company's operations are evaluated at least annually in order to determine if there are impairment indicators. If any such indication exists, the Company makes an estimate of the recoverable amount, which is the higher of (i) the fair value less costs of disposal or (ii) the value in use. These assessments require the use of estimates and assumptions, including long-term commodity prices, discount rates, operating costs, and others.

Fair value is defined as the amount that would be obtained from the sale of the asset in an arm's length transaction between willing and knowledgeable parties. The fair value of assets is generally determined as the current value of future cash flows derived from the continuous use of the asset, which includes estimates, such as the cost of future expansion plans and eventual disposal, while applying assumptions that an independent market participant may take into account. The cash flows are discounted by applying a discount rate that reflects the current market, the time value of money and the risks specific to the asset.

Notes to the Financial Statements (continue)

(c) Functional and reporting currency -

The financial statements are presented in United States (US) dollars, which is also the Company's functional currency.

Transactions and balances in foreign currency

Foreign currency transactions are those carried out in a currency other than the functional currency. Foreign currency transactions are translated into the functional currency by applying the exchange rate in force on the date the transaction takes place. Monetary assets and liabilities denominated in foreign currencies are converted using the functional currency spot rate in force at the reporting date.

Gains and losses as a result of the difference in the exchange rate when currency items are liquidated or when converting currency items at exchange rates that are different from those used for their initial recognition are recognized in the statements of comprehensive income of the period.

The Company uses Peruvian Sol (S/) exchange rates published by the Superintendent of Banks, Insurance and Pension Fund Administrators. The published exchange rates were S/3.618 for US\$1 for buying and S/3.624 for US\$ 1 for selling as of December 31, 2020, and S/3.311 for US\$1 buying and S/3.317 for US\$ 1 for selling as of December 31, 2019. These rates have been applied to the appropriate asset and liability accounts.

(d) Financial assets -

Initial recognition and measurement -

At initial recognition, financial assets are classified and measured at either amortized cost fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15, "Revenue from Contracts with Customers."

Notes to the Financial Statements (continue)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Cash and cash equivalents -

Cash and cash equivalents are financial assets that may be liquidated immediately, such as bank checking accounts, and other liquid investments with original maturities of three months or less.

Accounts Receivables -

The Company's receivables include current and long-term trade and other accounts receivable. These receivables are stated at their transaction value, net of an allowance for expected credit loss. Trade accounts receivable are generated primarily from the Company's concentrate and cathode sales, are denominated in US dollars, have current maturities, do not bear interest and have no specific guarantees.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments) -

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to collect contractual cash flows, and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in the statements of comprehensive income when the asset is derecognized, modified or impaired.

This category generally applies to trade and other receivables, net.

Financial assets at fair value through profit or loss -

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of comprehensive income.

Embedded derivatives -

Copper Sales -

The Company's copper sales are provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month based on quoted London Metal Exchange (LME) monthly average prices. The Company receives market prices based on prices in the specified future month, which results in price fluctuations recorded through revenues until the date of settlement. The Company recognizes revenues and invoices customers when it transfers control, which is at the time of shipment, based on then-current LME prices, which results in an embedded derivative that is required to be separated from the main contract. The Company's embedded derivatives from sales are measured at fair value (based on LME spot copper prices) and presented as gains/losses on provisionally priced trade receivables.

Molybdenum Sales -

The Company's molybdenum sales are also provisionally priced at the time of shipment. The Company recognizes revenues and invoices customers when it transfers control, which is at the time of shipment, based on the arithmetic mean of the high and low Metals Week Dealer Oxide (MWDO) price. The provisional prices are finalized in a future month, according to the period of quotation, which results in price fluctuations recorded through revenues until the date of settlement, which also results in an embedded derivative that is required to be separated from the main contract.

Derecognition -

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset or, (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets -

The Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime expected credit losses).

For trade receivables and contract assets, the Company applies a simplified approach in calculating expected credit losses. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on the financial asset's lifetime expected credit losses at each reporting date.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(e) *Financial liabilities -*

All financial liabilities are recognized initially at fair value and in the case of accounts payable and other financial liabilities, net of directly attributable transaction costs. The Company's financial liabilities include loans, trade and other payables and other financial liabilities.

Loans -

Loans are initially recognized at their fair value, net of directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest rate method is included as financial costs in the statements of comprehensive income.

Derecognition -

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts are recognized in the statements of comprehensive income.

(f) Inventories -

Inventories are stated at the lower of cost or net realizable value. Inventory of materials and supplies, as well as saleable products and in-process inventory are determined using the weighted-average cost method. The cost of finished goods and in-process inventory (i.e., stockpiles) includes labor and benefits, supplies, energy and other costs related to the mining and processing of minerals. Net realizable value tests of saleable products and in-process inventory are performed at each reporting date and represent the estimated future sales price using forward metal prices (for the period they are expected to be processed in), less estimated costs to complete production and bring the inventory to sale.

The current portion of work-in-process is determined based on the amount the Company expects to process in the next twelve months. Inventories that are not expected to be processed in the next twelve months are classified as long-term inventories.

No adjustments to inventories were required as of December 31, 2020 and 2019.

Provision for obsolescence -

Obsolescence allowances are established based on an item-by-item analysis by management. Any amount of obsolescence identified is charged to the statements of comprehensive income in the period it is deemed to have occurred.

(g) Property, plant and equipment -

Property, plant and equipment are valued at historical cost, including costs that are directly attributed to the construction or acquisition of the asset, net of accumulated depreciation, amortization and impairment.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the obligation for mine closure, and borrowing costs for qualifying assets.

Repairs and/or improvements that increase the economic life of an asset and for which it is probable that there will be future economic benefit to the Company, are recorded as assets. All other maintenance costs are charged to expense as incurred.

Notes to the Financial Statements (continue)

Land is not depreciated. Depreciation of assets directly related to the useful life of the mine is calculated using the units-of-production (UOP) method based on the mine's proven and probable copper reserves. Other assets are depreciated using the straight-line method based on the following estimated useful lives:

	Years
Buildings and other constructions	Between 5 and 35
Machinery and equipment	Between 2 and 30
Transportation units	Between 5 and 7
Furniture and fixtures	Between 7 and 10
Other equipment	Between 3 and 25

Critical spare parts and other parts which are directly identified with machinery or equipment are included in property, plant and equipment, and the economic life corresponds to the main asset with which they are identified.

An item of property, plant and equipment is retired at the time of its disposal or when no future economic benefits are expected from its use or subsequent disposition. Any gain or loss arising at the time of retirement is calculated as the difference between the proceeds from the sale and the book value of the asset and is included in the statements of comprehensive income in the period the asset is retired.

The residual value and useful economic lives of the Company's property, plant and equipment are reviewed, and adjusted if appropriate, at each year end.

Impairment -

At each reporting date, the Company evaluates if there is any indication that an asset could be impaired. If such an indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the greater of (i) its fair value less costs to sell or (ii) its value in use and is determined for the assets of the mine as a whole, since there are no assets that generate cash revenues independently.

When the book value of an asset exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount. When evaluating the value in use, the future estimated cash flows are discounted to their present value using an after-tax discount rate that reflects current market evaluations of the time value of money and the specific risks to the asset.

Notes to the Financial Statements (continue)

Losses resulting from the impairment of assets are recognized in the statements of comprehensive income under the categories of expenses 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 revised valuation cannot exceed the book value that would have been determined, net of depreciation, if an impairment loss for the asset had not been recognized in a previous period. Such a reversal is recognized in the statements of comprehensive income.

The Company did not identify any indicators of impairment for the years ended December 31, 2020 and 2019.

(h) Leases -

The Company assesses all arrangements, at contract inception, to determine whether they are, or contain, a lease. A contract containing a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company is a lessee but is not a lessor in any transactions.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and low-value assets. The Company recognizes lease liabilities representing obligations to make future lease payments and right-of-use assets representing the right to use the underlying assets.

(i) *Right-of-use assets* -

The Company recognizes a right-of-use asset at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

	Years
Land	10
Buildings and other constructions	Between 1 and 14
Machinery and equipment	Between 3 and 14

The right-of-use assets are also subject to impairment. The Company did not make any impairment adjustments as of December 31, 2020 and 2019.

(ii) *Lease liabilities -*

At the commencement date of the lease, the Company recognizes a lease liability measured at the present value of lease payments to be made over the lease term. The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase option, termination option or extension option is reasonably certain to be exercised. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, lease liabilities are increased to reflect the accretion of interest and reduced for the lease payments made.

(i) *Intangible assets -*

Intangible assets are recorded at cost less accumulated amortization. After the initial recognition, the intangible assets are recorded at their cost less accumulated amortization and any accumulated loss for impairment of use, if applicable.

The Company's intangible assets primarily consist of concessions related to the operation of the port terminal, which are amortized over 20 years. For the years ended December 31, 2020 and 2019, amortization expense was US\$1.0 million in both periods.

(j) *Exploration, development and stripping costs -*

Exploration costs -

Mineral exploration costs, as well as drilling and other costs incurred for the purpose of converting mineral resources to proven and probable reserves or identifying new mineral resources at development or production stage properties, are charged to the statements of comprehensive income as incurred.

Development costs -

Development costs are capitalized when the economic and technological feasibility of the project is confirmed, which is generally when the development or project has reached a milestone in accordance with a model established by management.

Stripping cost -

In accordance with IFRIC 20, "Stripping Cost in the Production Phase of a Surface Mine," stripping costs incurred in the production phase are capitalized as a component of property, plant and equipment (see Note 2 (b.1) and 7) if the stripping activity improves access to the ore body or enhances an existing asset. The stripping activity asset is subsequently amortized using the UOP method over the component of the ore body benefitted.

(k) Provisions -

General -

A provision is recognized 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 an estimate of the amount of the obligation can be calculated. The expense relating to any provision is presented in the statements of comprehensive income, net of any reimbursement, in the period the provision is established.

If the effect of the time value of money is significant, provisions are discounted by applying a discount rate that reflects, where applicable, 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 in the statements of comprehensive income.

Mine closure provision -

The Company records a mine closure provision when a contractually or legally enforceable obligation arises. The Company estimates the present value of its future obligation for mine closure and increases the carrying amount of the related asset retirement cost (ARC), which is included in property, plant and equipment in the statements of financial position. Subsequently, the mine closure provision is accreted to full value over time and recognized as an interest cost considered in the initial fair value estimate. The related ARC is depreciated using the UOP method over the life of the mine.

The Company evaluates its mine closure provision on a quarterly basis and makes adjustments to estimates and assumptions, including scope, future costs and discount rates, as applicable. Changes in the fair value of the mine closure provision or the useful life of the related asset are recognized as an increase or decrease in the book value of the provision and the related ARC in accordance with IAS 16, "Property, Plant and Equipment." Any decrease in the mine closure provision and related ARC cannot exceed the current book value of the asset; amounts over the current book value are recorded in the statements of comprehensive income.

(l) Revenue recognition -

The Company primarily sells copper concentrate and copper cathode in accordance with sales contracts entered into with its customers. Revenues from contracts with customers comprise the fair value of the sale of goods, net of related general sales taxes. Revenue from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The Company has concluded that it acts as the principal in its revenue contracts because it normally controls the goods before transferring them to its customers.

The transfer of control is determined in accordance with the terms of each of the contracts entered into with the Company's customers; generally, under such contracts, the transfer of control occurs at the time of shipment or delivery of the goods, including transportation.

Notes to the Financial Statements (continue)

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. The Company considers that the only performance obligation is the delivery of the goods. In determining the transaction price for the sale of copper concentrates and copper cathode, the Company considers the effect of variable consideration and the existence of significant financing components.

Revenues from the sale of copper concentrates and cathodes are recorded net of commercial deductions. Commercial deductions include price adjustments for treatment and refining charges and may include certain penalties that, according to the applicable contract, are deducted from the international spot price, and that are incurred after the time of sale of the applicable concentrate. The Company considers these deductions as part of the transaction price. The normal credit term is within 30 days after the fulfillment of the terms of the contract.

Variable consideration -

If the consideration in the contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company's sales of copper concentrates and cathodes allow for price adjustments based on the market price at the end of the trading period stipulated in the contract. These are called provisional pricing agreements in which the selling price of the copper is settled in a contractually specified future month based on quoted monthly average copper settlement prices. Sales price adjustments occur based on movements in quoted market prices until the end of the trading period. The period between provisional billing and the end of the listing period can generally range from three to six months.

In addition, the Company's sales of copper concentrates and cathodes are also subject to slight variations in their amount that may occur while the goods are in transit to their destination as a result of variations in moisture, weight and mineral grades. These variations are recognized directly as part of "Revenues" once the Company reaches an agreement with the corresponding customer regarding the final amounts sold.

Sales of copper concentrates and cathodes at provisional prices include a gain (loss) to be received at the end of the trading period; this is considered a variable consideration. Changes in price during the listing period are recognized within "Revenues."

Notes to the Financial Statements (continue)

For provisional pricing arrangements, any future changes to the QP (Quotation Period) are embedded within provisionally priced trade receivables and therefore are within the scope of IFRS 9, "Financial Instruments" and not within the scope of IFRS 15. Given the exposure to the price of raw materials, trade receivables with a provisional price will not pass the test of cash flow characteristics within IFRS 9 and will be required to be measured at fair value with changes in the statement of comprehensive income from the initial recognition and until the settlement date. Subsequent changes in fair value are recognized in the statement of comprehensive income for each period. Changes in fair value during and until the end of the trading period are estimated by reference to the updated forward market prices for copper, as well as taking into account other relevant fair value considerations established in IFRS 13, "Fair Value Measurement," including adjustments for interest rate and credit risk.

Revenue is recognized at the amount the entity expects to be entitled. The estimated price that is expected to be received at the end of the quotation period is generally the shipping or delivery month price, according to the terms of the contracts and using the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price.

The requirements in IFRS 15 on constraint estimates of variable consideration are also applied to determine the amount of variable consideration that can be included in the transaction price.

Significant financing components -

The Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when customer pays for that good will be one year or less.

Contract balances -

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company transfers goods or services to a customer before the customer pays for those goods or services or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Company does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to Note 2(d) for accounting policies for financial assets.

Notes to the Financial Statements (continue)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

(m) Income taxes, deferred taxes and other taxes -

Income taxes -

Income tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities. The amount of current tax payable or receivable is the best estimate of the tax amount to be paid or received that reflects uncertainty related to income taxes, if any. The tax rates and tax laws that are applied to compute the amounts are those that are enacted or substantially enacted at the end of the reporting period. The Company calculates the provision for income tax in accordance with the Peruvian tax legislation in force. For the years ended December 31, 2020, 2019 and 2018, the Company was subject to an income tax rate of 32% (see Note 13(b)).

Deferred Taxes -

Deferred taxes are presented using the liability method for differences between the tax basis of assets and liabilities and their book value for financial reporting purposes. Deferred tax liabilities are recognized for all taxable differences. Deferred tax assets are recorded for all deductible differences when there is a probability that there could be taxable earnings against which the deductible difference could be applied.

The book value of deferred tax assets is reviewed at the end of each period and reduced to an amount that is more likely than not to be realized against taxable earnings. Deferred tax assets that are not recognized are reassessed each period and are recognized when it is more likely than not that those future taxable earnings will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to be applicable during the year when the assets are realized or the liabilities are liquidated, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the end of the period, and reflects uncertainty related to income taxes, if any. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities and the deferred tax is related to the same entity and the same tax authority.

Notes to the Financial Statements (continue)

Mining Taxes -

On September 29, 2011, Law 29788 (which amended Law 28528) was enacted creating a new mining tax and royalty regime in Peru. Under the new regime, companies are subject to the payment of royalties and a special mining tax. Under the terms of its current 15-year stability agreement (see Note 13(a)), which became effective January 1, 2014, the Company is subject to mining royalties and a special mining tax for all of its mining production (see Note 13(d)). The amount to be paid for the mining royalty will be the greater of a progressive rate of the quarterly operating income or 1% of quarterly sales. Mining royalties calculated on sales is presented in "Other operating expenses."

Supplementary Retirement Fund -

On July 9, 2011, Law 29741 was enacted and established a Mining, Metallurgical and Steel Supplementary Retirement Fund (SRF), which is a social security retirement fund for mining, metals and steel industry workers. Under the terms of its current 15-year stability agreement, the Company is subject to SRF, which is calculated as 0.5% of net taxable income.

Uncertainty about the treatment of income taxes -

The Company determines whether it considers each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments based on the approach that best predicts the resolution of the uncertainty.

The Company makes judgments and estimates when there is uncertainty regarding the income tax treatments.

The Company has uncertain tax positions, particularly those related to the depreciation of fixed assets outside the scope of the feasibility study, tailing dam, sales commissions with non-related companies and miscellaneous IT services.

The Company determined, based on its tax compliance and transfer pricing study, that its tax treatments are likely to be accepted by the tax authorities (See Note 6(a) and 11(e)).

(n) *Benefits to employees -*

Salaries and wages, bonuses, severance, vacation benefits, separations benefits and post-employment benefits are calculated in accordance with IAS 19, "Employee Benefits" and current Peruvian legislation.

Worker's profit sharing -

The Company recognizes worker's profit sharing in accordance with IAS 19. Worker's profit sharing is calculated in accordance with Peruvian laws (Legislative Decree No. 892), and the Company's worker's profit sharing rate is 8% over the net taxable base of the current year. According to Peruvian law, the limit in the worker's profit sharing that an employee can receive is equivalent to 18 months of wages, and any excess above such limit is transferred to the Regional Government and the National Fund for Employment's Promotion and Training (FONDOEMPLEO). The Company's worker's profit share is recognized as a liability in the statements of financial position and as an operating expense in the statements of comprehensive income.

The long term portion of "Provision related to benefits to employees" in the statement of financial position, is the best estimate of the liability that resulted from the application of the tax limits determined by the Tax Administration in the review of the income tax calculation of previous years. This liability will be paid once the claim process has concluded in the corresponding legal instances.

Notes to the Financial Statements (continue)

(o) Borrowing cost -

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as finance costs as part of the asset. A qualifying asset is one whose value is greater than US\$ 1 million and requires at least 12 months to be ready for its intended use. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

(p) Fair value measurement -

The Company measures embedded derivatives at fair value as of each date presented in the statements of financial position.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(q) Basic and diluted earnings per share -

Basic and diluted earnings per share have been calculated based on the weighted average number of common shares outstanding during the period. When the number of shares is modified because of capitalization of retained earnings, the net income per basic and diluted shares is adjusted retroactively for all of the periods reported. For the years ended December 31, 2020, 2019 and 2018, the Company did not have any financial instruments with dilutive effects; as a result, the basic and diluted shares are the same in all periods presented.

Notes to the Financial Statements (continue)

(r) Changes in accounting policies and disclosures -

Below is a summary of the changes in accounting policies and applicable disclosures for the year 2020:

- *Amendments to IAS 1 and IAS 8: Definition of Material* -

In October 2018, the IASB issued amendments to IAS 1, “Presentation of Financial Statements” and IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of “material” across the standards and to clarify certain aspects of the definition. The new definition states that, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments had no impact on the Company’s financial statements.

- *Conceptual Framework for Financial Reporting* -

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Company’s financial statements.

- *Amendments to IFRS 16 COVID-19 Related Rent Concessions* -

On May 28, 2020, the IASB issued an amendment to IFRS 16, “Leases” for COVID-19 related rent concessions. The amendment provides relief to lessees on applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. This amendment had no impact on the Company’s financial statements.

Notes to the Financial Statements (continue)

Several other amendments and interpretations were first applied in 2020, but they had no impact on the Company's financial statements and therefore have not been revealed. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(s) Standards issued but not effective -

Below is a summary of the improvements and / or modifications to IFRS that are not yet effective, but would be applicable to the Company:

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current* -

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, and must be applied retrospectively. The Company is currently assessing the potential impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16* -

In May 2020, the IASB issued "Property, Plant and Equipment - Proceeds before Intended Use," which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022, and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The Company is evaluating the potential impact of this amendment on its financial statements.

- *Onerous Contracts – Costs of Fulfilling a Contract - Amendments to IAS 37* -

In May 2020, the IASB issued amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

Notes to the Financial Statements (continue)

The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Company is evaluating the potential impact of this amendment on its financial statements.

- *IFRS 9 Financial Instruments: fees in the '10 percent' test to assess whether to derecognize a financial liability* -

As part of the annual improvements to IFRS Standards 2018-2020, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of the other. An entity applies the amendment to financial liabilities that are amended or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company will apply the modifications to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity applies the modification for the first time. The Company is evaluating the potential impact of these modifications in its financial statements.

(t) Reclassifications of comparative information -

Management has made reclassifications to the financial statements as of December 31, 2019, in order to be consistent in the presentation of the financial statements for the year 2020, which are summarized below:

Statement of financial position and statements of changes in equity

- From “Accounts payable - Related entities” to “Other capital contributions,” US\$10.1 million was reclassified relating to the presentation of stock-based compensation of the ultimate parent company (Freeport) granted by the Company to its employees, of which US\$8.9 million corresponds to the balance as of January 1, 2019, and US\$1.2 million for the annual period 2019. This reclassification is also shown in the statements of changes in equity.
- From "Provisions, short term" to "Accounts payable," US\$27.9 million was reclassified relating to current provisions for services and freight not billed.

Notes to the Financial Statements (continue)

- From "Provision related to benefits to employees" to "Other accounts payable" US\$17.3 million was reclassified relating to the excess of the limit in workers profit sharing to be transferred to the Regional Government and the National Fund of Employment's Promotion and Training.

Statements of comprehensive income

- The Company reclassified expenses for contributions to government entities OSINERGMIN (Organismo Supervisor de la Inversión en Energía y Minería) and OEFA (Organismo de Evaluación y Fiscalización Ambiental) for US\$6.8 million in 2019. These contributions were originally presented as a reduction of revenues in the "Sales of goods" and are now presented as part of "Cost of sales" because the performance obligations are not directly related to the payment of these contributions.

3. Cash and cash equivalents

This item is made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Cash in banks	3,910	10,119
Cash equivalents (a)	<u>529,820</u>	<u>471,372</u>
	<u>533,730</u>	<u>481,491</u>

- (a) Cash equivalents as of December 31, 2020, includes short-term deposits with Scotiabank Peru of US\$125.0 million, Citibank NY of US\$92.3 million and a portfolio of investments in highly marketable liquid investments (investments classified as "AAA" by Standard & Poor's and Moody's) of US\$312.5 million, which yield variable returns, and are classified as cash equivalents because they are readily convertible to known amounts of cash and management plans to use them for its short-term cash needs. Because of the short maturity of these investments (i.e., less than 90 days), 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 insignificant.

Notes to the consolidated financial statements (continued)

4. Related parties

Accounts receivable from related parties and accounts payable to related parties are made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Accounts receivable from related parties		
<u>Parent Company</u>		
FMC (a)	462,304	401,211
<u>Other related parties</u>		
Sumitomo (b)	16,352	10,760
Climax Molybdenum Marketing Corporation (c)	14,319	5,022
<u>Embedded derivatives</u>		
Embedded derivatives (d)	101,434	36,077
Total accounts receivable from related parties	<u>594,409</u>	<u>453,070</u>
Classification by measurement		
Accounts receivables from related parties (not subject to provisional pricing)	116,740	121,995
Accounts receivables from related parties (subject to provisional pricing)	376,235	294,998
Embedded derivatives (d)	101,434	36,077
	<u>594,409</u>	<u>453,070</u>
Accounts payable to related parties		
<u>Parent Company</u>		
FMC	-	367
<u>Other related parties</u>		
Freeport-McMoRan Sales Company Inc.	2,883	3,086
Minera Freeport-McMoRan South America Ltda	402	561
Freeport Cobalt OY	161	-
Total accounts payable, short term	<u>3,446</u>	<u>4,014</u>

- (a) Accounts receivable from FMC mainly correspond to sales of copper concentrate and copper cathode. The Company has a long-term agreement with FMC through which it has committed to sell between 70% and 80% of its annual copper concentrate production through December 31, 2021. Terms of the contract are reviewed annually.
- (b) The Company has a long-term agreement with Sumitomo through which it has committed to sell 21% of its annual copper concentrate production through December 31, 2021. Terms of the contract are reviewed annually.

Notes to the consolidated financial statements (continued)

- (c) The Company has a new long-term agreement with Climax Molybdenum Marketing Corporation (a wholly owned subsidiary of FMC) through which it has committed to sell 100% of its annual molybdenum concentrate production, at a price based on MWDO and under a delivery type known as CIF (cost, insurance and freight) from February 1, 2020, through January 31, 2022.
- (d) Reflects the embedded derivative adjustment associated with accounts receivable from related parties (see Note 2(d) and 21).

Short-term and long-term employee benefits are recognized as expenses during the period earned. Benefits received by key management personnel represent 0.45% of total revenues for the year 2020 (0.42% for the year 2019). For years, 2020, 2019 and 2018, Freeport granted stock-based compensation to certain key management personnel, see Note 12(d). As of December 31, 2020 and 2019, the Company did not have any other long-term benefits.

Terms and transactions with related parties -

Transactions with related parties are made at normal market prices. Outstanding balances are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any account receivables from related parties. As of December 31, 2020, 2019 and 2018, the Company had not recorded any expected credit loss in accounts receivable from related parties.

The following is a summary of the transactions with related entities that affected results (not including copper and molybdenum sales described in Note 14) for the year ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019	December 31, 2018
	US\$(000)	US\$(000)	US\$(000)
Revenues			
Supplies	768	-	-
Demurrage	226	688	524
Reimbursement	-	491	76
	<u>994</u>	<u>1,179</u>	<u>600</u>
Expenses			
Reimbursement of information technology services	15,900	11,533	11,836
Commissions	7,801	8,953	8,292
Stock-based compensation (a)	2,259	1,560	1,174
Management fee	2,159	2,923	2,743
Supplies	492	908	1,133
Fixed assets and spare parts			14,265
	<u>28,611</u>	<u>25,877</u>	<u>39,443</u>

- (a) As indicated in the table above, during 2020, 2019 and 2018 stock-based compensation expense totaled US\$2.3 million, US\$1.6 million and US\$1.2 million and the related payments/vesting totaled US\$0.8 million, US\$0.4 million and US\$0.5 million respectively (net impact in "Other capital contributions" of US\$1.5 million, US\$1.2 million and US\$0.7 million in 2020, 2019 and 2018, respectively).

Notes to the consolidated financial statements (continued)

5. Inventories, net

This item is made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Current		
Materials and supplies	368,996	348,035
Work-in-process (WIP) (a)	176,813	173,190
Finished goods:		
Copper concentrate	16,563	23,890
Copper cathode	3,826	6,321
Molybdenum concentrate	700	1,268
Less: Provision for obsolescence of materials and supplies	(104)	(507)
	<u>566,794</u>	<u>552,197</u>
Non-current		
Work-in-process (WIP) (a)	<u>301,075</u>	<u>255,123</u>
Total inventories	<u><u>867,869</u></u>	<u><u>807,320</u></u>

- (a) WIP inventories represent mill and leach stockpiles, which contain higher grade ores (mill stockpiles) and medium and lower grade ores (leach stockpiles) that have been extracted from the open pit and are available for copper recovery. Based on the future mine plan production, the Company identifies the portion of inventory that is classified as current or long-term. For mill stockpiles, recovery is through milling and concentrating. For leach stockpiles, recovery is through exposure to acidic solutions that dissolve copper and deliver it in a solution to extraction processing facilities.

Notes to the consolidated financial statements (continued)

6. Other non-financial assets

This item is made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Current		
Value added tax (VAT) credit	40,300	27,414
Other taxes to be recovered	1,060	2,745
Income tax prepayments and/or benefits (a)	-	75,521
	<u>41,360</u>	<u>105,680</u>
Non-current		
Other receivables (b)	190,501	186,626
Income tax prepayments and/or benefits (a)	13,669	52,559
Other taxes to be recovered	1,457	-
	<u>205,627</u>	<u>239,185</u>
Total other non-financial assets	<u>246,987</u>	<u>344,865</u>

- (a) The balance as of December 31, 2020, represents income tax benefits from the years 2015 and 2016 determined in accordance with the IFRIC 23, "Uncertainty over Income Tax Treatments".

The balance as of December 31, 2019, represents disbursements made by the Company for the prepayment of income tax, which the Company expects to use to offset future tax obligations (see Note 13(b)) also includes income tax benefits from the years 2013 to 2018 as part of the adoption of IFRIC 23. During 2020, the Company applied a portion of this balance against the income tax payable as determined by the tax authority.

- (b) Represents disbursements made under protest by the Company in connection with disputed tax assessments related to reviews by SUNAT (Superintendencia Nacional de Administración Tributaria) from the years 2003 to 2012 (see Note 13(c) and 13(e)). According to current tax procedures and the timeframe for resolving these types of claims, management and its legal advisors expect resolution of this matter will be favorable to the Company and amounts will be recoverable.

Notes to the consolidated financial statements (continued)

7. Property, plant and equipment, net

Property, plant and equipment consist of owned and leased assets (right-of-use assets), and cost and accumulated depreciation accounts as of December 31, 2020 and 2019 are shown below:

	December 31, 2018	IFRS 16 adoption	Additions	Adjustments	Disposals	Transfers	December 31, 2019	Additions	Adjustments	Disposals	Transfers	December 31, 2020
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost												
Land	24,663	-	-	-	(80)	322	24,905	-	-	-	-	24,905
Buildings and other constructions	2,449,577	-	-	544	(4,769)	102,772	2,548,124	-	(1)	(14)	40,895	2,589,004
Machinery and equipment	4,694,050	-	-	(544)	(30,482)	191,589	4,854,613	-	1	(12,814)	143,949	4,985,749
Transportation units	23,251	-	-	-	(32)	3,146	26,365	-	-	-	3,733	30,098
Furniture and fixtures	949	-	-	-	-	-	949	-	-	-	-	949
Other equipment	25,491	-	-	-	(594)	203	25,100	-	-	-	5,865	30,965
Construction in progress and in-transit units	185,928	-	271,364(a)	(1,192)	-	(298,032)	158,068	161,059(a)	(6,255)	-	(194,442)	118,430
Stripping activity asset (see Note 2(i))	655,709	-	197,038	-	-	-	852,747	92,890	-	-	-	945,637
Asset retirement costs (see Note 11(b))	107,034	-	59,964	-	-	-	166,998	37,569	-	-	-	204,567
Right-of-use assets (b)	-	95,728	1,342	(700)	(929)	-	95,441	3,328	-	(2,318)	-	96,451
	<u>8,166,652</u>	<u>95,728</u>	<u>529,708</u>	<u>(1,892)</u>	<u>(36,886)</u>	<u>-</u>	<u>8,753,310</u>	<u>294,846</u>	<u>(6,255)</u>	<u>(15,146)</u>	<u>-</u>	<u>9,026,755</u>
Accumulated depreciation												
Buildings and other constructions	321,920	-	76,199	513	(4,722)	-	393,910	62,317	-	(14)	-	456,213
Machinery and equipment	1,786,326	-	284,097	(513)	(29,091)	-	2,040,819	277,384	-	(12,635)	-	2,305,568
Transportation units	13,972	-	1,928	-	(28)	-	15,872	1,826	-	-	-	17,698
Furniture and fixtures	858	-	23	-	-	-	881	23	-	-	-	904
Other equipment	18,796	-	1,543	-	(594)	-	19,745	1,495	-	-	-	21,240
Stripping activity asset	398,202	-	155,530	-	-	-	553,732	124,309	-	-	-	678,041
Asset retirement costs	23,676	-	3,239	-	-	-	26,915	4,611	-	-	-	31,526
Right-of-use assets (b)	-	-	11,488	-	(903)	-	10,585	11,320	-	(2,316)	-	19,589
	<u>2,563,750</u>	<u>-</u>	<u>534,047</u>	<u>-</u>	<u>(35,338)</u>	<u>-</u>	<u>3,062,459</u>	<u>483,285</u>	<u>-</u>	<u>(14,965)</u>	<u>-</u>	<u>3,530,779</u>
Net cost	<u>5,602,902</u>						<u>5,690,851</u>					<u>5,495,976</u>

- (a) As of December 31, 2020, additions to construction in progress primarily relate to (i) the purchase of a new shovel and the rebuild of another shovel (US\$37.9 million), (ii) the purchase of haul trucks (US\$24.6 million), (iii) projects associated with the capitalization of main components of the mine heavy equipment (US\$17.6 million), (iv) projects for the optimization of the Company's operating processes (US\$14.8 million), (v) the mine maintenance truck shop (US\$13.4 million), (vi) the purchase of rollers (US\$11.0 million), (vii) tailing dam projects related to drain expansion and jacking header extension (US\$10.4 million) and (viii) the purchase of stators for ball mills (US\$7.0 million).

For the year ended December 31, 2019, additions to construction in progress primarily relates to (i) the mine maintenance truck shop (US\$78.2 million), (ii) the purchase of used haul trucks from PT Freeport Indonesia (a related party) (US\$47.1 million), (iii) the purchase of stators for ball mills (US\$18.3 million), (iv) the tailing drain expansion (US\$15.2 million), (v) a concentrator optimization project (US\$12.3 million), (vi) the regrowth of a leach pad (US\$10.9 million) and (vii) the staged flotation reactor engineering project (US\$6.2 million).

As of December 31, 2020, additions to construction in progress include capitalized interest primarily related to projects for the mine maintenance truck shop (US\$1.4 million), tailing dam drain expansion and jacking header extension (US\$0.4 million), the purchase of stators for ball mills (US\$0.2 million) and other projects (US\$0.5 million).

Notes to the consolidated financial statements (continued)

(b) Set out below are the carrying amounts of right-of-use assets recognized and the movements as of December 31, 2020 and 2019:

	January 1, 2019	Additions	Adjustments	Disposals	December 31, 2019	Additions	Disposals	December 31, 2020
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost								
Land	11,008	-	(700)	(457)	9,851	-	-	9,851
Buildings and other constructions	55,114	1,192	-	(370)	55,936	2,880	(2,222)	56,594
Machinery and equipment	29,606	150	-	(102)	29,654	448	(96)	30,006
	<u>95,728</u>	<u>1,342</u>	<u>(700)</u>	<u>(929)</u>	<u>95,441</u>	<u>3,328</u>	<u>(2,318)</u>	<u>96,451</u>
Accumulated depreciation								
Land	-	1,712	-	(457)	1,255	1,642	-	2,897
Buildings and other constructions	-	6,613	-	(344)	6,269	6,526	(2,220)	10,575
Machinery and equipment	-	3,163	-	(102)	3,061	3,152	(96)	6,117
	-	<u>11,488</u>	-	<u>(903)</u>	<u>10,585</u>	<u>11,320</u>	<u>(2,316)</u>	<u>19,589</u>
Net cost	<u>95,728</u>				<u>84,856</u>			<u>76,862</u>

Notes to the consolidated financial statements (continued)

8. Trade accounts payable

Trade accounts payable are primarily originated by the acquisition of materials, supplies, services and spare parts. These obligations are primarily denominated in US dollars, have current maturities and do not accrue interest. No guarantees have been granted. As of December 31, 2020, trade accounts payable includes US\$12.4 million related to capital projects (US\$30.3 million as of December 31, 2019).

9. Other accounts payable

This item is made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Current		
Royalties and mining taxes in dispute (a)	87,499	95,120
Income tax assessment (b)	34,716	-
Other	4,250	4,260
Total current	<u>126,465</u>	<u>99,380</u>
Non-current		
Royalties and mining taxes in dispute (a)	248,537	362,464
Excess of salaries limit of workers profit sharing (c)	36,855	17,260
Total non-current	<u>285,392</u>	<u>379,724</u>

- (a) The balance as of December 31, 2020, corresponds to the remaining balance from the monthly payments of the installment programs for disputed mining royalties for the period January 2009 through September 2011 and for the years 2012 and 2013 and special mining tax for the period October 2011 through December 2013, totaling US\$336.0 million (US\$457.6 million as of December 31, 2019), including interest and penalties of US\$186.5 million (US\$256.1 million as of December 31, 2019) (see Note 13(d)).
- (b) Corresponds to interest and penalties related to income tax assessments for the year 2013, which will be paid in the first quarter of 2021.
- (c) As of December 31, 2020, represents the excess salaries limit in workers profit sharing to be transferred to the Regional Government and the National Fund for Employment's Promotion and Training (FONDOEMPLEO). This is related to adjustments of previous years income tax assessments (recognized in 2020 mainly as a result of the international arbitration proceeding initiated by the Company (see Note 13(d)). This amount includes interest of US\$16.6 million.

Notes to the consolidated financial statements (continued)

10. Other financial liabilities (debt)

This item is made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Current debt:		
Lease liabilities (a)	10,223	8,855
Non-current debt:		
Senior unsecured credit facility (b)	525,000	830,000
Lease liabilities (a)	68,994	76,944
Less: Debt issuance cost	(1,549)	(4,124)
Total non-current debt	592,445	902,820
Total other financial liabilities	602,668	911,675

(a) The lease liability consists of leased land, buildings and other constructions, and machinery and equipment which are used in mine operations.

	2020	2019
	US\$(000)	US\$(000)
Balance at beginning of the year	85,799	95,728
Additions	3,328	550
Accrued interest	4,875	5,242
Payments	(9,376)	(10,479)
Interest payments	(4,875)	(5,242)
Exchange rate effect	(534)	-
Total lease liabilities	79,217	85,799

The following are the amounts recognized in profit or loss:

	2020	2019
	US\$(000)	US\$(000)
Depreciation charge of right-of-use assets (see Note 15)	11,320	11,488
Expenses related to variable lease payments, low-value and short-term leases (see Note 15)	7,399	7,069
Interest expense on lease liabilities (see Note 18)	4,875	5,242
	23,594	23,799

Notes to the consolidated financial statements (continued)

The Company has certain lease contracts for machinery and equipment used in mine operations that contain variable payments based on the number of hours that machinery or equipment is used in operations.

- (b) In March 2014, the Company entered into a five-year, US\$1.8 billion senior unsecured credit facility with several banks led by Citibank N.A. as the administrative agent. The disbursements were mainly used to finance a portion of the Company's expansion project.

In June 2017, the Company entered into an amendment to the senior unsecured credit facility, which extends the maturity and increased the outstanding amount by US\$225 million. After the amendment, the balance of the total credit facility was US\$1.5 billion. As of December 31, 2020, the Company had repaid US\$975 million after the additional repayment of US\$305 million in December 2020. For the year ended December 31, 2020, the Company recognized in the statements of comprehensive income, interest expense in the amount of US\$22.4 million (US\$39.1 million for the year ended December 31, 2019 and US\$49.6 million for the year ended December 31, 2018) (see Note 18).

The credit facility calls for amortization in four installments, with 15% of the total facility due on December 31, 2020 (fully repaid as of December 31, 2020), 15% due on June 30, 2021 (fully repaid as of December 31, 2020), 35% due on December 31, 2021 (fully repaid as of December 31, 2020) and 35% due on June 19, 2022 (US\$525 million).

Interest on the credit facility is based on the London Interbank Offered Rate (LIBOR) plus a spread (currently 1.9%) based on the Company's total net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio, as defined in the agreement.

For the year ended December 31, 2020, the Company recognized charges of US\$0.9 million in the statements of comprehensive income for issuance costs related to debt extinguishment caused by the early December 2020 payment (US\$1.3 million for the year ended December 31, 2019 and US\$1.9 million for the year ended December 31, 2018) (see Note 18).

No letters of credit were issued and there are no guarantees provided for the credit facility as of December 31, 2020.

Restrictive Covenants -

The senior unsecured credit facility contains certain financial ratios that the Company must comply with on a quarterly basis, including a total net debt to EBITDA ratio and an interest coverage ratio, which are defined by the agreement. As of December 31, 2020, the Company was in compliance with all of its covenants.

Notes to the consolidated financial statements (continued)

Following is the movement of the changes derived from the financing activities for the year ended December 31, 2020 and 2019:

	January 01, 2019	Additions	Payments	Long term to short term transfers	Others	December 31, 2019	Additions	Payments	Long term to short term transfers	Others	December 31, 2020
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Current:											
Lease liabilities, see Note 10 (a)	8,119	464	(10,479)	10,751	-	8,855	1,477	(9,376)	9,402	(135)	10,223
Non-current:											
Senior unsecured credit facility	1,030,000	-	(200,000)	-	-	830,000	-	(305,000)	-	-	525,000
Debt issuance cost (a)	(7,190)	-	-	-	3,066	(4,124)	-	-	-	2,575	(1,549)
Lease liabilities, see Note 10 (a)	87,609	86	-	(10,751)	-	76,944	1,851	-	(9,402)	(399)	68,994
Total liabilities from financing activities	1,118,538	550	(210,479)	-	3,066	911,675	3,328	(314,376)	-	2,041	602,668

- (a) For the year ended December 31, 2020, includes amortization of debt issuance cost of US\$1.7 million (US\$1.8 million for the year ended December 31, 2019) and extinguishment debt issuance cost of US\$0.9 million (US\$1.3 million for the year ended December 31, 2019).

Notes to the consolidated financial statements (continued)

11. Provisions

This item is made up as follows:

	December 31, 2020	December 31, 2019
	US\$(000)	US\$(000)
Current:		
Provision for social commitments (a)	9,469	7,677
Provision for remediation and mine closure (b)	156	241
Total current	<u>9,625</u>	<u>7,918</u>
Non-current:		
Provision for remediation and mine closure (b)	237,387	195,659
Provision for disputed mining royalties (c)	44,982	62,797
Other long-term liabilities (d)	22,455	12,117
Provision for legal contingencies (e)	1,924	4,800
Provision for social commitments (a)	1,226	3,046
Total non-current	<u>307,974</u>	<u>278,419</u>

- (a) The provision for social commitments is associated with repaving Alata-Congata Road (US\$6.3 million) and an irrigation project in La Joya (US\$4.4 million).
- (b) The Company's mineral exploitation 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 for the Environmental Impact Studies (EIA), required for the operation of Cerro Verde's production unit.

On October 14, 2003, Law 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 closure 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 2006, in compliance with the mentioned law, the Company completed the closure plans for its mine site, and presented it to the Ministry of Energy and Mines.

The closure plans for its mine site was approved by Resolution No 302-2009 MEM-AAM and its modifications were approved by Resolution No 207-2012 MEM-AAM, Resolution No 186-2014 MEM-DGAAM and its last modification, Resolution No 032-2018 MEM-DGAAM. As of December 31, 2020, pursuant to legal requirements, the Company has issued a letter of credit to the Ministry of Energy and Mines totaling US\$59.4 million to secure mine closure plans.

The estimate of remediation and mine closure costs is based on studies prepared by independent consultants and based on 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, soil recovery, and dismantling of plant and equipment.

The table below presents the changes in the provision for remediation and mine closure:

	<u>2020</u>	<u>2019</u>
	US\$(000)	US\$(000)
Beginning balance	195,900	131,888
Accretion expense	4,196	4,048
Additions (see Note 7)	37,569	59,964
Progressive mine closure payments in hydrometallurgy process	(122)	-
Final balance	<u>237,543</u>	<u>195,900</u>

As of December 31, 2020, the Company's provision for remediation and mine closure was US\$237.5 million (reflecting the future value of the provision for remediation and mine closure of US\$374.4 million, discounted using an annual risk-free rate of 1.56%). As of December 31, 2019, the Company's provision for remediation and mine closure was US\$195.9 million (reflecting the future value of the provision for remediation and mine closure of US\$374.4 million, discounted using an annual risk-free rate of 2.28%). The Company considers this liability sufficient to meet the current environmental protection laws approved by the Ministry of Energy and Mines.

As of December 31, 2020 and 2019, additions (US\$37.6 million and US\$60.0 million respectively) mainly corresponded to changes in estimates due to changes in the escalation ratio.

- (c) As of December 31, 2020, represents interest and penalties associated with income tax related to disputed mining royalties for the year 2010 of US\$45.0 million. As of December 31, 2019, represents the non-current portion of ITAN for the years 2010 and 2011 of US\$12.1 million and interest and penalties associated with (i) income tax related to disputed mining royalties for the year 2010 of US\$42.1 million, (ii) ITAN for the years 2010 and 2011 of US\$6.7 million and (iii) SRF for the year 2013 of US\$1.9 million.
- (d) As of December 31, 2020, mainly represents SUNAT assessments for prior years related to income tax interest and penalties and non-income tax contingencies in which the Company expects to obtain an unfavorable result of US\$9.6 million. This balance also includes interest and penalties related to income tax for the years 2014, 2017 through 2019, determined in accordance with the IFRIC 23, "Uncertainty over Income Tax Treatments" of US\$12.9 million.

Notes to the Financial Statements (continue)

As of December 31, 2019, mainly represents interest and penalties related to tailing dam income tax for the year 2010 and 2012 of US\$4.3 million. This balance also includes SUNAT assessments for prior years related to income and non-income tax contingencies in which the Company expects to obtain an unfavorable result of US\$3.8 million.

- (c) The provision for legal contingencies is associated with OSINERGMIN and SUNAFIL (Superintendencia Nacional de Fiscalización Laboral) fines, which have been appealed by the Company.

12. Shareholders' equity

- (a) Capital stock -

As of December 31, 2020, 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 July 11, 2003, Shareholders Agreement, the nominal value of the shares was denominated in US dollars in an amount of US\$0.54 per share. As a consequence of the capitalization of restricted earnings associated with tax benefits (reinvestment credits), in December 2009, the nominal value of the shares was increased to US\$2.83 per share.

The quoted price of these shares was US\$20.92 per share as of December 31, 2020 (US\$19.30 per share as of December 31, 2019).

As of December 31, 2020, 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	2,844	4.39
From 1.01 to 20.00	2	21.05
From 20.01 to 30.00	1	21.00
From 30.01 to 60.00	1	53.56
	<u>2,848</u>	<u>100.00</u>

- (b) Other capital reserves -

Other capital reserves include the Company's legal reserve, which is in accordance with the Peruvian Companies Act, and 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 legal reserve may also be used to increase capital stock, but the balance must be restored from future earnings.

- (c) Dividend Distribution -

Dividends paid to shareholders, other than domiciled legal entities, are subject to retention of income tax. On December 10, 2016, Legislative Decree 1261 was enacted reducing the withholding tax rate to 5.0% beginning January 1, 2017.

At the non-presential annual mandatory shareholders meeting held on July 3, 2020, shareholders approved that no dividends would be distributed as a result of possible tax payments associated with arbitration proceedings and concerns about the price of copper due to the global uncertainty caused by the COVID-19 pandemic.

At the annual mandatory shareholders meeting held on March 29, 2019, shareholders approved a US\$150 million dividend payment (US\$0.428503 per common share). The total amount of these dividends was applied against retained earnings. This dividend was paid on April 30, 2019, and complied with the withholding tax rules (4.1%).

(d) Stock-based compensation -

In accordance with the Senior Executive Plan (SEP), stock-based compensation in the ultimate parent (Freeport) is granted to the Company's senior executives. Amounts presented in "Other capital reserves" in the statement of change in equity totaled US\$11.5 million as of December 31, 2020, US\$10.1 million as of December 31, 2019 and US\$8.9 million as of December 31, 2018. The fair value of stock options is determined using the Black-Scholes-Merton option pricing model. The fair value of restricted share units (RSUs) is based on Freeport's share price on the grant date. Shares of Freeport's common stock are issued at the vesting date of RSUs settled in shares. The fair value of performance share units (PSUs) are determined using Freeport's stock price and a Monte-Carlo simulation model.

Stock options granted under such plans generally expire 10 years after the grant date. Stock options granted prior to 2018 generally vest in 25 percent annual increments; beginning in 2018, awards granted vest in 33 percent annual increments beginning one year from the date of grant. Stock option agreements provide that participants will receive the following year's vesting upon retirement. Therefore, on the grant date, the Company accelerates one year of amortization for retirement-eligible employees. Stock options provide for accelerated vesting only upon certain qualifying terminations of employment within one year following a change of control.

The Company recognizes the compensation cost in the statement of comprehensive income during the award period according to the fair value of the instruments granted. The cost is recognized as an equity contribution in "Other equity contributions."

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 (the 1998 Stability Agreement). Upon approval of the 1998 Stability Agreement, the Company was subject to the tax, administrative and exchange regulations in force at May 6, 1996, for a period of 15 years, beginning January 1, 1999, and ending December 31, 2013.

On July 17, 2012, the Company signed a new Agreement of Guarantees and Measures to Promote Investments with the Government of Peru, under the Peruvian General Mining Law. Upon approval of this stability agreement, the Company became subject to the tax, administrative and exchange regulations in force at July 17, 2012, for a period of 15 years, beginning January 1, 2014, and ending December 31, 2028.

- (b) Under its current 15-year tax stability agreement, the Peruvian income tax rate applicable to the Company is 32%. As of December 31, 2020, the Company has recorded income tax prepayments and/or benefits which it expects to use to offset future income tax provisions or will be refunded by SUNAT, totaled US\$13.7 million (see Note 6).

For the year ended December 31, 2020, the Company recognized current income tax expense of US\$210.6 million (including US\$17.3 million for special mining, US\$14.9 million of mining royalties, and US\$2.6 million for the SRF), and a deferred income tax expense of US\$26.3 million, resulting in a total income tax expense of US\$236.9 million that has been included in the statements of comprehensive income.

For the year ended December 31, 2019, the Company recognized current income tax expense of US\$156.5 million (including US\$28.4 million of mining royalties, US\$18.6 million of special mining tax and US\$1.8 million for the SRF), and a deferred income tax expense of US\$141.6 million, resulting in total income tax expense of US\$298.1 million that has been included in the statements of comprehensive income.

For the year ended December 31, 2018, the Company recognized current income tax expense of US\$263.0 million (including US\$34.9 million of mining royalties and US\$1.5 million for the SRF partially offset by a credit of US\$(28.2) million of special mining tax), and a deferred income tax expense of US\$62.2 million, resulting in total income tax expense of US\$325.2 million that has been included in the statements of comprehensive income.

- (c) SUNAT has the right to examine, and if necessary, amend the Company's income tax return for the last four years. The Company's income tax for the years 2014 through 2019 are open to examination by the tax authorities and the years 2014 through 2016 are currently being examined. To date, SUNAT has concluded its review of the Company's income tax through the year 2013 and the Company is in the claim and/or appeal process for the years 2003 through 2012.

Due to the many possible interpretations of current legislation, it is not possible to determine whether or not future reviews (including reviews of years pending examination) will result in additional tax liabilities for the Company. If management determines it is more likely than not that additional taxes are payable, these amounts, including any related interest and penalties, will be charged to expense in that period. In management's and its legal advisors' opinions, any possible tax settlement is not expected to be material to the financial statements.

- (d) Royalties and special mining taxes –

On June 23, 2004, Law 28528 was approved, which requires the holder of a mineral concession to pay a royalty in return for the exploitation of metallic and non-metallic minerals. The royalty is calculated using rates ranging from 1% to 3% of the value of concentrate or its equivalent according to the international price of the commodity published by the Ministry of Energy and Mines. Prior to January 1, 2014, the Company determined that these royalties were not applicable because it operated under the 1998 Stability Agreement with the Peruvian government. However, beginning January 1, 2014, the Company began paying royalties calculated on operating income with rates between 1% to 12% and a new special mining tax for its entire production base under its current 15-year tax stability agreement, which became effective January 1, 2014. The amount to be paid for the mining royalty will be the greater of a progressive rate of the quarterly operating income or 1% of quarterly sales.

SUNAT assessed mining royalties on materials processed by the Company's concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2013. The Company contested each of these assessments because it considers that its 1998 Stability Agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing such minerals. No assessments can be issued for years after 2013, as the Company began paying royalties on all of its production in January 2014 under its new 15-year stability agreement.

Since 2017, the Company recorded charges of S/2.8 billion (approximately US\$771.2 million based on the December 31, 2020, exchange rate, including deferred interest, interest and penalties of US\$496.5 million) for the royalty and special mining tax assessments for the period December 2006 through the year 2013. Since 2014, the Company has been paying the disputed assessments under protest for the period from December 2006 through December 2013 under installment payment programs. Through December 31, 2020, the Company has made payments totaling S/1.6 billion under these installment programs (US\$476.7 million based on the date of payment exchange rate and US\$435.2 million based on the December 31, 2020, exchange rate).

On July 13, 2020, the Company requested the application of the Deferral and / or Installment Regime, approved by Legislative Decree No. 1487, which contemplates a reduced interest rate on the debts administered by SUNAT related to the current installment payment programs of special mining tax for the period October 2011 through December 2013. The request includes a six month of deferred interest and thirty installment payments. This request was approved by SUNAT in August 2020.

During February 2020, the Company requested the initiation of an arbitration proceeding against the Republic of Peru before the International Centre for Settlement of Investment Disputes (ICSID).

On March 31, 2020, Superintendence Resolution 066-2020/SUNAT was published in which new default monthly interest rates were established effective April 1, 2020. The default interest rate in national currency changes from 1.2% to 1% and in the case of foreign currency it changes from 0.6% to 0.5%. Likewise, interest rates for the return of undue or excess payments in national currency (soles) change from 0.50% to 0.42% and in the case of foreign currency (US Dollars) change from 0.30% to 0.25%. Finally, the interest rate on returns due to withholding and/or non-applied perceptions of VAT changes from 1.2% to 1%.

(c) Other assessments received from SUNAT and other regulatory entities -

The Company has also received assessments from SUNAT for additional taxes (other than the mining royalty and special mining tax explained in Note 13(d) above), including penalties and interest. The Company has filed objections to the assessments because it believes it has properly determined and paid its taxes. A summary of these assessments follows:

Year	Taxes	Penalty and interest	Total
	US\$(000)	US\$(000)	US\$(000)
2003 – 2005	8,780	39,700	48,480
2006	11,206	51,769	62,975
2007	12,821	21,177	33,998
2008	16,906	16,859	33,765
2009	56,000	51,606	107,606
2010	53,700	117,880	171,580
2011	41,063	67,932	108,995
2012	869	9,477	10,346
2013	48,401	65,902	114,303
2014 –2020	44,864	-	44,864
	<u>294,610</u>	<u>442,302</u>	<u>736,912</u>

As of December 31, 2020, the Company has paid US\$432.7 million of which US\$190.5 million is included in “Other non-financial assets, non-current” (see Note 6) in the statements of financial position for these disputed tax assessments. The Company believes this amount is recoverable.

Assessments for the year 2014 through 2020 correspond to contribution payments to other regulatory entities.

(f) As of December 31, 2020 and 2019, the Company has issued letters of credit to secure tax obligations amounting to S/1,370.3 million (equivalent to US\$378.1 million) and S/1,643.9 million (equivalent to US\$495.6 million), respectively, which are primarily related to installment programs for the royalty dispute matter.

Notes to the Financial Statements (continue)

- (g) The Company recognizes the effect of temporary differences between the accounting base for financial reporting purposes and the tax base. The composition of this item is made up as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
	US\$(000)	US\$(000)	US\$(000)
Deferred Income tax			
Asset			
Cost of net asset for the construction of the tailing dam	125,621	30,033	26,449
Royalty accrual	83,570	84,546	109,505
Provision for remediation and mine closure	19,937	17,309	15,131
Unpaid vacations	7,015	6,618	5,937
Provision for mining taxes	6,124	3,737	4,120
Leases	931	406	-
Development costs	59	72	122
SUNAT Assessments	-	-	4,055
Other provisions	10,826	10,276	10,450
	<u>254,083</u>	<u>152,997</u>	<u>175,769</u>
Liability			
Property, plant and equipment depreciation	545,636	458,307	361,453
Stripping activity asset	43,187	33,661	27,464
Embedded derivatives for price adjustment of copper concentrate and cathode	37,862	10,742	(6,050)
Valuation of inventories	18,479	14,885	16,605
Debt issuance costs	412	933	1,894
	<u>645,576</u>	<u>518,528</u>	<u>401,366</u>
Deferred liabilities, net	391,493	365,531	225,597
Supplementary retirement fund			
Deferred liability	4,581	4,258	2,651
Total deferred income tax liability, net	<u>396,074</u>	<u>369,789</u>	<u>228,248</u>

Reconciliation of the income tax rate -

For the years ended December 31, 2020, 2019 and 2018, the income tax expense recorded differs from the result of applying the legal rate to the Company's profit before income tax, as detailed below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	US\$(000)	US\$(000)	US\$(000)
Profit before income tax	511,470	688,451	444,880
Income tax rate	32%	32%	32%
Expected income tax expense	163,670	220,304	142,362
Moratorium interest	24,652	4,052	1,367
Non - deductible expenses	16,925	24,129	23,985
Income tax true – ups	7,293	(10,255)	(10,312)
IFRIC 23 adoption	-	20,767	-
Royalty case	-	-	143,728
Special mining tax and mining royalties	(10,305)	(15,660)	(25,165)
Special mining burden (GEM)	-	-	(22,334)
Income tax rate change effect on deferred taxes for change in Peruvian tax law once the current Stability Contract expires (from 32% to 30.85%)	(2,750)	(2,746)	(1,958)
Others	4,348	7,620	4,896
Current and deferred income tax charges to results	<u>203,833</u>	<u>248,211</u>	<u>256,569</u>
Mining taxes charged to results	31,535	48,036	65,055
Supplementary retirement fund charged to results	<u>1,558</u>	<u>1,827</u>	<u>3,546</u>
	<u>236,926</u>	<u>298,074</u>	<u>325,170</u>
Effective income tax	<u>46.32%</u>	<u>43.30%</u>	<u>73.09%</u>

Income tax -

The income tax expense for the years ended December 31, 2020, 2019 and 2018 is shown below:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	US\$(000)	US\$(000)	US\$(000)
Income tax			
Current	175,870	107,666	254,767
Deferred	25,962	139,934	61,483
	<u>201,832</u>	<u>247,600</u>	<u>316,250</u>
Mining taxes			
Current mining royalty and special mining tax	32,203	47,032	6,661
Supplementary retirement fund			
Current	2,568	1,835	1,499
Deferred	323	1,607	760
	<u>2,891</u>	<u>3,442</u>	<u>2,259</u>
Income tax expense reported in the statements of comprehensive income	<u>236,926</u>	<u>298,074</u>	<u>325,170</u>

14. Revenues

(a) This item is made up as follows:

	For the year ended December 31, 2020		For the year ended December 31, 2019		For the year ended December 31, 2018	
	Pounds (000)	US\$(000)	Pounds (000)	US\$(000)	Pounds (000)	US\$(000)
Copper in concentrate	743,274	2,088,167	912,974	2,294,249	962,113	2,458,088
Copper cathode	83,870	241,808	88,875	244,277	86,346	251,908
Other (primarily silver and molybdenum concentrate)		208,618		358,368		351,934
Total revenues		<u>2,538,593</u>		<u>2,896,894</u>		<u>3,061,930</u>

Revenues with related parties totaled US\$2.4 billion for the year ended December 31, 2020 (US\$2.7 billion for the year ended December 31, 2019 and US\$2.9 billion for the year ended December 31, 2018).

As described in Note 2(d), the Company's copper sales are provisionally priced at shipment. Adjustments to the provisional prices are recognized as gains and losses in sales of goods through the month of settlement. Adjustments to provisional priced copper and molybdenum sales resulted in increases in revenues totaling US\$64.7 million for the year ended December 31, 2020, US\$56.8 million for the year ended December 31, 2019, and a decrease of US\$88.8 million for the year ended December 31, 2018.

(b) The following table shows sales by geographic region based on the final destination port:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	US\$(000)	US\$(000)	US\$(000)
Asia	2,096,084	2,374,350	2,404,530
Europe	207,954	77,716	209,894
North America	120,865	265,599	295,448
South America (primarily Peru)	106,489	168,077	136,400
Central America	7,201	11,152	15,658
	<u>2,538,593</u>	<u>2,896,894</u>	<u>3,061,930</u>

(c) Concentration of sales -

For the year ended December 31, 2020, 94% of the Company's sales were to related entities (FMC, Sumitomo Metal Mining Company and Climax Molybdenum). For the year ended December 31, 2019, 92%, and for the year ended December 31, 2018, 94% of the Company's sales were to these related entities.

Notes to the Financial Statements (continue)

15. Cost of sales

This item is made up as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	US\$(000)	US\$(000)	US\$(000)
Materials and supplies	581,658	693,292	693,316
Depreciation and amortization (see Note 7 and 2(i))	451,001	523,512	512,298
Labor (a)	288,104	285,081	357,692
Energy	200,794	228,853	254,243
Third-party services	164,590	181,215	159,514
Incremental costs related to COVID-19 pandemic (b)	95,702	-	-
Depreciation for right-of-use assets (see Note 7 and 10(a))	11,320	11,488	-
Change in finished goods inventory	10,391	(2,290)	(5,723)
Variable lease payments, low-value and short-term leases (see Note 10(a))	7,399	7,069	-
OEFA and OSINERGMIN contributions (c)	5,889	6,828	7,904
Management Fees	2,000	2,923	2,743
Change in work in process inventory	(49,575)	(23,427)	(8,513)
Other costs	39,982	47,033	45,402
	<u>1,809,255</u>	<u>1,961,577</u>	<u>2,018,876</u>

- (a) The year ended December 31, 2020, includes US\$28.9 million related to profit sharing for 2020 and US\$8.3 million as a result of the recognition of contingent liabilities for prior years that are open for inspection for the tax authority (US\$32.2 million for the year ended December 31, 2019 and US\$60.2 million for the year ended December 31, 2018).
- (b) The Company recognized charges totaling US\$95.7 million for the year ended December 31, 2020, associated with the COVID-19 pandemic and revised operating plans. These charges, none of which were capitalized into inventory, are made up as follows:

	For the year ended December 31, 2020
	US\$(000)
Incremental costs (i)	51,071
Labor and other employee expenses (ii)	29,705
Severance costs (iii)	7,485
Capital project write-off	6,255
Exceptional contributions and donations	1,186
	<u>95,702</u>

Notes to the Financial Statements (continue)

- (i) Represents incremental costs associated with care and maintenance status as part of Peru's declaration of a National Emergency as a result of the COVID-19 outbreak, which restricted the Company's operations. The costs primarily include depreciation (US\$21.9 million, see Note 7), labor costs (US\$13.8 million), services (US\$8.6 million) and other costs (US\$6.8 million). Refer to Note 1(c) for additional information.
 - (ii) Represents labor costs and other expenses associated to the implementation of the Surveillance, Prevention and Control Plan as part of gradual resumption of operations. Refer to Note 1(c) for additional information.
 - (iii) Includes severance costs associated with employee retirement programs of US\$7.1 million as part of the cost saving initiatives planned in the Company's revised operating plans. Refer to Note 1(c) for additional information.
- (c) The Company is subject to OSINERGMIN and OEFA royalties. The calculation for the OSINERGMIN royalty is 0.14% of invoiced sales for the year 2020 (0.13% for the year 2019 and 0.14% for the year 2018), and the calculation for the OEFA royalty is 0.10% of invoiced sales for the year 2020 (0.11% for the year 2019 and 2018).

In compliance with corporate policies, the Company recognizes administrative costs as an inventory cost (approximately US\$35.6 million for the year ended December 31, 2020, US\$32.0 million for the year ended December 31, 2019, and US\$30.7 million for the year ended December 31, 2018). The effect of this policy is immaterial to the financial statements as a whole.

16. Selling Expenses

This item is made up of as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	US\$(000)	US\$(000)	US\$(000)
Copper concentrate freight	89,241	98,933	126,670
Commissions	4,935	5,588	6,048
Cathode freight	2,019	1,890	1,831
Other	1,485	3,072	2,459
	<u>97,680</u>	<u>109,483</u>	<u>137,008</u>

Notes to the Financial Statements (continue)

17. Other operating expenses

This item is made up as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	US\$(000)	US\$(000)	US\$(000)
Excess of salaries limit in workers profit sharing (a)	17,146	-	-
Royalty non-income tax (b)	10,780	-	-
Optimization and prefeasibility/feasibility studies (c)	8,429	14,919	450
Other expenses	1,425	2,895	2,434
Tax contingencies	704	6,119	10,711
Fines and penalties (d)	-	14,183	-
Royalties, ITAN and penalties (e)	-	-	55,088
	<u>38,484</u>	<u>38,116</u>	<u>68,683</u>

- (a) Corresponds to the excess of salaries limit in workers profit sharing to be transferred to the Regional Government and the National Fund for Employment's Promotion and Training (FONDOEMPLEO), and it's related to adjustments of previous years income tax assessments (recognized in 2020 primarily as a result of the international arbitration proceeding initiated by the Company (See Note 13(d)).
- (b) Represents current year mining royalties calculated based on revenues according to applicable tax rules (see Note 13(d)).
- (c) Represents charges related to projects for the optimization of the Company's operating processes.
- (d) For the year ended December 31, 2019, primarily represents land right penalties with INGEMMET (US\$6.8 million), SUNAT penalties related to 2012 income tax audit (US\$4.7 million) and OSINERGMIN fine (US\$2.7 million), which in September 2020, was declared closed and archived in favor of the Company.
- (e) For the year ended December 31, 2018, primarily represents penalties for income tax related to disputed mining royalties for the year 2006 through the year 2011 of US\$33.8 million, penalties on disputed mining royalties for the period January 2009 through December 2013 of US\$17.7 million and profit sharing adjustments related to GEM refund of US\$3.6 million.

Notes to the Financial Statements (continue)

18. Financial expenses

This item is made up as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
	US\$(000)	US\$(000)	US\$(000)
Interest on disputed mining royalties (a)	43,838	68,107	370,159
Tax contingencies (b)	54,098	2,488	4,273
Interest on senior unsecured credit facility (see Note 10(b))	22,351	39,083	49,551
Excess of salaries limit in workers profit sharing (c)	16,591	-	-
Interest for leases (see Note 10(a))	4,875	5,242	-
Amortization debt issuance cost (See Note 10(b))	1,673	1,768	2,419
Extinguishment of debt - debt issuance cost (see Note 10(b))	902	1,298	1,902
Capitalized Interest associated to capital projects (see Note 7(a))	(2,544)	(4,504)	(3,790)
Other financial expenses	891	2,395	2,219
	<u>142,675</u>	<u>115,877</u>	<u>426,733</u>

- (a) For the year ended December 31, 2020, primarily represents charges of interest related to (i) the installment payment programs for disputed mining royalties for the period January 2009 through September 2011 and for the years 2012 and 2013 and SMT for the period October 2011 through December 2013 of US\$38.2 million and (ii) other taxes related to disputed mining royalty of US\$5.6 million.

For the year ended December 31, 2019, primarily represents charges of interest related to the installment payment programs for SMT for the period October 2011 through December 2013 and disputed mining royalties for the period December 2006 through September 2011 and for the years 2012 and 2013 of US\$53.6 million. Amount also includes interest associated with (i) ITAN for the years 2010, 2011 and 2013 of US\$10.4 million, (ii) other taxes related to disputed mining royalty of US\$2.9 million and (iii) disputed mining royalties for the period October 2011 through December 2011 of US\$1.2 million.

For the year ended December 31, 2018, represents (i) interest and interest on penalties associated to disputed mining royalties for the year 2009 through the year 2013 of US\$218.7 million, (ii) income tax related to disputed mining royalties for the year 2006 through the year 2011 of US\$75.7 million, (iii) SMT for the year 2011 through the year 2013 of US\$51.0 million, (iv) ITAN for the years 2009, 2010, 2011 and 2013 of US\$12.1 million, (v) interest paid on the royalty installment payment program for the year 2006 through the year 2008 of US\$6.1 million, (vi) deferral interest related to the new royalty installment payment programs for the period January 2009 through the period September 2011 of US\$5.3 million and (vii) interest of amended tax return for the year 2013 for GEM refund of US\$1.3 million.

- (b) For the year ended December 31, 2020, primarily represents interest related to (i) the income tax assessment for the year 2013 of US\$31.4 million, (ii) uncertain income tax treatments (IFRIC 23) associated primarily to tailing dam income tax of US\$13.1 million, (iii) SUNAT assessments for prior years related to income and non-income tax contingencies in which the Company expects to obtain an unfavorable result of US\$8.7 million.
- (c) Represents interest associated to the excess of salaries limit in workers profit sharing to be transferred to the Regional Government and the National Fund for Employment's Promotion and Training (FONDOEMPLEO). This is related to adjustments of previous years income tax assessments (recognized in 2020 primarily as a result of the international arbitration proceeding initiated by the company (See note 13(d)).

Notes to the Financial Statements (continue)

19. Earnings per share

Basic and diluted earnings per share are calculated by dividing earnings by the weighted-average number of outstanding shares during the period. Basic and diluted earnings per common share have been determined as follows:

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the year ended December 31, 2018
Profit for the period (US\$)	274,544,000	390,377,000	119,710,000
Weighted average number of share outstanding (Note 12(a))	350,056,012	350,056,012	350,056,012
Basic and diluted earnings per share (US\$)	0.784	1.115	0.342

20. Financial risk management

The Company's activities are exposed to different financial risks. The main risks that could adversely affect the Company's financial assets and liabilities or future cash flows are: (i) the risk arising from changes in market prices of minerals, (ii) liquidity risk, (iii) credit risk and (iv) capital risk. The Company's financial risk management program focuses on mitigating potential adverse effects on its financial performance.

Management knows the conditions prevailing in the market and based on its knowledge and experience, manages the risks that are summarized below. The Company's Board of Directors reviews and approves the policies to manage each of these risks:

(a) Market risk -

Commodity price risk -

The international price of copper has a significant impact on the Company's operating results. The price of copper has fluctuated historically and is affected by numerous factors beyond the Company's control. The Company does not hedge its exposure to price fluctuation.

As described in Note 2(d), the Company has price risk through its provisionally priced sales contracts, which provide final pricing in a specified future month (generally between three and six months after the shipment's arrival date) based primarily on quoted LME monthly average prices. The Company records revenues and invoices customers at the time of shipment based on then-current LME prices, which results in an embedded derivative on the provisionally priced contract that is adjusted to fair value through revenues each period, using the period-end forward prices, until the date of final pricing. To the extent that 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 21).

The table below summarizes the estimated impact on the Company's profit before income tax for the year 2020, 2019 and 2018 based on a 10% increase or decrease in future copper price while all other variables are held constant. The 10% increase is based on copper prices ranging from US\$/pound 3.524 to US\$/pound 3.876 (US\$/pound 2.865 to US\$/pound 3.085 for the year 2019 and US\$/pound 2.974 to US\$/pound 2.979 for the year 2018), and the 10% decrease is based on copper prices ranging from US\$/pound 2.884 to US\$/pound 3.172 (US\$/pound 2.344 to US\$/pound 2.524 for the year 2019 and US\$/pound 2.433 to US\$/pound 2.437 for the year 2018).

Notes to the Financial Statements (continue)

	Effect on profit before income tax
	<u>US\$(000)</u>
December 31, 2020	
10% increase in future copper prices	112,080
10% decrease in future copper prices	(112,080)
	Effect on profit before income tax
	<u>US\$(000)</u>
December 31, 2019	
10% increase in future copper prices	99,219
10% decrease in future copper prices	(99,219)
	Effect on profit before income tax
	<u>US\$(000)</u>
December 31, 2018	
10% increase in future copper prices	72,847
10% decrease in future copper prices	(72,847)

Exchange rate risk -

As described in Note 2(c), the Company's financial statements are presented in US dollars, which is the functional and presentation currency of the Company. The Company's exchange-rate risk arises mainly from balances related to tax payments, deposits and other accounts payable in currencies other than the US dollar, principally soles. The Company mitigates its exposure to exchange-rate risk by carrying out almost all of its transactions in its functional currency and management maintains only small amounts in soles to cover its immediate needs (i.e., taxes and compensation) in this currency.

Notes to the Financial Statements (continue)

(b) Liquidity risk -

Liquidity risk arises from situations in which cash might not be available to pay obligations at their maturity date and at a reasonable cost. The Company maintains adequate liquidity by properly managing the maturities of assets and liabilities in such a way that allows the Company to maintain a structural liquidity position (cash available) enabling it to meet liquidity requirements. Additionally, the Company has the ability to obtain funds from financial institutions and shareholders to meet its contractual obligations.

Notes to the Financial Statements (continue)

The following tables show the expected aging of maturity of the Company's obligations, excluding taxes, accruals and benefits to employees, as of December 31, 2020 and 2019:

	On demand	Less than 3	3 to 12 months	1 to 5 years	More than 5	Total
	US\$(000)	months	US\$(000)	US\$(000)	years	US\$(000)
		US\$(000)			US\$(000)	
As of December 31, 2020						
Trade accounts payable	-	197,855	9,770	-	-	207,625
Accounts payable - related parties	-	3,446	-	-	-	3,446
Other financial liabilities	-	1,551	8,672	560,750	31,695	602,668
Other accounts payable	-	57,637	68,828	285,392	-	411,857
Total	-	260,489	87,270	846,142	31,695	1,225,596
As of December 31, 2019						
Trade accounts payable	-	245,463	7,402	-	-	252,865
Accounts payable - related parties	-	4,014	-	-	-	4,014
Other financial liabilities	-	3	8,852	825,877	76,943	911,675
Other accounts payable	-	40,357	59,023	90,019	289,705	479,104
Total	-	289,837	75,277	915,896	366,648	1,647,658

Notes to the Financial Statements (continue)

(c) Credit Risk -

The Company's exposure to credit risk arises from a customer's inability to pay amounts in full when they are due and the failure of third parties in cash and cash equivalent transactions. The risk is limited to balances deposited in banks and financial institutions and for trade accounts receivable at the date of the statements of financial position (the Company sells copper concentrate and cathode and molybdenum concentrate to companies widely recognized in the worldwide mining sector and collections are made within 30 days after the fulfilment of the contractual terms). To manage this risk, the Company has established a treasury policy, which only allows the deposit of surplus funds in highly rated institutions, by establishing conservative credit policies and through a constant evaluation of market conditions. Consequently, the Company does not expect to incur losses on accounts involving potential credit risk.

(d) Capital management -

The objective is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for stakeholders and maintain an optimal structure that would reduce the cost of capital.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company controls dividend payments to shareholders, the return of capital to shareholders and the issuance of new shares. No changes were made to the objectives, policies or processes during the year ended December 31, 2020.

Notes to the Financial Statements (continue)

21. Embedded derivatives

As discussed in Note 2(d), the Company's sales create exposure to changes in the market prices of copper and molybdenum which are considered embedded derivatives. As of December 31, 2020 and 2019, information about the Company's embedded derivatives is as follows:

	Pounds payable (000)	Maturity	As of December 31, 2020		
			Provisional pricing US\$/Pound	Forward pricing US\$/Pound	Fair value provision US\$(000)
Copper Concentrate	267,872	January 2021 to May 2021	Between 2.908 and 3.545	Between 3.519 and 3.524	98,424
Copper Cathode	3,964	January 2021	Between 3.535 and 3.612	3.519	(235)
Molybdenum	3,382	January 2021 to February 2021	Between 7.360 and 7.884	8.658	3,245
					101,434(a)
	Pounds payable (000)	Maturity	As of December 31, 2019		
			Provisional pricing US\$/Pound	Forward pricing US\$/Pound	Fair value provision US\$(000)
Copper Concentrate	246,441	January 2020 to May 2020	Between 2.567 and 2.774	Between 2.793 and 2.804	39,727
Copper Cathode	4,410	January 2020	2.791	2.793	9
Molybdenum	5,370	January 2020 to February 2020	Between 7.857 and 9.724	8.025	(3,031)
					36,705(a)

- (a) Embedded derivatives are recorded on the statement of financial position in "Trade account receivable – related parties" (US\$101.4 million as of December 31, 2020, and US\$36.1 million as of December 31, 2019) and "Trade accounts receivable (net)" (US\$0.6 million as of December 31, 2019).

22. Hierarchy and fair value of financial instruments

Hierarchy:

As of December 31, 2020 and 2019, the only financial assets carried at fair value are embedded derivatives, included in trade accounts receivable and related parties, which are generated by the sale of copper and molybdenum and measured at fair value based on commodity prices. The net value of this embedded derivative as of December 31, 2020, was an asset of US\$101.4 million (asset of US\$36.7 million as of December 31, 2019). Embedded derivatives are categorized within Level 2 of the hierarchy. The fair value of embedded derivatives is determined using valuation techniques using information directly observable in the market (forward prices of metals).

Fair value:

Financial instruments whose fair value is similar to their book value -

For financial assets and liabilities which are liquid or have short-term maturity (less than three months), such as cash and cash equivalent, accounts receivable, other accounts receivable, accounts payable, other accounts payable, and other current liabilities, it is estimated that their book value is similar to their fair value.

Notes to the Financial Statements (continue)

Financial instruments at fixed and variable rates -

Financial assets and liabilities with fixed or variable rates are recorded at amortized cost and fair value is determined by comparing the market interest rates at the time of their initial recognition to the current market rates with regard to similar financial instruments.

Based on the foregoing, there are no significant differences between book value and fair value of financial instruments (assets and liabilities) as of December 31, 2020 and 2019.

23. Summary of significant differences between accounting principles followed by the Company and U.S. generally accepted accounting principles (U.S. GAAP)

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards which differs in certain respects from U.S. GAAP. The effects of these differences are reflected in note 24 and are principally related to the items discussed in the following paragraphs:

(a) Stripping Cost

Under IFRS, the production stripping costs can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The waste removal cost is included as part of the cost of inventory, while the production stripping costs are capitalized as a stripping activity asset, if certain criteria are met, and amortized based on proved and probable reserves of each ore body (component) identified in the open pit. See note 2b.

Under U.S. GAAP, the costs of clearing removal (production stripping costs) incurred during the production stage are recorded as part of the production cost of inventories; accordingly, such costs are recorded on the income statement at an earlier time than IFRS.

(b) Inventories

Under IFRS, the cost inventory includes the amortization of production-stripping costs. Also, inventories are valued using the weighted average method and includes a lower the stripping activity asset and worker's profit sharing.

Under U.S. GAAP, the cost inventory excludes the amortization of production-stripping cost and the inventories are determined using the Last-In-First-Out (LIFO) method, the worker's profit sharing is excluded of the inventory costing.

(c) Deferred workers' profit sharing

Under IFRS, the workers' profit sharing is calculated based on the Company's taxable income and is recorded as an employee benefit (cost of production or administrative expense, depending on the function of the workers).

Under US GAAP, the workers' profit sharing is treated in a similar way as income tax since both are calculated based on the Company's taxable income. Therefore, the Company calculates a deferred workers' profit sharing resulting from the taxable and deductible temporary differences.

(d) Deferred income tax –

The differences between US GAAP and IFRS are re-measurements that lead to different temporary differences. According to the accounting policies in Note 2 (l), the Company has to account for such differences.

Notes to the Financial Statements (continue)

(c) Remediation and mine closure –

Under IFRS; the liability is measured in accordance with IAS 37 and IFRIC 1. Upward and downward revisions in the amount of undiscounted estimated cash flows are discounted using the current market-based discount rate (this includes changes in the time value of money and the risks specific to the liability).

Under IFRS, the Company updates the discount rate used to discount its liability at the closing date, this change in the discount rate has an impact (increase/decrease) in the book value of the asset retirement cost (ARC) and the remediation liability.

Under U.S. GAAP, upward revisions in the amount of undiscounted estimated cash flows are discounted using the current credit-adjusted risk-free rate. Downward revisions in the amount of undiscounted estimated cash flows are discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized.

Under U.S. GAAP, there is no requirement to update the discount rate.

24. Reconciliation between net income and shareholders' equity determined under IFRS and U.S. GAAP

The following is a summary of the main adjustments to net income for the years ended December 31, 2020, 2019 and 2018 and to shareholders' equity as of December 31, 2020, 2019 and 2018 that would be required if U.S. GAAP had been applied instead of IFRS in the financial statements:

	2020	2019	2018
	US\$(000)	US\$(000)	US\$(000)
Net profit under IFRS	274,544	390,377	119,710
Items increasing (decreasing) reported net profit:			
Stripping activity asset, net of amortization, note 23 (a)	31,419	(41,508)	(64,452)
Inventories valuation, note 23 (b)	(906)	(53,424)	(29,515)
Remediation and mine closure, note 23 (e)	23	23	1,351
Deferred workers' profit sharing, note 23 (c)	(24,255)	(23,449)	(7,079)
Lease activity	1,597	2,071	-
Deferred income tax, note 23 (d)	(6,514)	45,759	33,291
Other	(222)	(134)	(26)
Net income under U.S. GAAP	275,686	319,715	53,280
	2020	2019	2018
	US\$(000)	US\$(000)	US\$(000)
Shareholders' equity under IFRS	5,635,328	5,359,323	5,117,732
Items increasing (decreasing) reported shareholder's equity:			
Stripping activity asset, net of amortization, note 23 (a)	(267,596)	(299,015)	(257,507)
Inventories valuation, note 23 (b)	(217,707)	(216,801)	(163,377)
Remediation and mine closure, note 23(e)	(5,480)	(5,503)	(5,526)
Deferred workers' profit sharing note 23(c) and 24 (a)	(87,415)	(63,160)	(39,711)
Lease activity	3,668	2,071	-
Deferred income tax, note 23d	189,073	195,587	149,828
Other	(144)	78	212
Shareholders' equity under U.S. GAAP	5,249,727	4,972,580	4,801,651

Notes to the Financial Statements (continue)

(a) As a result of additional analysis of the amounts performed in 2020, the Company identified additional reconciling differences; consequently, the related amounts for 2019 and 2018 originally reported were updated and retrospectively adjusted to be consistent to 2020 amounts. Equity for those years was retrospectively adjusted from US\$5,066,565 to US\$4,972,580 and US\$4,896,850 to US\$4,801,651, respectively. Net income for 2019 and 2018 had no changes. These changes were mainly caused by US\$55 million in inventories valuation, US\$53 million in stripping activity asset, net of amortization; and US\$38 million in deferred workers' profit participation.

25. New U.S. GAAP Accounting Pronouncements

Accounting Standards Update-2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board (FASB) issued an ASU that requires entities to estimate all expected credit losses for most financial assets held at the reporting date based on an expected loss model, which requires consideration of historical experience, current conditions, and reasonable and supportable forecasts. The Company adopted this ASU effective January 1, 2020, and the adoption of this ASU did not have a material impact on its financial statements.

Accounting Standards Update 2020-04—Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting

In March 2020, the Financial Accounting Standards Board (FASB) issued an ASU provides temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications in light of the expected market transition from the London Interbank Offered Rate (LIBOR). Banks that report information used to set LIBOR will no longer be required to do so

after 2021. Under the guidance, an entity that makes an optional election would present and account

for a modified contract as a continuation of the existing contract. Contracts will need to be modified to replace LIBOR with new rates. For all entities, this ASU was effective upon issuance (March 12, 2020) and generally can be applied through December 31, 2022. The Company does not expect this ASU to have an impact on its accounting or financial statements.

Accounting Standards Update 2020-06—Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) simplifies accounting for convertible instruments by eliminating two of the three models

in ASC 470-20 that require separate accounting for embedded conversion features and requires use of the "if-converted method" for all convertible instruments in diluted EPS calculations. For public entities, this ASU is effective for fiscal years ending after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, including adoption in an interim period. The Company does not expect this ASU to have an impact on its accounting or financial statements.

26. Subsequent Events

Since December 31, 2020, and through the date these financial statements were issued, no material events have occurred that may affect the interpretation of these financial statements.

AMENDMENT NO. 3 AND WAIVER TO CREDIT AND GUARANTY AGREEMENT, dated as of April 28, 2021 (this "Amendment"), among (i) COMPAÑÍA DE MINAS BUENAVENTURA S.A.A., a *sociedad anónima abierta* incorporated and existing under the laws of Peru, as borrower (the "Borrower") under the Credit and Guaranty Agreement, dated as of June 27, 2016 (as amended, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement"), among the Borrower, the Guarantors, the Lenders and the Administrative Agent (as such terms are defined below); (ii) COMPAÑÍA MINERA CONDESA S.A., INVERSIONES COLQUIJIRCA S.A. and CONSORCIO ENERGÉTICO DE HUANCVELICA S.A., as guarantors (the "Guarantors," and each, a "Guarantor"); (iii) the lenders party to the Credit Agreement (collectively, the "Lenders" and individually, a "Lender") and (iv) BANCO DE CRÉDITO DEL PERÚ, as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

WHEREAS, the Borrower has requested the Administrative Agent and the Lenders to amend certain provisions of the Credit Agreement;

WHEREAS, the Borrower has informed the Administrative Agent and the Lenders that the Defaults and Events of Default specified on Schedule I hereto are continuing as of the date hereof (the "Specified Defaults"), and has requested the Administrative Agent and the Lenders to waive such Defaults and Events of Default; and

WHEREAS, the Administrative Agent and the Lenders are agreeable to such request upon the terms and subject to the conditions set forth herein.

NOW THEREFORE, in consideration of the premises and the agreements, provisions and covenants set forth herein, the parties hereto agree as follows:

ARTICLE I
RATIFICATION; DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1 Relation to Credit Agreement; Ratification. This Amendment is entered into in accordance with Section 11.01 of the Credit Agreement and constitutes an integral part of the Credit Agreement. Except as amended by this Amendment, the provisions of the Credit Agreement are in all respects ratified and confirmed and shall remain in full force and effect.

Section 1.2 Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement (as amended by this Amendment) are used herein as therein defined, and the rules of interpretation set forth in Section 1.02 of the Credit Agreement shall apply *mutatis mutandis* to this Amendment.

ARTICLE II
AMENDMENT TO CREDIT AGREEMENT

Section 2.1 Amendments to Credit Agreement. Effective as of the Amendment No. 3 Effective Date (as defined below), the Credit Agreement is hereby amended in accordance with Exhibit I hereto by deleting the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and by inserting the double-underlined text (indicated textually in the same manner as the following example: double-underlined text), in each case in the place where such text appears therein.

ARTICLE III

WAIVER

Section 3.1 Waiver. Effective as of the Amendment No. 3 Effective Date, the Administrative Agent and the Lenders hereby agree to waive the Specified Defaults; provided, however, that such waiver shall only apply to the Specified Defaults, and any other Events of Default, whether now existing or hereafter occurring, shall not be subject to or receive the benefit of such waiver. The parties hereto agree that the foregoing does not establish a custom or course of dealing among the Administrative Agent, the Collateral Agent, the Lenders, the Loan Parties or any other Person. For the avoidance of doubt, if this Amendment does not become effective pursuant to Article V hereof and/or this Amendment otherwise terminates prior to its effectiveness, nothing herein shall serve as a waiver by the Lenders of any Event of Default, and the Lenders reserve all rights and remedies with respect to any Event of Default.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Loan Parties, jointly and severally, represent and warrant to the Administrative Agent and the Lenders that:

Section 4.1 Authorization; No Contravention. The execution and delivery by each Loan Party of this Amendment and the performance by each Loan Party of this Amendment and of the Credit Agreement, as amended by this Amendment, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Loan Party's Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien under, or require any payment to be made under (i) any Contractual Obligation to which such Loan Party is a party or affecting such Loan Party or the properties of such Loan Party or any of its Subsidiaries, (ii) any Mining Concession, or (iii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Loan Party or its property is subject; or (c) violate any Law.

Section 4.2 Governmental Authorization; Other Consents. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority (including, without limitation, MEM or the OSINERGMIN) or any other Person is necessary or required in connection with the execution and delivery by any Loan Party of this Amendment, or the performance by, or enforcement against, any Loan Party of this Amendment or the Credit Agreement, as amended by this Amendment.

Section 4.3 Binding Effect. This Amendment has been duly executed and delivered by each Loan Party. This Amendment, and the Credit Agreement, as amended by this Amendment, constitutes the legal, valid and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 4.4 Representations and Warranties. Each of the representations and warranties of each Loan Party contained herein and in the Credit Agreement (other than in Section 5.07(c) of the Credit Agreement) and in any other Loan Document are (a) if such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Amendment No. 3 Effective Date, or (b) if such representation and warranty is not so qualified, true and correct in all material respects on and as of the Amendment No. 3 Effective Date.

Section 4.5 No Default. Except for the Specified Defaults, no Default has occurred and is continuing.

ARTICLE V
CONDITIONS TO EFFECTIVENESS

Section 5.1 Conditions to Effectiveness. This Amendment shall become effective on the date hereof (the "Amendment No. 3 Effective Date"), subject to the satisfaction of each of the following conditions on or prior to such date in a manner satisfactory to the Administrative Agent:

(a) Execution of Amendment. The Administrative Agent shall have received a true, correct and complete copy of this Amendment, duly executed and delivered by a duly authorized officer of each party hereto.

(b) Representations and Warranties; No Default. (i) Each of the representations and warranties of each Loan Party contained in Article IV hereof and in the Credit Agreement (other than in Section 5.07(c)), as amended by this Amendment, shall be (a) if such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Amendment No. 3 Effective Date, or (b) if such representation and warranty is not so qualified, true and correct in all material respects on and as of the Amendment No. 3 Effective Date, (ii) no Default (other than the Specified Defaults) shall have occurred and be continuing, and (iii) the Administrative Agent shall have received a certificate, dated as of the Amendment No. 3 Effective Date and signed by a Responsible Officer of the Borrower, certifying as to the matters required in clauses (i) and (ii) above.

(c) Opinions of Counsel. The Administrative Agent shall have received the following legal opinions, each dated the Amendment No. 3 Effective Date, in the English language, addressed to the Administrative Agent and the Lenders:

- (i) an opinion of Milbank LLP, special New York counsel of the Loan Parties, substantially in the form of Annex A hereto; and

(ii) an opinion of García Sayán Abogados, special Peruvian counsel of the Loan Parties, substantially in the form of Annex B hereto.

(iii) an opinion of Payet, Rey, Cauvi, Pérez Abogados, special Peruvian counsel of the Administrative Agent, covering such matters relating to the transactions contemplated hereby as the Administrative Agent may reasonably request.

(d) Payment of Fees. The Borrower shall have paid all costs, fees and expenses (including, without limitation, the fees and expenses of Payet, Rey, Cauvi, Pérez Abogados and Skadden, Arps, Slate, Meagher & Flom LLP, special Peruvian and New York counsel, respectively, to the Administrative Agent) required to be paid under any Loan Document on or before the Amendment No. 3 Effective Date, to the extent billed or invoiced on or before such date.

ARTICLE VI
MISCELLANEOUS

Section 6.1 Notices. All notices, requests and other communications to any party hereto shall be given or served in the manner contemplated in Section 11.02 of the Credit Agreement.

Section 6.2 No Waiver; Status of Loan Documents. This Amendment shall not constitute an amendment, supplement or waiver of any provision of the Credit Agreement not expressly referred to herein and shall not be construed as an amendment, supplement, waiver or consent to any action on the part of any party hereto that would require an amendment, supplement, waiver or consent of the Required Lenders except as expressly stated herein. Except as expressly amended, supplemented or waived hereby, the provisions of the Credit Agreement are and shall remain in full force and effect. No failure or delay on the part of any Lender or the Administrative Agent in the exercise of any power, right or privilege hereunder or under any other Loan Document shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Amendment and the other Loan Documents are cumulative to, and not exclusive of, any rights or remedies available at equity or law. Nothing in this Amendment shall constitute a novation of any of the Borrower's obligations under the Credit Agreement or any other Loan Document.

Section 6.3 Amendment. This Amendment may be amended, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

Section 6.4 Amendment Binding. This Amendment shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and the respective successors and permitted assigns of the parties hereto.

Section 6.5 Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

Section 6.6 Acknowledgment and Reaffirmation of Guaranty.

(a) Acknowledgment. Each of the Guarantors hereby (i) acknowledges receipt of a copy of this Amendment and (ii) consents to the amendment of the Credit Agreement effected hereby. Each of the Guarantors acknowledges and agrees that any of the Loan Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment.

(b) Reaffirmation of Guaranty. Without limiting or qualifying the foregoing, each of the Guarantors hereby ratifies, confirms and reaffirms its obligations and agreements under Article X of the Credit Agreement.

Section 6.7 Counterparts. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by e-mail in portable document format (.pdf) or facsimile (with acknowledgement of receipt) will be effective as delivery of a manually executed counterpart of this Amendment.

Section 6.8 Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 6.9 Administrative Agent Instruction. Each Lender party hereto, through its execution of the Amendment, hereby instructs the Administrative Agent to execute and deliver this Amendment.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A.,
as Borrower

By:



Name: DANIEL DOMINGUEZ
Title: CFO

COMPAÑÍA MINERA CONDESA S.A.,
as Guarantor

By:



Name: DANIEL DOMINGUEZ
Title: CFO

INVERSIONES COLQUIJIRCA S.A.,
as Guarantor

By:



Name: DANIEL DOMINGUEZ
Title: CFO

CONSORCIO ENERGÉTICO DE HUANCVELICA S.A.,
as Garantor

By:



Name: DANIEL DOMINGUEZ
Title: CFO

BANCO DE CRÉDITO DEL PERÚ,
as Lender

By:



Name: CESAR STUART

Title: HEAD OF CORPORATE BANKING-PERU

By: _____

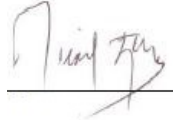
Name: _____

Title: _____

[Signature Page]
Amendment No. 3 and Waiver to Credit Agreement

BANCO DE CRÉDITO DEL PERÚ,
as Lender

By:



Name: Pierre Zaván

Title: Head of SME Banking

By: _____

Name: _____

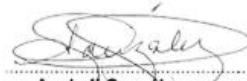
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[Signature Page]

Amendment No. 3 and Waiver to Credit Agreement

BANCO BBVA PERÚ,
as Lender

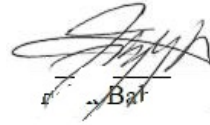
By:



Anabeli González
Gerente General Adjunto
Servicios Jurídicos

Name: Ruth Anabeli Gonzalez Velapatíño
Title: Gerente General Adjunto

By:



Babarczy

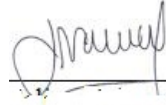
Name: Frank Erick Babarczy Rodriguez
Title: Gerente General Adjunto

[Signature Page]

Amendment No. 3 and Waiver to Credit Agreement

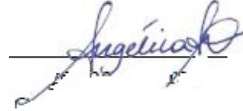
ITAÚ CORPBANCA NEW YORK BRANCH,
as Lender

By:



Name: Felipe Valdes
Title: CFO

By:



Name: Angelica Andrade Oliveira
Title: Corporate Banking

[Signature Page]

Amendment No. 3 and Waiver to Credit Agreement

Schedule I

Specified Defaults

1. Events of Defaults under Section 8.01(h) of the Credit Agreement in respect of: (i) the collection proceedings (*cobranza coactiva*) commenced on November 26, 2020, by the National Customs and Tax Administration Superintendence (*Superintendencia Nacional de Aduanas y de Administración Tributaria* or "SUNAT") derived from the administrative resolutions RTF No. 08360-1-2018 and RTF No. 08266-4-2018 (collectively, the "Specified SUNAT Resolutions") issued by SUNAT to collect the amounts set forth in the Assessment Resolutions (*Resoluciones de Determinación*) that relate to an audit in respect of the Borrower's income tax payment for the years 2007 and 2008, and (ii) the tax contingency similar to the contingency subject matter of the Specified SUNAT Resolutions, with respect to the Borrower's income tax payment for the years 2009 and 2010, which resulted in additional amounts being owed by the Borrower (the "Additional SUNAT Resolution").
 2. Failure by the Borrower to comply with Sections 7.01 and 7.03 of the Credit Agreement resulting from (i) the Incurrence of Indebtedness for the issuance of the Letters of Guarantee and (ii) the creation and incurrence of certain Liens pursuant to the Cerro Verde Share Pledge Agreement, the Brocal Share Pledge Agreement, the Huanza Share Pledge Agreement, and the Yanacocha Share Pledge Agreement.
 3. Failure by the Borrower to comply with Sections 7.11(a) and 7.11(b) of the Credit Agreement as of the last day of the fiscal quarters of the Borrower ending on December 31, 2020 and March 31, 2021.
 4. Any event of default or cross-default (but not any cross-payment default nor any cross-acceleration) under the definitive documentation evidencing any indebtedness of the Borrower or any of the Guarantors (other than the Credit Agreement) resulting from any other Specified Default.
-

Exhibit I

[See Attached]

Published CUSIP Number: _____

CREDIT AND GUARANTY AGREEMENT

Dated as of June 27, 2016

among

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A.,
as the Borrower,

the GUARANTORS referred to herein,

BANCO DE CRÉDITO DEL PERÚ,
as Administrative Agent,

and

the Lenders party hereto

BBVA SECURITIES INC.
as
Global Coordinator

BBVA SECURITIES INC.,
CREDICORP CAPITAL SERVICIOS FINANCIEROS S.A., and
CORPBANCA NEW YORK BRANCH
as
Joint Bookrunners and Joint Lead Arrangers

BANCO INTERNACIONAL DEL PERÚ S.A.A. - INTERBANK
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED, DUBAI (DIFC) BRANCH
BANCO LATINOAMERICANO DE COMERCIO EXTERIOR, S.A., and
BANCO DE SABADELL, S.A., MIAMI BRANCH
as
Co-Arrangers

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
ARTICLE I. DEFINITIONS AND ACCOUNTING TERMS	1
1.01 Defined Terms	<u>1</u>
1.02 Other Interpretive Provisions	<u>24</u> <u>26</u>
1.03 Accounting Terms	<u>25</u> <u>27</u>
1.04 Rounding	<u>25</u> <u>27</u>
1.05 Times of Day; Rates	<u>25</u> <u>28</u>
ARTICLE II. THE COMMITMENTS AND CREDIT EXTENSIONS	<u>26</u> <u>28</u>
2.01 Loans	<u>26</u> <u>28</u>
2.02 Borrowings	<u>26</u> <u>28</u>
2.03 Optional and Mandatory Prepayments	<u>27</u> <u>29</u>
2.04 Termination of Commitments	<u>29</u> <u>31</u>
2.05 Repayment of Loans	<u>29</u> <u>31</u>
2.06 Interest	<u>30</u> <u>32</u>
2.07 Fees	<u>30</u> <u>33</u>
2.08 Computation of Interest and Fees	<u>30</u> <u>33</u>
2.09 Evidence of Debt; Notes	<u>31</u> <u>33</u>
2.10 Payments Generally; Administrative Agent's Clawback	<u>32</u> <u>34</u>
2.11 Sharing of Payments by Lenders	<u>33</u> <u>35</u>
ARTICLE III. TAXES, YIELD PROTECTION AND ILLEGALITY	<u>33</u> <u>36</u>
3.01 Taxes	<u>33</u> <u>36</u>
3.02 Illegality	<u>35</u> <u>38</u>
3.03 Inability to Determine Rates	<u>36</u> <u>38</u>
3.04 Increased Costs	<u>38</u> <u>40</u>
3.05 Compensation for Losses	<u>39</u> <u>42</u>
3.06 Mitigation Obligations	<u>40</u> <u>42</u>
3.07 Survival	<u>40</u> <u>42</u>
3.08 Replacement of Lenders Under Certain Circumstances	<u>40</u> <u>43</u>
ARTICLE IV. CONDITIONS PRECEDENT TO Credit Extensions	<u>41</u> <u>44</u>
4.01 Conditions for Closing and Credit Extension	<u>41</u> <u>44</u>
ARTICLE V. REPRESENTATIONS AND WARRANTIES	<u>44</u> <u>47</u>
5.01 Existence, Qualification and Power	<u>44</u> <u>47</u>
5.02 Authorization; No Contravention	<u>45</u> <u>47</u>
5.03 Governmental Authorization; Other Consents	<u>45</u> <u>48</u>
5.04 Binding Effect	<u>45</u> <u>48</u>
5.05 Financial Statements; No Material Adverse Effect	<u>45</u> <u>48</u>
5.06 Litigation	<u>46</u> <u>49</u>
5.07 No Default	<u>46</u> <u>49</u>
5.08 Ownership of Property; Liens	<u>46</u> <u>49</u>

5.09	Environmental Compliance	47 <u>49</u>
5.10	Insurance	47 <u>50</u>
5.11	Taxes	47 <u>50</u>
5.12	Subsidiaries; Equity Interests	47 <u>50</u>
5.13	Margin Regulations; Investment Company Act	48 <u>51</u>
5.14	Disclosure	48 <u>51</u>
5.15	Compliance with Laws	48 <u>51</u>
5.16	Intellectual Property; Licenses, Etc.	48 <u>51</u>
5.17	Legal Form	49 <u>52</u>
5.18	Labor Matters	49 <u>52</u>
5.19	Solvency	49 <u>52</u>
5.20	Rank of Debt	49 <u>52</u>
5.21	Commercial Activity; Absence of Immunity	49 <u>52</u>
5.22	Use of Proceeds	50 <u>53</u>
5.23	Transaction Documents	50 <u>53</u>
5.24	Permits	51 <u>54</u>
5.25	Huanza Non-Recourse Indebtedness	51 <u>54</u>
5.26	Sanctions	51 <u>54</u>
5.27	Anti-Corruption Laws	52 <u>55</u>
5.28	Anti-Money Laundering Laws	52 <u>55</u>
<u>5.29</u>	<u>Collateral Documents</u>	<u>55</u>
ARTICLE VI. AFFIRMATIVE COVENANTS		52 <u>56</u>
6.01	Financial Statements	52 <u>56</u>
6.02	Certificates; Other Information	52 <u>57</u>
6.03	Notices	55 <u>59</u>
6.04	Payment of Obligations	56 <u>60</u>
6.05	Preservation of Existence, Etc.	56 <u>60</u>
6.06	Maintenance of Properties	56 <u>60</u>
6.07	Maintenance of Insurance	57 <u>61</u>
6.08	Compliance with Laws	57 <u>61</u>
6.09	Compliance with Contractual Obligations	57 <u>61</u>
6.10	Books and Records	57 <u>61</u>
6.11	Inspection Rights	57 <u>61</u>
6.12	Use of Proceeds	58 <u>61</u>
6.13	Pari Passu Ranking	58 <u>61</u>
6.14	Permits	58 <u>62</u>
6.15	Additional Documents	58 <u>62</u>
6.16	Corporate Separateness	58 <u>62</u>
6.17	Reference Creditors Pay-Off Confirmations	58 <u>62</u>
<u>6.18</u>	<u>Preservation of Rights under the Collateral Documents</u>	<u>62</u>
ARTICLE VII. NEGATIVE COVENANTS		59 <u>63</u>
7.01	Liens	59 <u>63</u>
7.02	Investments	60 <u>64</u>
7.03	Indebtedness	61 <u>66</u>

7.04	Fundamental Changes	<u>63</u> <u>67</u>
7.05	Dispositions	<u>64</u> <u>68</u>
7.06	Restricted Payments	<u>65</u> <u>69</u>
7.07	Change in Nature of Business	<u>65</u> <u>70</u>
7.08	Transactions with Affiliates	<u>65</u> <u>70</u>
7.09	Burdensome Agreements	<u>65</u> <u>70</u>
7.10	Use of Proceeds	<u>66</u> <u>71</u>
7.11	Financial Covenants	<u>67</u> <u>71</u>
7.12	Limitation on Prepayments; Amendments of Certain Documents	<u>67</u> <u>72</u>
7.13	Accounting Changes; Limitations on Changes in Fiscal Year	<u>67</u> <u>72</u>
7.14	Sanctions	<u>68</u> <u>72</u>
7.15	Anti-Corruption Laws	<u>68</u> <u>73</u>
7.16	Anti-Money Laundering Laws	<u>68</u> <u>73</u>
ARTICLE VIII. EVENTS OF DEFAULT AND REMEDIES		<u>68</u> <u>73</u>
8.01	Events of Default	<u>68</u> <u>73</u>
8.02	Remedies Upon Event of Default	<u>71</u> <u>76</u>
8.03	Application of Funds	<u>71</u> <u>76</u>
ARTICLE IX. ADMINISTRATIVE AGENT		<u>72</u> <u>77</u>
9.01	Appointment and Authority	<u>72</u> <u>77</u>
9.02	Rights as a Lender	<u>72</u> <u>77</u>
9.03	Exculpatory Provisions	<u>72</u> <u>77</u>
9.04	Reliance by Administrative Agent	<u>73</u> <u>78</u>
9.05	Delegation of Duties	<u>73</u> <u>79</u>
9.06	Resignation of Administrative Agent	<u>74</u> <u>79</u>
9.07	Non-Reliance on Administrative Agent and Other Lenders	<u>75</u> <u>80</u>
9.08	No Other Duties, Etc.	<u>75</u> <u>80</u>
9.09	Administrative Agent May File Proofs of Claim	<u>75</u> <u>80</u>
9.10	Guaranty Matters	<u>76</u> <u>81</u>
<u>9.11</u>	<u>Collateral and Guaranty Matters</u>	<u>81</u>
ARTICLE X. GUARANTY		<u>76</u> <u>82</u>
10.01	Guaranty	<u>76</u> <u>82</u>
10.02	Taxes	<u>76</u> <u>82</u>
10.03	Continuing Guaranty	<u>76</u> <u>82</u>
10.04	Waiver of Rights	<u>76</u> <u>82</u>
10.05	No Defense	<u>77</u> <u>83</u>
10.06	Guaranty of Payment	<u>77</u> <u>84</u>
10.07	Indemnity	<u>78</u> <u>84</u>
10.08	Liabilities Absolute	<u>78</u> <u>85</u>
10.09	Waiver of Notice	<u>80</u> <u>86</u>
10.10	Administrative Agent's Discretion	<u>80</u> <u>87</u>
10.11	Reinstatement	<u>80</u> <u>87</u>
10.12	Action Upon Event of Default	<u>81</u> <u>88</u>
10.13	Interest	<u>82</u> <u>89</u>

10.14	Guarantors' Investigation	82 <u>89</u>
10.15	Bankruptcy, etc.	82 <u>89</u>
10.16	Termination	83 <u>89</u>
10.17	Additional Guarantors	83 <u>90</u>
10.18	Subordination	85 <u>91</u>
10.19	Fraud	85 <u>91</u>
ARTICLE XI. MISCELLANEOUS		85 <u>92</u>
11.01	Amendments, Etc.	85 <u>92</u>
11.02	Notices; Effectiveness; Electronic Communication	86 <u>93</u>
11.03	No Waiver; Cumulative Remedies; Enforcement	88 <u>95</u>
11.04	Expenses; Indemnity; Damage Waiver	89 <u>96</u>
11.05	Payments Set Aside	91 <u>98</u>
11.06	Successors and Assigns	91 <u>98</u>
11.07	Treatment of Certain Information; Confidentiality	95 <u>101</u>
11.08	Right of Setoff	96 <u>102</u>
11.09	Interest Rate Limitation	96 <u>103</u>
11.10	Counterparts; Integration; Effectiveness	96 <u>103</u>
11.11	Survival of Representations and Warranties	96 <u>103</u>
11.12	Severability	97 <u>103</u>
11.13	Governing Law; Jurisdiction; Etc.	97 <u>104</u>
11.14	Waiver of Jury Trial	98 <u>105</u>
11.15	No Immunity	99 <u>106</u>
11.16	Special Waiver	99 <u>106</u>
11.17	Judgment Currency	99 <u>106</u>
11.18	Use of English Language	100 <u>107</u>
11.19	Headings	100 <u>107</u>
11.20	No Advisory or Fiduciary Responsibility	100 <u>107</u>
11.21	Electronic Execution of Assignments and Certain Other Documents	101 <u>108</u>
11.22	USA PATRIOT Act	101 <u>108</u>
11.23	Acknowledgment and Consent to Bail-In of Affected Financial Institutions	101 <u>108</u>
Signature		S-1

SCHEDULES

1.01-I	Reference Indebtedness
2.01	Commitments and Applicable Percentages
5.06	Litigation
5.09	Environmental Matters
5.12	Subsidiaries; Other Equity Investments; Equity Interests in the Loan Parties; Stock Rights, Options, etc.
5.24(a)	Permits
7.01	Existing Liens
7.02	Existing Investments
7.03(b)	Existing Indebtedness
11.02	Administrative Agent's Office; Certain Addresses for Notices

EXHIBITS

Form of

A	Assignment and Assumption
B	Compliance Certificate
C	Loan Notice
D-I	Note
D-II	Instruction Letter
E	Process Agent Acceptance
F	Legal Opinion of special Peruvian counsel to the Loan Parties
G	Legal Opinion of special New York counsel to the Loan Parties
H	Officer's Certificate
I	Solvency Certificate
J	Joinder Agreement

Index of Defined Terms

	<u>Page</u>
Additional Guarantor	83 <u>88</u>
Administrative Agent	1
Administrative Agent's Office	1
Administrative Questionnaire	1
Affected Financial Institution	1
Affiliate	1
Agent Parties	87 <u>92</u>
<u>Agents</u>	<u>1</u>
Aggregate Commitments	4 <u>2</u>
Agreement	1
Amendment No. 1 Effective Date	2
Amendment No. 1 to Credit Agreement	2
Amendment No. 2 Effective Date	2
Amendment No. 2 to Credit Agreement	2
<u>Amendment No. 3 and Waiver Effective Date</u>	<u>2</u>
<u>Amendment No. 3 and Waiver to Credit Agreement</u>	<u>2</u>
Anti-Corruption Laws	2
Anti-Money Laundering Laws	2
Applicable Margin	2
Applicable Percentage	2
Approved Fund	23 <u>23</u>
Assignment and Assumption	23 <u>23</u>
Associated Entities	23 <u>23</u>
Attributable Indebtedness	3
Audited Financial Statements	3
Bail-In Action	3
Bail-In Legislation	3
Base Rate	3
Base Rate Loan	34 <u>34</u>
Benchmark Replacement	34 <u>34</u>
Benchmark Replacement Adjustment	4
Benchmark Replacement Conforming Changes	4
Benchmark Replacement Date	4
Benchmark Transition Event	45 <u>45</u>
Benchmark Transition Start Date	5
Benchmark Unavailability Period	5
Beneficial Ownership Certificate	5
Beneficial Ownership Regulation	5
Borrower	1
Borrower Materials	55 <u>58</u>
Borrowing	5
Business Day	5
Capital Lease Obligations	56 <u>56</u>

Capital Stock	6
Cash and Cash Equivalents	6
Cerro Verde	6
Cerro Verde Share Pledge Agreement	6
Cerro Verde Subordinated Loan Agreement	6
Change in Law	6
Change of Control	6
Claims	82 86
Closing Date	78
Co-Arrangers	78
Code	78
Collateral	8
Collateral Agent	8
Collateral Documents	8
Commitment	78
Compliance Certificate	78
Connection Income Taxes	8
Consolidated	8
Consolidated EBITDA	8
Consolidated Interest Charges	89
Consolidated Interest Coverage Ratio	9
Consolidated Net Income	9
Consolidated Net Leverage Ratio	9
Consolidated Net Worth	9 10
Consolidated Total Assets	9 10
Consolidated Total Debt	9 10
Contractual Obligation	9 10
Control	9 10
Controlled	9 10
Controlling	9 10
Credit Exposure	9 10
Debtor Relief Laws	9 10
Default	10
Dispose	10
Disposition	10
Dollar	10
Dollar Equivalent	10 11
Early Opt-in Election	10 11
EEA Financial Institution	10 11
EEA Member Country	10 11
EEA Resolution Authority	10 11
Entitled Person	99 104
Environmental Laws	11
Environmental Liability	11 12
Equity Interests	11 12
EU Bail-In Legislation Schedule	11 12

Event of Default	11 <u>12</u>
Event of Loss	11 <u>12</u>
Excluded Taxes	11 <u>12</u>
Executive Order	11 <u>12</u>
Fair Market Value	12
FATCA	12
FCPA	12 <u>13</u>
Federal Funds Rate	12 <u>13</u>
Fee Letters	12 <u>13</u>
FRB	12 <u>13</u>
Fund	12 <u>13</u>
General Mining Law	12 <u>13</u>
Global Coordinator	12 <u>13</u>
Governmental Authority	12 <u>13</u>
Guarantee	13
Guarantors	13 <u>14</u>
Guaranty	13 <u>14</u>
Hazardous Materials	13 <u>14</u>
<u>Hedge Providers</u>	<u>14</u>
Huanza	13 <u>14</u>
<u>Huanza Collateral Document</u>	<u>14</u>
IFRS	13 <u>14</u>
Impacted Loans	36 <u>38</u>
Incur	13 <u>14</u>
Incurrence	14 <u>15</u>
Incurring	14 <u>15</u>
Indebtedness	14 <u>15</u>
Indemnified Taxes	15 <u>16</u>
Indemnitee	89 <u>94</u>
Initial Guarantors	15 <u>16</u>
Instruction Letter	31 <u>33</u>
Interest Payment Date	15 <u>16</u>
Interest Period	15 <u>16</u>
Investment	15 <u>16</u>
Joinder Agreement	83 <u>88</u>
judgment currency	99 <u>104</u>
Laws	15 <u>16</u>
Lead Arrangers	16 <u>17</u>
Lender	1
Lenders	1
Lending Office	16 <u>17</u>
<u>Letters of Guarantee</u>	<u>17</u>
<u>Letters of Guarantee Providers</u>	<u>17</u>
LIBO Rate	16 <u>17</u>
LIBOR	16 <u>17</u>
LIBOR Loan	16 <u>18</u>

Lien	46 <u>18</u>
Line of Business	47 <u>18</u>
Loan	47 <u>18</u>
Loan Documents	47 <u>18</u>
Loan Notice	47 <u>18</u>
Loan Parties	47 <u>18</u>
London Banking Day	47 <u>18</u>
Master Agreement	23 <u>24</u>
Material Adverse Effect	47 <u>18</u>
Material Subsidiary	47 <u>18</u>
Maturity Date	47 <u>19</u>
Maximum Rate	96 <u>100</u>
MEM	47 <u>19</u>
Mining Concessions	47 <u>19</u>
Mining Project Rights	47 <u>19</u>
Net Asset Sale Proceeds	48 <u>19</u>
Net Debt Incurrence Proceeds	48 <u>19</u>
Net Insurance/Condemnation Proceeds	48 <u>19</u>
Non-Consenting Lender	49 <u>20</u>
Non-Recourse Indebtedness	49 <u>20</u>
Note	49 <u>20</u>
Obligations	49 <u>20</u>
OFAC	49 <u>20</u>
option right	6 <u>7</u>
Organization Documents	49 <u>20</u>
OSINERGMIN	49 <u>21</u>
Other Connection Taxes	49 <u>21</u>
Other Taxes	20 <u>21</u>
Participant	93 <u>98</u>
Participant Register	94 <u>99</u>
Permits	20 <u>21</u>
Permitted Holders	20 <u>21</u>
Person	20 <u>21</u>
Peru	20 <u>21</u>
Peruvian Guarantee	2 <u>1</u>
Platform	55 <u>58</u>
Pledged Entity	2 <u>1</u>
Principal Repayment Date	29 <u>31</u>
Private Side Information	88 <u>92</u>
PROCESS AGENT	98 <u>102</u>
Process Agent Acceptance	20 <u>22</u>
PUBLIC	55 <u>58</u>
Public Lender	55 <u>58</u>
Public Side Information	55 <u>58</u>
Recipient	20 <u>22</u>
Reference Creditor	20 <u>22</u>

reference date	84 <u>88</u>
Reference Guarantor	20 <u>22</u>
Reference Indebtedness	20 <u>22</u>
Reference Loan Documents	20 <u>22</u>
Register	93 <u>98</u>
Related Parties	20 <u>22</u>
Relevant Governmental Body	21 <u>22</u>
Required Lenders	21 <u>22</u>
Resignation Effective Date	74 <u>77</u>
Resolution Authority	21 <u>22</u>
Responsible Officer	21 <u>22</u>
Restricted Payment	21 <u>22</u>
Rolling Period	21 <u>23</u>
Sanction(s)	21 <u>23</u>
Sanctioned Jurisdiction	21 <u>23</u>
Sanctions Target	21 <u>23</u>
SEC	22 <u>23</u>
Secured Parties	<u>23</u>
Significant Event of Loss	22 <u>23</u>
SOFR	22 <u>23</u>
Solvency	22 <u>23</u>
Solvent	22 <u>23</u>
Specified Lenders	<u>24</u>
Subsidiary	22 <u>24</u>
Swap Contract	22 <u>24</u>
Swap Termination Value	22 <u>24</u>
Synthetic Lease Obligation	22 <u>24</u>
Taxes	22 <u>25</u>
Term SOFR	22 <u>25</u>
Termination Date	22 <u>25</u>
Threshold Amount	22 <u>25</u>
Total Credit Exposure	22 <u>25</u>
Trade Date	92 <u>96</u>
Transactions	22 <u>25</u>
U.S	24 <u>25</u>
U.S.\$	10
UK Financial Institution	24 <u>25</u>
UK Resolution Authority	24 <u>25</u>
Unadjusted Benchmark Replacement	24 <u>25</u>
United Kingdom	24 <u>25</u>
United States	24 <u>25</u>
USA PATRIOT Act	101 <u>105</u>
Write-Down and Conversion Powers	24 <u>25</u>
Yanacocha Share Pledge Agreement	<u>26</u>

CREDIT AND GUARANTY AGREEMENT

This CREDIT AND GUARANTY AGREEMENT ("Agreement") is entered into as of June 27, 2016, among COMPAÑÍA DE MINAS BUENAVENTURA S.A.A., a *sociedad anónima abierta* incorporated and existing under the laws of Peru (as defined below) (the "Borrower"), the Guarantors (as defined below) from time to time party hereto, each lender from time to time party hereto (collectively, the "Lenders" and individually, a "Lender"), and BANCO DE CRÉDITO DEL PERÚ, as Administrative Agent.

WHEREAS, to refinance the Reference Indebtedness (as defined below) and for other general corporate purposes, the Borrower has requested that the Lenders provide a senior term loan facility, and the Lenders are willing to do so on the terms and subject to the conditions set forth herein; and

WHEREAS, the Guarantors will benefit directly from the consummation of the Transactions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I.

DEFINITIONS AND ACCOUNTING TERMS

1.01 **Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

"Administrative Agent" means Banco de Crédito del Perú in its capacity as administrative agent under any of the Loan Documents, or any successor administrative agent.

"Administrative Agent's Office" means the Administrative Agent's address and, as appropriate, account as set forth on Schedule 11.02, or such other address or account as the Administrative Agent may from time to time notify to the Borrower and the Lenders.

"Administrative Questionnaire" means, with respect to each Lender, an administrative questionnaire in a form supplied by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

"Affected Financial Institution" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agents" means, collectively, the Administrative Agent and the Collateral Agent.

“Aggregate Commitments” means the Commitments of all the Lenders.

“Amendment No. 1 Effective Date” shall have the meaning ascribed to such term in the Amendment No. 1 to the Credit Agreement.

“Amendment No. 1 to Credit Agreement” means the Amendment No. 1 to Credit and Guaranty Agreement, dated as of March 28, 2018, among the Borrower, the Guarantors, the Lenders and the Administrative Agent.

“Amendment No. 2 Effective Date” shall have the meaning ascribed to such term in the Amendment No. 2 to the Credit Agreement.

“Amendment No. 2 to Credit Agreement” means the Amendment No. 2 to Credit and Guaranty Agreement, dated as of April 2, 2020, among the Borrower, the Guarantors, the Lenders and the Administrative Agent.

“Amendment No. 3 Effective Date” shall have the meaning ascribed to such term in the Amendment No. 3 and Waiver to Credit Agreement.

“Amendment No. 3 and Waiver to Credit Agreement” means the Amendment No. 3 to Credit and Guaranty Agreement, dated as of April 28, 2021, among the Borrower, the Guarantors, the Lenders and the Administrative Agent.

“Anti-Money Laundering Laws” means all laws concerning or relating to money laundering or terrorism financing, including, without limitation, the Currency and Financial Transactions Reporting Act of 1970, as amended by the USA PATRIOT Act, the Money Laundering Control Act of 1986 and other legislation, which legislative framework is commonly referred to as the “Bank Secrecy Act,” and all rules and regulations implementing these Laws, as any of the foregoing may be amended from time to time.

“Anti-Corruption Laws” means all laws, rules, regulations and requirements concerning or relating to bribery or corruption, including, without limitation, the FCPA and applicable anti-corruption laws in Peru.

“Applicable Percentage” means with respect to any Lender at any time, the percentage (carried out to the ninth decimal place) of the Aggregate Commitments represented by such Lender’s Commitment at such time. If the commitment of each Lender to make Loans have been terminated pursuant to Section 8.02 or if the Aggregate Commitments have expired, then the Applicable Percentage of each Lender shall be determined based on the Applicable Percentage of such Lender most recently in effect, giving effect to any subsequent assignments. The initial Applicable Percentage of each Lender is set forth opposite the name of such Lender on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable.

“Applicable Margin” means, for each Loan, a rate *per annum* equal to 1.90%.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit A or any other form approved by the Administrative Agent.

“Associated Entities” means Minera Yanacocha S.R.L., Sociedad Minera Cerro Verde S.A.A., Compañía Minera Coimolache S.A. and any other entity in which any Loan Party has a direct or indirect Investment accounted for under the equity method under IFRS.

“Attributable Indebtedness” means, on any date, (a) in respect of any capital lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with IFRS, and (b) in respect of any Synthetic Lease Obligation, the capitalized amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with IFRS if such lease were accounted for as a capital lease.

“Audited Financial Statements” means the audited Consolidated statements of financial position and related consolidated statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Borrower and its Subsidiaries as of the end of each of the fiscal years ended December 31, 2013, December 31, 2014 and December 31, 2015, including the notes thereto.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means, (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Base Rate” means for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Banco de Crédito del Perú as its “prime rate,” and (c) the LIBO Rate plus 1.00%. The “prime rate” is a rate set by Banco de Crédito del Perú based upon various factors including Banco de Crédito del Perú’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such prime rate announced by Banco de Crédito del Perú shall take effect at the opening of business on the day specified in the public announcement of such change.

“Base Rate Loan” means a Loan that bears interest based on the Base Rate.

“Benchmark Replacement” means the sum of: (a) the alternate benchmark rate (which may include Term SOFR) that has been selected by the Administrative Agent and the Borrower giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. dollar-denominated syndicated credit facilities and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of LIBOR with an Unadjusted Benchmark Replacement for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body or (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities at such time.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Base Rate,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earlier to occur of the following events with respect to LIBOR:

- (a) in the case of clause (a) or (b) of the definition of “Benchmark Transition Event,” the later of (i) the date of the public statement or publication of information referenced therein and (ii) the date on which the administrator of LIBOR permanently or indefinitely ceases to provide LIBOR; and
- (b) in the case of clause (c) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein.

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to LIBOR:

- (a) a public statement or publication of information by or on behalf of the administrator of LIBOR announcing that such administrator has ceased or will cease to provide LIBOR, permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR;
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for LIBOR, a resolution authority with jurisdiction over the administrator for LIBOR or a court or an entity with similar insolvency or resolution authority over the administrator for LIBOR, which states that the administrator of LIBOR has ceased or will cease to provide LIBOR permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide LIBOR; or
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR announcing that LIBOR is no longer representative.

“Benchmark Transition Start Date” means (a) in the case of a Benchmark Transition Event, the earlier of (i) the applicable Benchmark Replacement Date and (ii) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication) and (b) in the case of an Early Opt-in Election, the date specified by the Administrative Agent or the Required Lenders, as applicable, by notice to the Borrower, the Administrative Agent (in the case of such notice by the Required Lenders) and the Lenders.

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR and solely to the extent that LIBOR has not been replaced with a Benchmark Replacement, the period (a) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced LIBOR for all purposes hereunder in accordance with Section 3.03(b) and (b) ending at the time that a Benchmark Replacement has replaced LIBOR for all purposes hereunder pursuant to Section 3.03(b).

“Beneficial Ownership Certificate” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Borrowing” means a borrowing of the LIBOR Loans hereunder by the Borrower on the Closing Date.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located, New York, United States of America, Lima, Peru and, if such day relates to any LIBOR Loan, means any such day that is also a London Banking Day.

“Capital Lease Obligations” of any Person, means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under IFRS, and the amount of such obligations shall be the capitalized amount thereof, determined in accordance with IFRS.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however denominated) of such Person’s capital stock whether now outstanding or issued after the date of this Agreement.

“Cash and Cash Equivalents” means cash and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

“CAVALI” means Cavali S.A. I.C.L.V.

“Cerro Verde” means Sociedad Minera Cerro Verde S.A.A., a Peruvian *sociedad anónima abierta*.

“Cerro Verde Share Pledge Agreement” means the share pledge agreement (*contrato de constitución de garantía mobiliaria sobre acciones*), dated December 29, 2020, among the Borrower, as pledgor, and the Collateral Agent, as pledgee, with the acknowledgment of Credicorp Capital Sociedad Agente de Bolsa S.A., in respect of 68’556,629 shares of capital stock of Sociedad Minera Cerro Verde S.A.A., as amended, amended and restated, supplemented or otherwise modified from time to time.

“Cerro Verde Subordinated Loan Agreement” means the loan agreement dated as of December 22, 2014, between the Borrower and Cerro Verde, as in effect on the date hereof.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued.

“Change of Control” means an event or series of events by which:

(a) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) other than a Permitted Holder, becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have “beneficial ownership” of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an “option right”), directly or indirectly, of 25% or more of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right);

(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of the Borrower cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body;

(c) the passage of 30 days from the date upon which any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower, or control over the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such Person or group has the right to acquire pursuant to any option right) representing 25% or more of the combined voting power of such securities;

(d) the Borrower shall for any reason cease to Control, directly or indirectly, any Guarantor;

(e) the Permitted Holders shall for any reason cease to be the beneficial owners (as so defined) of at least 15% of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis; or

(f) any person or group (as so defined) other than a Permitted Holder, becomes the beneficial owner (as so defined), directly or indirectly, of a percentage of the equity securities of the Borrower entitled to vote for members of the board of directors or equivalent governing body of the Borrower on a fully-diluted basis (and taking into account all such securities that such person or group has the right to acquire pursuant to any option right) which exceeds the percentage of such equity securities beneficially owned, directly or indirectly, by the Permitted Holders on a fully-diluted basis.

“Closing Date” means the first date falling on or prior to July 12, 2016, on which all the conditions precedent in Section 4.01 are satisfied or waived in accordance with Section 11.01.

“Co-Arrangers” means Banco Internacional del Perú S.A.A. – Interbank, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch, Banco Latinoamericano de Comercio Exterior, S.A. and Banco de Sabadell, S.A., Miami Branch, in their capacity as co-arrangers.

“Code” means the Internal Revenue Code of 1986.

“Collateral” means all of the property that is or is intended under the terms of the Collateral Documents to be subject to Liens in favor of the Collateral Agent for the benefit of the Secured Parties.

“Collateral Agent” means Banco de Crédito del Perú, in its capacity as collateral agent under any of the Loan Documents.

“Collateral Documents” means, collectively, the Cerro Verde Share Pledge Agreement, the El Brocal Share Pledge Agreement, the Huanza Share Pledge Agreement, the Yanacocha Share Pledge Agreement and any other agreement or instrument that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Parties.

“Commitment” means, as to each Lender, its obligation to make Loans to the Borrower pursuant to Section 2.01, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender’s name on Schedule 2.01 or in the Assignment and Assumption pursuant to which such Lender becomes a party hereto, as applicable, as such amount may be adjusted from time to time in accordance with this Agreement.

“Compliance Certificate” means a certificate substantially in the form of Exhibit B.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Consolidated” refers to the consolidation of accounts of a Person and its Subsidiaries in accordance with IFRS. For the avoidance of doubt, when used in respect of the Borrower and its Subsidiaries, the term “Consolidated” shall exclude the accounts of the Associated Entities.

“Consolidated EBITDA” means, for any period, for the Borrower and its Subsidiaries (other than Huanza) on a Consolidated basis, an amount equal to Consolidated Net Income of the Borrower and such Subsidiaries for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges of the Borrower and such Subsidiaries for such period, (ii) the provision for federal, state, local and foreign income taxes payable by the Borrower and such Subsidiaries for such period, (iii) depreciation and amortization expense, (iv) any net after-tax losses from disposed or discontinued operations in such period, (v) any net losses resulting in such period from foreign currency translation to the extent such losses are non-cash items, (vi) any non-cash (for such period and all other periods but without duplication of any amounts added back to Consolidated EBITDA in any prior period) long term compensation or worker’s participation provision, charge or expense for such period, including any such provision, charge or expense arising from the grants of stock appreciation or similar rights, stock options, restricted stock or other rights or equity incentive programs and (vii) other non-recurring expenses of the Borrower and such Subsidiaries reducing such Consolidated Net Income which do not represent a cash item in such period or any future period and minus (b) the following to the extent included in calculating such Consolidated Net Income: (i) federal, state, local and foreign income tax credits of the Borrower and such Subsidiaries for such period, (ii) all non-cash items increasing Consolidated Net Income for such period, (iii) any net after-tax gains on disposal of disposed or discontinued operations in such period, (iv) Consolidated interest income for such period, (v) the net income for such period of the Associated Entities, but excluding the Borrower’s or any Subsidiary’s equity in the net income of the Associated Entities up to the aggregate amount of dividends or distributions or other payments in respect of such equity that are actually paid in cash (or to the extent converted into cash) by the Associated Entities to the Borrower or a Subsidiary, in each case, in such period, to the extent not already included in Consolidated Net Income and (vi) any net gains resulting in such period from foreign currency translation to the extent such gains are non-cash items.

“Consolidated Interest Charges” means, for any period, for the Borrower and its Subsidiaries on a Consolidated basis, the sum of (a) all interest, premium payments, debt discount, fees, charges and related expenses of the Borrower and its Subsidiaries in connection with Indebtedness (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with IFRS, and (b) the portion of rent expense of the Borrower and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with IFRS; provided, however that solely for purposes of calculating the Consolidated Interest Charges, on any date of determination, Indebtedness of Huanza shall be disregarded if, and only to the extent that, all Indebtedness of Huanza constitutes Non-Recourse Indebtedness on such date of determination.

“Consolidated Interest Coverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated EBITDA for the Rolling Period ending on such date (or, if such day is not the last day of a fiscal quarter of the Borrower, ended on the last day of the fiscal quarter of the Borrower most recently ended prior to such day) (for purposes of this definition, the “reference period”) to (b) Consolidated Interest Charges for the reference period.

“Consolidated Net Income” means, for any period, for the Borrower and its Subsidiaries (other than Huanza) on a Consolidated basis, the net income of the Borrower and such Subsidiaries (excluding extraordinary gains and extraordinary losses) for that period.

“Consolidated Net Leverage Ratio” means, as of any date of determination, the ratio of (a) Consolidated Total Debt as of such date *minus* the aggregate amount of unrestricted Cash and Cash Equivalents of the Borrower and its Subsidiaries (other than Huanza), not subject, directly or indirectly, to any Lien to (b) Consolidated EBITDA for the Rolling Period ending on such date (or, if such day is not the last day of a fiscal quarter of the Borrower, ended on the last day of the fiscal quarter of the Borrower most recently ended prior to such day).

“Consolidated Net Worth” means, as of any date of determination, all amounts that would be reflected on a Consolidated balance sheet of the Borrower and its Subsidiaries under shareholders’ equity as of such date of determination, determined on a Consolidated basis in accordance with IFRS.

“Consolidated Total Assets” means, as of any date, the aggregate of all assets that would be reflected in the Consolidated balance sheet of the Borrower as of such date, determined on a Consolidated basis in accordance with IFRS.

“Consolidated Total Debt” means, with respect to the Borrower and its Subsidiaries on any date, the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries on such date, determined on a Consolidated basis in accordance with IFRS; provided, however that solely for purposes of calculating the Consolidated Total Debt, on any date of determination, Indebtedness of Huanza shall be disregarded if, and only to the extent that, all Indebtedness of Huanza constitutes Non-Recourse Indebtedness on such date of determination.

“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound, including, with respect to the Borrower or any of its Subsidiaries, any Mining Project Rights of the Borrower or such Subsidiary.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Credit Exposure” means, as to any Lender at any time, the aggregate principal amount at such time of its outstanding Loans.

“Debtor Relief Laws” means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of Peru, the United States or other applicable jurisdictions from time to time in effect.

“Default” means any event or condition that constitutes an Event of Default or that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Disposition” or “Dispose” means the sale, transfer, license, lease or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith or of any contractual rights or Capital Stock of any Subsidiary of such Person.

“Dollar” and “U.S.\$” mean lawful money of the United States.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than Dollars, at any time for the determination thereof, the amount of Dollars obtained by converting such foreign currency involved in such computation into Dollars at the spot rate for the purchase of Dollars with the applicable foreign currency as quoted by the Administrative Agent or any Affiliate thereof at approximately 11:00 a.m. on the date of such determination.

“Early Opt-in Election” means the occurrence of:

(a) (i) a determination by the Administrative Agent or (ii) a notification by the Required Lenders to the Administrative Agent (with a copy to the Borrower) that the Required Lenders have determined that U.S. dollar-denominated syndicated credit facilities being executed at such time, or that include language similar to that contained in Section 3.03(a) are being executed or amended, as applicable, to incorporate or adopt a new benchmark interest rate to replace LIBOR, and

(b) (i) the election by the Administrative Agent or (ii) the election by the Required Lenders to declare that an Early Opt-in Election has occurred and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders or by the Required Lenders of written notice of such election to the Administrative Agent.

“EEA Financial Institution” means (i) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (ii) any entity established in an EEA Member Country which is a parent of an institution described in clause (i) of this definition, or (iii) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (i) or (ii) of this definition and is subject to consolidated supervision with its parent;

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegatee) having responsibility for the resolution of any EEA Financial Institution.

“El Brocal Share Pledge Agreement” means the share pledge agreement (contrato de constitución de garantía mobiliaria sobre acciones), dated December 29, 2020, among Inversiones Colquijirca S.A., Compañía Minera Condesa S.A. and the Borrower, as pledgors, and the Collateral Agent, as pledgee, with the acknowledgment of Sociedad Minera El Brocal S.A.A. and Credicorp Capital Sociedad Agente de Bolsa S.A., in respect of 21’130,260 shares of capital stock of the Borrower and 95’812,126 shares of capital stock of Sociedad Minera El Brocal S.A.A., as amended, amended and restated, supplemented or otherwise modified from time to time.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders or decrees relating to pollution and the protection of the environment or the release of any hazardous or toxic materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Environmental Liability,” means any environmental liability (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are outstanding on any date of determination.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Event of Default” means any of the conditions or events set forth in Section 8.01.

“Event of Loss” means, with respect to any property or asset of any Loan Party or any of its Subsidiaries, any actual, constructive, compromised or arranged loss, destruction or damage of such property or asset.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to any Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) Taxes attributable to such Recipient’s failure to comply with Section 3.01(f) and (c) any U.S. federal withholding Taxes imposed pursuant to FATCA.

“Executive Order” means the Executive Order No. 13224 of September 23, 2001, entitled Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism.

“Fair Market Value” means, with respect to any asset, the price which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing buyer, neither of which is under compulsion to complete the transaction.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471 (b) (1) of the Code, and any applicable published intergovernmental agreement entered into in respect thereof and any legislation adopted pursuant to such intergovernmental agreement.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to Banco de Crédito del Perú on such day on such transactions as determined by the Administrative Agent.

“Fee Letters” means, collectively, (i) the letter agreement, dated the date hereof, among the Borrower, the Lead Arrangers and the Co-Arrangers, (ii) the letter agreement, dated the date hereof, between the Borrower and the Global Coordinator and (iii) the letter agreement, dated the date hereof, between the Borrower and the Administrative Agent.

“FRB” means the Board of Governors of the Federal Reserve System of the United States.

“Fund” means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its activities.

“General Mining Law” means the Peruvian General Mining Law, single unified text approved by Supreme Decree 014-92-EM, administered by MEM, as amended.

“Global Coordinator” means BBVA Securities Inc., in its capacity as global coordinator.

“Governmental Authority” means the government of Peru, the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” means, as to any Person, (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation payable or performable by another Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Indebtedness or other obligation of the payment or performance of such Indebtedness or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Indebtedness or other obligation of any other Person, whether or not such Indebtedness or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Indebtedness to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “Guarantee” as a verb has a corresponding meaning.

“Guarantors” means, collectively, the Initial Guarantors and the Additional Guarantors that become a party hereto pursuant to Section 10.17.

“Guaranty” means the Guaranty made by the Guarantors in favor of the Administrative Agent and the Lenders, under Article X.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Hedge Providers” means Banco de Crédito del Perú, Banco BBVA Perú, Itaú Corpbanca and Banco Internacional del Perú S.A.A., each in their capacity as counterparties under Swap Contracts entered into by the Borrower for the purpose of mitigating risks associated with the Obligations.

“Huanza” means Empresa de Generación Huanza S.A., a *sociedad anónima* incorporated and existing under the laws of Peru.

“Huanza Share Pledge Agreement” means the share pledge agreement (contrato de constitución de garantía mobiliaria sobre acciones), dated December 29, 2020, among Consorcio Energético de Huancavelica S.A. and the Borrower, as pledgor, and the Collateral Agent, as pledgee, with the acknowledgment of Empresa de Generación Huanza S.A. and Represcom E.I.R.L., in respect of 186’413,289 shares of capital stock of Empresa de Generación Huanza S.A., as amended, amended and restated, supplemented or otherwise modified from time to time.

“IFRS” means the International Financial Reporting Standards, as adopted, and in effect from time to time, by the International Accounting Standards Board, consistently applied throughout the periods involved.

“Incur” means, with respect to any Indebtedness, to incur, create, issue, assume, guarantee or otherwise, contingently or otherwise, become liable, directly or indirectly, for or with respect to, or to extend the maturity of, or become responsible for, the payment of such Indebtedness; provided, however, that neither (i) the accrual of interest, (ii) the accretion of original issue discount nor (iii) an increase in the outstanding amount of Indebtedness caused by fluctuations in the exchange rates of currencies shall be considered an Incurrence of Indebtedness. The terms “Incurrence” and “Incurring” have corresponding meanings.

“Indebtedness” means, as to any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with IFRS:

(a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;

(b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments (other than contingent obligations of such Person under *cartas fianza* issued in favor of the relevant Peruvian Governmental Authority in the ordinary course of business pursuant to paragraph 55.1 of Article 55 of the *Reglamento para el Cierre de Minas* of *Ley No. 28090*, if, and only to the extent that, such obligations have not become due and payable);

(c) net obligations of such Person under any Swap Contract;

(d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business);

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; provided that the amount of Indebtedness of any Person for purposes of this clause (e) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the Fair Market Value of the property encumbered thereby, as determined by such Person in good faith;

(f) capital leases and Synthetic Lease Obligations;

(g) all Guarantees of such Person in respect of any of the foregoing; and

(h) all other obligations of such Person which are required to be reflected in, or are reflected in, such Person's financial statements, recorded or treated as debt under IFRS.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be deemed to be the Swap Termination Value thereof as of such date. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of any Loan Party under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

"Initial Guarantors" means, collectively, Compañía Minera Condesa S.A., Inversiones Colquijirca S.A. and Consorcio Energético de Huancavelica S.A., each a Peruvian *sociedad anónima*.

"Interest Payment Date" means, (a) as to any LIBOR Loan, the last day of each Interest Period applicable to such LIBOR Loan and the Maturity Date; and (b) as to any Base Rate Loan, the last Business Day of each March, June, September and December and the Maturity Date.

"Interest Period" means, initially, the period commencing on the Closing Date and ending on October 1, 2016 and, thereafter, each period commencing on the last day of the immediately preceding Interest Period and ending on the first day of the calendar month that is three months thereafter; provided that:

(i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(iii) no Interest Period shall extend beyond the Maturity Date.

"Investment" means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of capital stock or other securities of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or equity participation or interest in, another Person, including any partnership or joint venture interest in such other Person and any arrangement pursuant to which the investor Guarantees Indebtedness of such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lead Arrangers” means, collectively, BBVA Securities Inc., Credicorp Capital Servicios Financieros S.A. and CorpBanca New York Branch, in their capacity as joint lead arrangers and joint bookrunners.

“Lending Office” means, as to any Lender, the office or offices of such Lender described as such in such Lender’s Administrative Questionnaire, or such other office or offices as a Lender may from time to time notify the Borrower and the Administrative Agent, which office may include any Affiliate of such Lender or any domestic or foreign branch of such Lender or such Affiliate. Unless the context otherwise requires each reference to a Lender shall include its applicable Lending Office.

“Letters of Guarantee” means, the letters of guarantee (*cartas fianzas*) issued by the Letters of Guarantee Providers at the request of the Borrower in favor of the Peruvian National Customs and Tax Administration Superintendence (*Superintendencia Nacional de Aduanas y de Administración Tributaria*).

“Letters of Guarantee Providers” means Banco de Crédito del Perú, Banco Santander Perú S.A., Banco BBVA Perú, Itaú Corpbanca New York Branch, Scotiabank Peru S.A.A., Banco BTG Pactual S.A. – Caymán Branch, Secrex Compañía de Seguros de Crédito y Garantías S.A., and Banco Interamericano de Finanzas, in their capacity as creditors under the Letters of Guarantee.

“LIBO Rate” means, subject to the implementation of a Benchmark Replacement in accordance with Section 3.03(b):

(a) for any Interest Period with respect to a LIBOR Loan, the rate per annum equal to (i) the London Interbank Offered Rate (“LIBOR”) or a comparable or successor rate, which rate is approved by the Administrative Agent, as published on the applicable Reuters screen page (or such other commercially available source which has been nominated by the ICE Benchmark Administration Ltd. or an entity which has replaced the ICE Benchmark Administration Ltd. providing such quotations as may be designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two London Banking Days prior to the commencement of such Interest Period, for Dollar deposits (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; and

(b) for any interest calculation with respect to a Base Rate Loan on any date, the rate per annum equal to LIBOR, at or about 11:00 a.m., London time determined two London Banking Days prior to such date for Dollar deposits with a term of one month commencing that day;

provided, that in no event shall the “LIBO Rate” be less than 0%; provided, further, that to the extent a comparable or successor rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; provided, further that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent; provided, further that unless otherwise specified in any amendment to this Agreement entered into in accordance with Section 3.03(b), in the event that a Benchmark Replacement with respect to the LIBO Rate is implemented, then all references herein to LIBO Rate shall be deemed and construed as references to such Benchmark Replacement.

“LIBOR Loan” means a Loan that bears interest at a rate based on clause (a) of the definition of “LIBO Rate.”

“Lien” means any mortgage, pledge, hypothecation, assignment, *fideicomiso*, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Line of Business” means business activities of the Loan Parties relating primarily to the exploration, mining and processing of gold, silver, copper and, to a lesser extent, other metals in Peru, and other business activities of the Borrower and its Subsidiaries disclosed in the annual report of the Borrower most recently filed with the SEC prior to the Closing Date, and activities reasonably related thereto.

“Loan” means an extension of credit outstanding hereunder by a Lender to the Borrower.

“Loan Documents” means this Agreement, the Notes, the Instruction Letters, the Fee Letters, the Collateral Documents, the Peruvian Guarantee and each other agreement, certificate, instrument or document executed and delivered in connection with any of the foregoing.

“Loan Notice” means a notice requesting a Borrowing of LIBOR Loans pursuant to Section 2.02(a), substantially in the form of Exhibit C.

“Loan Parties” means, collectively, the Borrower and the Guarantors.

“London Banking Day” means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Loan Parties and their Subsidiaries, taken as a whole; (b) a material impairment of the ability of the Loan Parties taken as a whole to perform their obligations under any Loan Document to which they are a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against any Loan Party of any Loan Document to which it is a party.

“Material Subsidiary” means (i) any Guarantor and (ii) each significant subsidiary (as defined in and calculated in accordance with Section 230.405 of the General Rules and Regulations of the Securities Act of 1933) of the Borrower.

“Maturity Date” means the fifth anniversary of the Amendment No. 2 Effective Date, provided, however, that if such date is not a Business Day, the Maturity Date shall be the immediately preceding Business Day.

“MEM” means the Peruvian Ministry of Energy and Mines, or any successor thereof.

“Mining Concessions” means the mining and processing concessions granted to the Borrower or any of its Subsidiaries by the Peruvian government to explore, extract, process and/or produce silver, gold and other metals.

“Mining Project Rights” means any easements or other rights from private landowners that own surface land above the mineral resources explored or mined by the Borrower or any of its Subsidiaries, required to be obtained under applicable Law prior to the Borrower or any of its Subsidiaries commencing any exploration activities.

“Net Asset Sale Proceeds” means, with respect to any Disposition of the type expressly permitted by Section 7.05(g), an amount equal to (i) cash payments (including any cash received by way of deferred payment pursuant to, or by monetization of, a note receivable or otherwise, but only as and when so received) received by any Loan Party or any of its Subsidiaries from such Disposition, minus (ii) the sum of (A) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness that is secured by the asset subject to such Disposition and required to be repaid with the proceeds of (or in an amount equal to the proceeds of) such Disposition (other than Indebtedness under the Loan Documents), (B) the reasonable and documented out-of-pocket fees and expenses (including attorneys’ fees, investment banking fees, survey costs, title insurance premiums, and related search and recording charges, transfer taxes, deed or mortgage recording taxes, other customary expenses and brokerage, consultant and other customary fees paid to non-affiliated third parties) actually incurred by such Loan Party or such Subsidiary in connection with such Disposition, (C) to the extent not included in (B) above, taxes required to be paid in connection therewith (including taxes imposed on the distribution or repatriation of any such Net Asset Sale Proceeds) and (D) in the case of any Disposition by a non-wholly owned Subsidiary of such Loan Party, all distributions and other payments required to be made to the minority interest holders in such Subsidiary (other than the Loan Parties) as a result of such Disposition.

“Net Debt Incurrence Proceeds” means an amount equal to (i) any cash proceeds received by any Loan Party or any of its Subsidiaries in connection with any Indebtedness Incurred by such Loan Party or such Subsidiary, of the type permitted by Section 7.03(t), minus (ii) the reasonable and documented out-of-pocket fees and expenses (including attorneys’ fees and any taxes required to be paid in connection therewith (including taxes imposed on the distribution or repatriation of any such Net Debt Incurrence Proceeds)) actually incurred by such Loan Party or such Subsidiary in connection with such Indebtedness Incurrence.

“Net Insurance/Condemnation Proceeds” means, with respect to any Event of Loss, an amount equal to any cash payments or proceeds received by any Loan Party or any of its Subsidiaries (a) under any casualty insurance policy or similar instrument in respect of a covered loss thereunder (other than in respect of third party liability claims) or (b) as a result of the taking of any assets or property of any Loan Party or such Subsidiary by any Governmental Authority pursuant to the power of eminent domain, condemnation or otherwise, or pursuant to a sale of any such assets to a purchaser with such power under threat of such a taking, minus the sum of (A) the principal amount, premium or penalty, if any, interest and other amounts on any Indebtedness that is secured by the asset subject to such Event of Loss and required to be repaid with the proceeds of (or in an amount equal to the proceeds of) any casualty insurance policy or similar instrument covering such Event of Loss (other than Indebtedness under the Loan Documents), (B) the reasonable and documented out-of-pocket fees and expenses of non-affiliated third parties actually incurred by such Loan Party or such Subsidiary in connection with the collection, enforcement, negotiation, administration, adjustment or settlement of any claims of such Loan Party or such Subsidiary in connection with such Event of Loss, and (C) in the case of any Event of Loss of any non-wholly owned Subsidiary of such Loan Party, all distributions and other payments required to be made to the minority interest holders in such Subsidiary (other than the Loan Parties) as a result of such Event of Loss.

“Non-Consenting Lender” means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all Lenders or all affected Lenders in accordance with the terms of Section 11.01 and (ii) has been approved by the Required Lenders.

“Non-Recourse Indebtedness” means, with respect to any Person, Indebtedness (a) if secured, that is secured solely by the assets acquired with the proceeds of such Indebtedness and (b) with respect to which (i) none of the other Loan Parties or any of their respective Subsidiaries (other than Huanza) shall have any liability to any Person for repayment of all or any portion of such Indebtedness beyond the assets so secured and (ii) the holders thereof (A) if secured, shall have recourse only to, and shall have the right to require the obligations under such Indebtedness to be performed, satisfied or paid only out of, the assets so secured and (B) shall have no direct or indirect recourse (including by way of indemnity or guaranty) to any other Loan Party or any of their respective Subsidiaries (other than Huanza), whether for principal, interest, fees, expenses or otherwise.

“Note” means a *pagaré incompleto* issued under Peruvian Law and pursuant to article 10 of Peruvian law No. 27287 (*Ley de Títulos Valores*) by the Borrower, as issuer and guaranteed (*fianza*) by each Guarantor, substantially in the form of Exhibit D.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Loan, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any Debtor Relief Laws naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

“OFAC” means the Office of Foreign Assets Control of the United States Department of the Treasury, or any successor thereof.

“Organization Documents” means, with respect to any Person, (i) in the case of a corporation organized under the laws of Peru, its *documentos constitutivos*, (ii) in the case of any other corporation, the articles or certificate of incorporation and by-laws (or similar documents) of such Person, (iii) in the case of any limited liability company, the certificate of formation and operating agreement (or similar documents) of such Person, (iv) in the case of any limited partnership, the certificate of formation and limited partnership agreement (or similar documents) of such Person, (v) in the case of any general partnership, the partnership agreement (or similar document) of such Person and (vi) in any other case, the functional equivalent of the foregoing.

“OSINERGMIN” means the *Organismo Supervisor de la Inversión en Energía y Minería*.

“Other Connection Taxes” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“Permits” means, collectively, all public, regulatory or governmental licenses, concessions, franchises, certificates, permits, consents, orders, approvals and other authorizations (including, without limitation, the Mining Concessions) required pursuant to applicable Law for each Loan Party and its Material Subsidiaries, to own, lease and operate its properties and assets and to conduct its business as currently owned, leased, operated and conducted which the failure to obtain could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

“Permitted Holders” means (i) one or more members of the Benavides de la Quintana family, including spouses, lineal descendants, estates and heirs and (ii) any trust or other investment vehicle for the primary benefit of any of the foregoing.

“Person” means any natural person, corporation, limited liability company, trust, *fideicomiso*, joint venture, association, company, partnership, Governmental Authority or other entity.

“Peru” means the Republic of Peru.

“Peruvian Guarantee” means the Contrato de Garantía Corporativa, dated February 26, 2021, among Inversiones Colquijirca S.A., Compañía Minera Condesa S.A., Consorcio Energético de Huancavelica S.A., as Fiaadores Solidarios and the Collateral Agent, with the acknowledgment of the Borrower, as amended, amended and restated, supplemented or otherwise modified from time to time.

“Pledged Entity” means any Person the shares of capital stock of which constitute or are intended to constitute Collateral.

“Process Agent Acceptance” means a letter from the Process Agent to the Administrative Agent, substantially in the form of Exhibit E.

“Recipient” means the Administrative Agent, the Collateral Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of any Loan Party hereunder.

“Reference Creditor” means, with respect to each Reference Indebtedness, the creditor of such Reference Indebtedness, identified in Schedule 1.01-I under the caption “Reference Creditor” opposite such Reference Indebtedness.

“Reference Guarantor” means any Guarantor other than an Initial Guarantor.

“Reference Indebtedness” means Indebtedness of the Borrower specified in Schedule 1.01-I.

“Reference Loan Documents” means, collectively, the agreements, instruments and documents evidencing the Reference Indebtedness, as in effect on the Closing Date.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a benchmark rate to replace the LIBO Rate in loan agreements similar to this Agreement.

“Required Lenders” means, at any time, Lenders having Total Credit Exposures representing more than 50% of the Total Credit Exposures of all Lenders; provided, that solely for purposes of Sections 9.11(a) and 11.01(h), “Required Lenders” shall in no event be less than the Specified Lenders.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer, assistant treasurer or controller of a Loan Party and solely for purposes of the delivery of incumbency certificates pursuant to Section 4.01, the secretary or any assistant secretary of a Loan Party. Any document delivered hereunder that is signed by a Responsible Officer of a Loan Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Loan Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Loan Party.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Loan Party or any Subsidiary thereof, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Loan Party’s stockholders, partners or members (or the equivalent Person thereof); provided, however, that dividends, distributions or payments to any Loan Party shall not constitute Restricted Payments.

“Rolling Period” means, with respect to any fiscal quarter of the Borrower, such fiscal quarter and the three immediately preceding fiscal quarters considered as a single accounting period.

“Sanctioned Jurisdiction” means at any time, a country, territory or geographical region which is itself the subject or target of comprehensive Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan, Crimea and Syria).

“Sanction(s)” means any economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by U.S. Governmental Authorities (including, but not limited to, OFAC and the U.S. Department of State), the United Nations Security Council, the European Union, or Her Majesty’s Treasury of the United Kingdom.

“Sanctions Target” means any Person: (a) identified in any Sanctions-related list maintained by the U.S. government, the United Nations Security Council, the European Union or Her Majesty’s Treasury of the United Kingdom (including, but not limited to, the “Specially Designated Nationals and Blocked Person” list maintained by OFAC); (b) domiciled, organized or resident in a Sanctioned Jurisdiction; or (c) 50% or more owned or Controlled by any Person described in the foregoing clauses (a) or (b).

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to any of its principal functions.

“Secured Parties” means, collectively, the Lenders and the Agents.

“Significant Event of Loss” means an Event of Loss, or series of Events of Loss, resulting in Net Insurance/Condemnation Proceeds paid or payable equal to or exceeding U.S.\$15,000,000 (or the Dollar Equivalent thereof).

“SOFR” with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark (or a successor administrator) on the Federal Reserve Bank of New York’s website (or any successor source) and, in each case, that has been selected or recommended by the Relevant Governmental Body.

“Solvent” and “Solvency” means, when used with respect to any Person, as of any date of determination (a) the amount of the “present fair saleable value” of the assets of such Person will, as of such date, exceed the amount of all “liabilities of such Person, contingent or otherwise,” as of such date, as such quoted terms are determined in accordance with applicable federal, provincial, territorial and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) “debt” means liability on a “claim” and (ii) “claim” means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

“Specified Lenders” means Banco BBVA Perú, Banco de Crédito del Perú and Itaú Corpbanca New York Branch or any of their Affiliates in their capacity as Lenders hereunder.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, directly or indirectly, through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references herein to a “Subsidiary” or to “Subsidiaries” shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include a Lender or any Affiliate of a Lender).

“Synthetic Lease Obligation” means the monetary obligation of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations that do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the indebtedness of such Person (without regard to accounting treatment).

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Term SOFR” means the forward-looking term rate for any period that is approximately (as determined by the Administrative Agent”) as long as any of the Interest Period options set forth in the definition of “Interest Period” and that is based on SOFR and that has been selected or recommended by the Relevant Governmental Body, in each case as published on an information service as selected by the Administrative Agent from time to time in its reasonable discretion.

“Threshold Amount” means U.S.\$15,000,000.

“Termination Date” means the earlier of (i) the date falling 10 Business Days following the date hereof and (ii) the date on which the Commitments shall have been entirely utilized or terminated in accordance with this Agreement.

“Total Credit Exposure” means, as to any Lender at any time, the unused Commitments and Credit Exposure of such Lender at such time.

“Transactions” means, collectively, the execution, delivery and performance by the Loan Parties and other parties thereto, as applicable, of this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby (including the application of the proceeds of the Loans pursuant to this Agreement).

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unadjusted Benchmark Replacement” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland.

“United States” and “U.S.” mean the United States of America.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

“Yanacocha Share Pledge Agreement” means the share pledge agreement (*contrato de constitución de garantía mobiliaria sobre acciones*), dated March 4, 2021, among Compañía Minera Condesa S.A., as pledgor, and the Collateral Agent, as pledgee, with the acknowledgment of the Borrower and Represcom E.I.R.L., in respect of 558'044,001 shares of capital stock of Minera Yanacocha S.R.L., as amended, amended and restated, supplemented or otherwise modified from time to time.

1.02 **Other Interpretive Provisions.** With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document (including any Organization Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “hereto,” “herein,” “hereof” and “hereunder,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including,” the words “to” and “until” each mean “to but excluding,” and the word “through” means “to and including.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

1.03 **Accounting Terms.**

(a) Generally. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, IFRS on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

(b) Changes in IFRS. If at any time any change in IFRS would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in IFRS (subject to the approval of the Required Lenders); provided that, until so amended, (A) such ratio or requirement shall continue to be computed in accordance with IFRS prior to such change therein and (B) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in IFRS.

1.04 **Rounding**. Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.05 **Times of Day; Rates.** Unless otherwise specified, all references herein to times of day shall be references to Eastern time (daylight or standard, as applicable).

The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of "LIBO Rate" or with respect to any comparable or successor rate thereto.

ARTICLE II.

THE COMMITMENTS AND CREDIT EXTENSIONS

2.01 **Loans.** Subject to the terms and conditions set forth herein, each Lender severally agrees to make LIBOR Loans to the Borrower, on the Closing Date, in an aggregate amount not to exceed at any time outstanding the amount of such Lender's Commitment. This Agreement is not a revolving credit agreement. Amounts repaid or prepaid on account of the Loans may not be reborrowed.

2.02 **Borrowings.**

(a) Each Borrowing of LIBOR Loans shall be made upon the Borrower's irrevocable notice to the Administrative Agent, which shall be given by a Loan Notice. Each such Loan Notice must be received by the Administrative Agent not later than 11:00 a.m. five Business Days prior to the Closing Date (or such shorter time as may be acceptable to the Administrative Agent). The Loan Notice shall specify (i) the proposed Closing Date (which shall be a Business Day), (ii) the principal amount of LIBOR Loans to be borrowed, (iii) an irrevocable instruction to the Administrative Agent to transfer, on behalf of the Borrower, to a Dollar-denominated account of each Reference Creditor established with a financial institution in Peru acceptable to the Administrative Agent, as specified in the Loan Notice, a portion of the proceeds of such Borrowing in an amount not to exceed the portion of the Reference Indebtedness payable to such Reference Creditor (the amount of such portion identified as "Reference Indebtedness" opposite the name of such Reference Creditor in Schedule 1.01-L), on account of prepayment by the Borrower of the Reference Indebtedness and (iv) the account or accounts of the Borrower into which the funding of the remaining proceeds of the requested Borrowing should be made.

(b) Following receipt of a Loan Notice, the Administrative Agent shall promptly notify each Lender of the amount of its Applicable Percentage of the Loans. Each Lender shall make the amount of its Loan available to the Administrative Agent in immediately available funds at the Administrative Agent's Office not later than 10:00 a.m. on the Closing Date. Upon satisfaction of the applicable conditions set forth in Section 4.01, the Administrative Agent shall make all funds so received available to the Borrower in like funds as received by the Administrative Agent either by (i) with respect to any portion of the proceeds of the Borrowing used to repay Reference Indebtedness, by wire transfer of such funds, or (ii) with respect to any other portion of the proceeds of the Borrowing, by crediting the account of the Borrower on the books of the Administrative Agent with the amount of such funds or by wire transfer of such funds, in any case in accordance with instructions provided to (and reasonably acceptable to) the Administrative Agent by the Borrower in the Loan Notice.

(c) The Administrative Agent shall promptly notify the Borrower and the Lenders of the interest rate applicable to any Interest Period for LIBOR Loans upon determination of such interest rate. At any time that Base Rate Loans are outstanding, the Administrative Agent shall notify the Borrower and the Lenders of any change in Banco de Crédito del Perú's prime rate used in determining the Base Rate promptly following the public announcement of such change.

(d) There shall be a single Borrowing of the Loans, which shall be made subject to the satisfaction of the conditions set forth under Section 4.1, on the Closing Date.

(e) Each Lender at its option may make any Loan by causing any domestic or foreign Lending Office of such Lender to make such Loan; provided, however, that the exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

2.03 Optional and Mandatory Prepayments.

(a) Optional Prepayments. The Borrower may, upon notice to the Administrative Agent, at any time or from time to time voluntarily prepay the Loans in whole or in part without premium or penalty, subject to clause (c) below; provided that (i) such notice must be received by the Administrative Agent not later than 11:00 a.m. 15 Business Days prior to any date of prepayment of the Loans; and (ii) any prepayment of the Loans shall be in a principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof or, if less, the entire principal amount of the Loans then outstanding. Each such notice shall specify the date and amount of such prepayment. The Administrative Agent will promptly notify each Lender of its receipt of each such notice, and of the amount of such Lender's Applicable Percentage of such prepayment. If such notice is given by the Borrower, the Borrower shall make such prepayment and the payment amount specified in such notice shall be due and payable on the date specified therein.

(b) Mandatory Prepayments.

(i) In case of receipt by any Loan Party or any of its Subsidiaries of any Net Insurance/Condemnation Proceeds resulting in respect of any Significant Event of Loss, on or prior to the fifth Business Day succeeding the day of receipt of such Net Insurance/Condemnation Proceeds (or, with respect to any portion of such proceeds not invested pursuant to the proviso (B) of this clause (i), on or prior to the fifth Business Day succeeding the expiration of the period contemplated in such proviso), such Loan Party shall, or shall cause such Subsidiary, to prepay the Loans in an amount equal to the lesser of (i) the aggregate amount of such Net Insurance/Condemnation Proceeds and (ii) the aggregate principal of and interest on the Loans then outstanding; provided, however that (A) for so long as no Default or Event of Default shall have occurred and be continuing, such Loan Party or such Subsidiary shall have the option to invest such Net Insurance/Condemnation Proceeds within 60 days of receipt thereof (which period may be extended for up to 120 days thereafter if such Loan Party or such Subsidiary (x) has entered into binding commitments with respect thereto with an unaffiliated third party within such 60-day period, and (x) has deposited such Net Insurance/Condemnation Proceeds into a deposit account established in New York with a financial institution reasonably acceptable to the Administrative Agent and taken such actions and executed such documents as the Administrative Agent reasonably requests, so that such account is subject to a first priority fully perfected Lien securing the obligations of the Loan Parties under the Loan Documents) in assets of the general type used by such Loan Party or such Subsidiary in the Line of Business, which investment may include the repair, restoration or replacement of the applicable assets thereof, but only to the extent such Loan Party or such Subsidiary shall have delivered to the Administrative Agent no later than the fifth Business Day succeeding the day of receipt of such Net Insurance/Condemnation Proceeds, written notice setting forth such Loan Party's or such Subsidiary's intent to so invest, together with a description in reasonable detail of the assets intended to be acquired as a result of such investment; and (B) any portion of such Net Insurance/Condemnation Proceeds not invested by such Loan Party or such Subsidiary as provided herein, shall be applied to prepay the Loans as contemplated by this clause (i) not later than on the fifth Business Day following the expiration of the 60-day period mentioned above. The Administrative Agent will promptly notify each Lender of its receipt of any notice under Section 6.02(b) and of the amount of each Lender's Applicable Percentage of any prepayment to be made in connection with any such notice.

(ii) In case of receipt by any Loan Party or any of its Subsidiaries of any Net Debt Incurrence Proceeds, such Loan Party shall, or shall cause such Subsidiary, to prepay the Loans, on the fifth Business Day succeeding the day of receipt of such Net Debt Incurrence Proceeds by such Loan Party or such Subsidiary, in an amount equal to the lesser of (i) the aggregate principal of and interest on the Loans then outstanding, and (ii) the aggregate amount of such Net Debt Incurrence Proceeds. The Administrative Agent will promptly notify each Lender of its receipt of any notice under Section 6.02(c), and of the amount of each Lender's Applicable Percentage of any prepayment to be made in connection with any such notice.

(iii) In case of receipt by any Loan Party or any of its Subsidiaries of any Net Asset Sale Proceeds, on or prior to the fifth Business Day immediately succeeding the day of receipt such Net Asset Sale Proceeds (or, with respect to any portion of such proceeds not invested pursuant to the proviso (B) of this clause (iii), on or prior to the fifth Business Day following the expiration of the period contemplated in such proviso), such Loan Party shall, or shall cause such Subsidiary to, prepay the Loans, in an amount equal to the lesser of (i) the aggregate amount of such Net Asset Sale Proceeds and (ii) the aggregate principal of, and interest on, the Loans then outstanding; provided, however that (A) for so long as no Default or Event of Default shall have occurred and be continuing, such Loan Party or such Subsidiary shall have the option to invest such Net Asset Sale Proceeds within 60 days of receipt thereof (which period may be extended for up to 120 days thereafter if such Loan Party or such Subsidiary (x) has entered into binding commitments with respect thereto with an unaffiliated third party within such 60-day period, and (x) has deposited such Net Asset Sale Proceeds into a deposit account established in New York with a financial institution reasonably acceptable to the Administrative Agent and taken such actions and executed such documents as the Administrative Agent reasonably requests, so that such account is subject to a first priority fully perfected Lien securing the obligations of the Loan Parties under the Loan Documents) in assets of the general type used by such Loan Party or such Subsidiary in the Line of Business, but only to the extent such Loan Party or such Subsidiary shall have delivered to the Administrative Agent no later than the fifth Business Day succeeding the day of receipt of such Net Insurance/Condemnation Proceeds, written notice setting forth such Loan Party's or such Subsidiary's intent to so invest, together with a description in reasonable detail of the assets intended to be acquired as a result of such investment; and (B) any portion of such Net Insurance/Condemnation Proceeds not invested by such Loan Party or such Subsidiary as provided herein, shall be applied to prepay the Loans as contemplated by this clause (iii) not later than on the fifth Business Day following the expiration of the 60-day period mentioned above. The Administrative Agent will promptly notify each Lender of its receipt of any notice under Section 6.02(d), and of the amount of each Lender's Applicable Percentage of any prepayment to be made in connection with any such notice.

(iv) In the event a Change in Control occurs, the Borrower shall, substantially concurrently with the occurrence of such Change in Control, prepay all Loans then outstanding. The Borrower shall provide a notice to the Administrative Agent of any prepayment hereunder not later than 1:00 p.m. (New York City time) at least five Business Days before the date a Change of Control is consummated specifying the relevant prepayment date. Promptly following receipt of any such Prepayment Notice, the Administrative Agent shall advise the relevant Lenders of the contents thereof.

(c) Other Amounts. Each prepayment of a the Loans pursuant to this Section 2.03 shall be accompanied by all accrued interest on the amount prepaid, together with any additional amounts required pursuant to Section 3.05. Each such prepayment shall be applied to the unpaid installments of the Loans in inverse order of maturity.

2.04 Termination of Commitments.

- (a) The Commitments shall automatically terminate at 5:00 p.m. on the Termination Date.
- (b) The Borrower may not reduce or terminate the Commitments other than by utilizing the Commitments in accordance with this Agreement.

2.05 Repayment of Loans.

(a) -The Borrower hereby unconditionally promises to repay to the Administrative Agent, for the account of each Lender, the outstanding principal amount of each Loan in six consecutive installments on the Interest Payment Dates falling in the months specified below (each such Interest Payment Date, a "Principal Repayment Date"), each such installment in an amount equal to the lesser of (i) the amount set forth in the table below opposite the calendar month in which such Principal Repayment Date falls, and (ii) the principal amount of the Loans outstanding on such Principal Repayment Date; provided, however, that all unpaid principal of the Loans on the Maturity Date shall be repaid by the Borrower on the Maturity Date:

Calendar Month	Amount
October, 2022	U.S.\$41,250,000
April, 2023	U.S.\$41,250,000
October, 2023	U.S.\$41,250,000
April, 2024	U.S.\$41,250,000
October, 2024	U.S.\$41,250,000
Maturity Date	U.S.\$68,750,000

(b) The Borrower's obligations under this Agreement and the other Loan Documents are general obligations of the Borrower, and the recourse of the Lenders, the Administrative Agent and the Collateral Agent in respect thereof is not limited to the Collateral or any portion thereof or to any particular Property of the Borrower.

2.06 **Interest.**

(a) Subject to the provisions of subsection (b) below, (i) each LIBOR Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate *per annum* equal to the LIBO Rate for such Interest Period plus the Applicable Margin; and (ii) each Base Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable conversion date at a rate *per annum* equal to the Base Rate plus the Applicable Margin.

(b) Upon the occurrence and during the continuance of any Event of Default, (i) all principal of any Loan shall bear interest, payable in arrears on the dates referred to in Section 2.06(a) above and on demand, for each day until paid at a rate *per annum* equal to the rate that is 2% in excess of the interest rate then applicable to the Loans, and at any time following the termination of the Interest Period then in effect such rate shall be equal to 2% plus the Base Rate plus the Applicable Margin, and (ii) to the fullest extent permitted by applicable Law, any other amount payable hereunder that is not paid when due shall bear interest from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate *per annum* equal at all times to 2% per annum above the Base Rate.

(c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law.

(d) Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.07 **Fees.**

(a) The Borrower shall pay to the Global Coordinator, the Lead Arrangers, the Co-Arrangers, the Administrative Agent and the Lenders, as applicable, for their own respective accounts fees in the amounts and at the times specified in the Fee Letters.

(b) All fees payable hereunder or under the Fee Letters, as applicable, shall be paid on the dates due, in Dollars, in immediately available funds and shall not be subject to reduction by way of set-off or counterclaim. Fees paid hereunder or under the Fee Letters, as applicable, shall not be refundable under any circumstances.

2.08 **Computation of Interest and Fees.** All computations of interest for Base Rate Loans (including Base Rate Loans determined by reference to the LIBOR) shall be made on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed. All other computations of fees and interest shall be made on the basis of a 360-day year and actual days elapsed (which results in more fees or interest, as applicable, being paid than if computed on the basis of a 365-day year). Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall bear interest for one day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

2.09 **Evidence of Debt; Notes.**

(a) The Loans made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Loans made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error.

(b) The Loans made by each Lender shall be evidenced by a Note. The Borrower, as issuer, and each Guarantor, as guarantor (*fiador*), shall prepare, execute and deliver to such Lender a Note payable to such Lender substantially in the form of Exhibit D-I on or prior to the Closing Date. Thereafter the Loan evidenced by such Notes and interest thereon shall at all times (including after assignment pursuant to Section 11.6) be represented by one or more Notes in such form payable to the Lender named therein. Each Note shall be (i) dated as of the Closing Date and (ii) payable to such Lender on the date specified in the Instruction Letter. On or prior to the Closing Date, the Borrower and each Guarantor shall provide to each Lender a duly executed irrevocable letter of instruction (*acuerdo de llenado*) substantially in the form of Exhibit D-II (an “Instruction Letter”) pursuant to which the Borrower and each Guarantor authorizes such Lender to complete the Note issued to such Lender in accordance with such Instruction Letter.

(c) The payment of any part of the principal of any such Note shall discharge the obligation of the Borrower under this Agreement to pay principal of the Loan evidenced by such Note *pro tanto*, and the payment of any principal of a Loan in accordance with the terms hereof shall discharge the obligations of the Borrower under the Note evidencing such Loan *pro tanto*. Notwithstanding the discharge in full of any Note, (i) if the amount paid or payable under any such Note (whether arising from the enforcement thereof in Peru or otherwise) is less than the amount due and payable in accordance with this Agreement with respect to the Loan evidenced by such Note, to the fullest extent permitted under applicable Law, the Borrower agrees to pay to the Administrative Agent upon its receipt of written demand such difference and (ii) if the amount paid or payable under any such Note (whether arising from the enforcement thereof in Peru or otherwise) exceeds the amount due and payable in accordance with this Agreement with respect to the Loan evidenced by such Note, each Lender that has received any amounts under such Notes in excess of the amounts due to such Lender hereunder agrees, to the fullest extent permitted under applicable Law, to pay such excess to the Borrower upon its receipt of written demand.

(d) Upon discharge of all obligations of the Borrower under the Loan evidenced by a Note, the Lender holding such Note shall cancel such Note and promptly return it (together with its related Instructions Letter) to the Borrower.

(e) Each Lender shall be entitled to have its Notes substituted, exchanged or subdivided for Notes of lesser denominations in connection with a permitted assignment of all or any portion of such Lender's Loans and Notes pursuant to Section 11.06.

(f) Notwithstanding article 1233 of the Civil Code of Peru (Legislative Decree N° 295), the obligations under any Note shall not be extinguished even if such Note is prejudiced under the laws of Peru due to negligence of any Lender.

2.10 Payments Generally; Administrative Agent's Clawback.

(a) General. All payments to be made by any Loan Party shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff. Except as otherwise expressly provided herein, all payments by any Loan Party hereunder shall be made to the Administrative Agent, for the account of the respective Lenders to which such payment is owed, at the Administrative Agent's Office in Dollars and in immediately available funds not later than 10:00 a.m. on the date specified herein. The Administrative Agent will promptly distribute to each Lender its Applicable Percentage (or other applicable share as provided herein) of such payment in like funds as received by wire transfer to such Lender's Lending Office. All payments received by the Administrative Agent after 10:00 a.m. shall be deemed received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue. If any payment to be made by any Loan party shall come due on a day other than a Business Day, payment shall be made on the next following Business Day, and such extension of time shall be reflected in computing interest or fees, as the case may be.

(b) Failure to Satisfy Conditions Precedent. If any Lender makes available to the Administrative Agent funds for any Loan to be made by such Lender as provided in the foregoing provisions of this Article II, and such funds are not made available to the Borrower by the Administrative Agent because the conditions to the applicable Borrowing set forth in Article IV are not satisfied or waived in accordance with the terms hereof, the Administrative Agent shall return such funds (in like funds as received from such Lender) to such Lender, without interest.

(c) Obligations of Lenders Several. The obligations of the Lenders hereunder to make Loans, and to make payments pursuant to Section 11.04(c) are several and not joint. The failure of any Lender to make any Loan, or to make any payment under Section 11.04(c) on any date required hereunder shall not relieve any other Lender of its corresponding obligation to do so on such date, and no Lender shall be responsible for the failure of any other Lender to so make its Loan, or to make its payment under Section 11.04(c).

(d) Funding Source. Nothing herein shall be deemed to obligate any Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

2.11 **Sharing of Payments by Lenders**. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of the Loans made by it, resulting in such Lender's receiving payment of a proportion of the aggregate amount of such Loans and accrued interest thereon greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided that:

(i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this Section shall not be construed to apply to (x) any payment made by or on behalf of the Borrower pursuant to and in accordance with the express terms of this Agreement, or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than an assignment to the Borrower or any Affiliate thereof (as to which the provisions of this Section shall apply).

Each Loan Party consents to the foregoing and agrees, to the extent it may effectively do so under applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Loan Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Loan Party in the amount of such participation.

ARTICLE III.

TAXES, YIELD PROTECTION AND ILLEGALITY

3.01 Taxes.

(a) Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable Laws. If any applicable Laws (as determined in the good faith discretion of the Administrative Agent) require the deduction or withholding of any Tax from any such payment by the Administrative Agent or a Loan Party, then the Administrative Agent or such Loan Party shall be entitled to make such deduction or withholding.

(b) If any Loan Party or the Administrative Agent shall be required by any applicable Laws to withhold or deduct any Taxes from any payment, then (A) such Loan Party or the Administrative Agent, as required by such Laws, shall withhold or make such deductions as are determined by it to be required, (B) such Loan Party or the Administrative Agent, to the extent required by such Laws, shall timely pay the full amount withheld or deducted to the relevant Governmental Authority in accordance with such Laws, and (C) to the extent that the withholding or deduction is made on account of Indemnified Taxes, the sum payable by the applicable Loan Party shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 3.01) the applicable Recipient receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(c) Without limiting the provisions of clause (a) and (b) above, the Loan Parties shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Each of the Loan Parties shall, and does hereby, jointly and severally, indemnify each Recipient, and shall make payment in respect thereof within ten days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes asserted on or attributable to amounts payable under this Section 3.01) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) After any payment of Taxes by any Loan Party to a Governmental Authority as provided in this Section 3.01, such Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of any return required by Laws to report such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f)

(i) Any Lender that is entitled to an exemption from or reduction of Tax with respect to payments made under any Loan Document (including, without limitation, Peruvian withholding Taxes applicable to payments of interest to Lenders) shall deliver to the Borrower and the Administrative Agent, on or prior to the date on which such Lender becomes a Lender under this Agreement and at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. Notwithstanding anything to the contrary in the preceding sentence, the completion, execution and submission of any such documentation (other than such documentation set forth in Section 3.01(f)(ii)) shall not be required if in the Administrative Agent's or Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would prejudice the legal or commercial position of the Administrative Agent or such Lender.

(ii) If a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (ii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) If any Recipient determines in its sole discretion that it has received a refund of any Taxes as to which it has been indemnified by any Loan Party or with respect to which any Loan Party has paid additional amounts pursuant to this Section 3.01, it shall pay to the Loan Party an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by a Loan Party under this Section 3.01 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) incurred by such Recipient, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Loan Party, upon the request of the Recipient, agrees to repay the amount paid over to the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Recipient in the event the Recipient is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the applicable Recipient be required to pay any amount to the Loan Party pursuant to this clause (g), the payment of which would place the Recipient in a less favorable net after-Tax position than such Recipient would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any Recipient to make available its tax returns (or any other information relating to its taxes that it deems confidential) to any Loan Party or any other Person.

(h) Each party's obligations under this Section 3.01 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Loans and the repayment, satisfaction or discharge of all other Obligations.

3.02 Illegality. If any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make, maintain or fund Loans whose interest is determined by reference to the LIBO Rate, or to determine or charge interest rates based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, (i) any obligation of such Lender to make or continue LIBOR Loans shall be suspended, and (ii) if such notice asserts the illegality of such Lender maintaining Base Rate Loans the interest rate on which is determined by reference to the LIBO Rate component of the Base Rate, the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBO Rate component of the Base Rate, in each case until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (x) the Borrower shall, upon demand from such Lender (with a copy to the Administrative Agent), prepay or, if applicable, convert all LIBOR Loans of such Lender to Base Rate Loans (the interest rate on which Base Rate Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the LIBO Rate component of the Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Loans and (y) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the LIBO Rate, the Administrative Agent shall during the period of such suspension compute the Base Rate applicable to such Lender without reference to the LIBO Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBO Rate. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted.

3.03 Inability to Determine Rates.

(a) If in connection with any request for a LIBOR Loan (i) the Administrative Agent determines that (1) Dollar deposits are not being offered to banks in the London interbank Eurodollar market for the applicable amount and Interest Period of such LIBOR Loan, or (2) adequate and reasonable means do not exist for determining the LIBO Rate for any requested Interest Period with respect to a proposed LIBOR Loan or in connection with an existing Base Rate Loan (in each case with respect to clause (i)(1) above, "Impacted Loans"), or (ii) the Administrative Agent determines that for any reason the LIBO Rate for any Interest Period with respect to a proposed LIBOR Loan does not adequately and fairly reflect the cost to such Lenders of funding such LIBOR Loan, the Administrative Agent will promptly so notify the Borrower and each Lender. Thereafter, (x) the obligation of the Lenders to make or maintain LIBOR Loans shall be suspended (to the extent of the affected LIBOR Loans or Interest Periods), and (y) in the event of a determination described in the preceding sentence with respect to the LIBO Rate component of the Base Rate, the utilization of the LIBO Rate component in determining the Base Rate shall be suspended, in each case until the Administrative Agent (upon the instruction of the Required Lenders) revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a Borrowing of LIBOR Loans (to the extent of the affected LIBOR Loans or Interest Periods) or, failing that, will be deemed to have converted such request into a request for a Borrowing of Base Rate Loans in the amount specified therein.

Notwithstanding the foregoing, if the Administrative Agent has made the determination described in clause (i)(1) of this section, the Administrative Agent, in consultation with the Borrower and the affected Lenders, may establish an alternative interest rate for the Impacted Loans, in which case, such alternative rate of interest shall apply with respect to the Impacted Loans until (x) the Administrative Agent revokes the notice delivered with respect to the Impacted Loans under clause (i) of the first sentence of this section, (y) the Lenders notify the Administrative Agent and the Borrower that such alternative interest rate does not adequately and fairly reflect the cost to such Lenders of funding the Impacted Loans, or (z) any Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or its applicable Lending Office to make, maintain or fund Loans whose interest is determined by reference to such alternative rate of interest or to determine or charge interest rates based upon such rate or any Governmental Authority has imposed material restrictions on the authority of such Lender to do any of the foregoing and provides the Administrative Agent and the Borrower written notice thereof.

(b)

(i) Notwithstanding anything to the contrary in this Agreement or any other Loan Document, upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, the Administrative Agent and the Borrower may amend this Agreement to replace the LIBO Rate with a Benchmark Replacement. Any such amendment with respect to a Benchmark Transition Event will become effective at 5:00 p.m. (New York time) on the fifth Business Day after the Administrative Agent has posted such proposed amendment to all Lenders and the Borrower so long as the Administrative Agent has not received, by such time, written notice of objection to such amendment from any Lender. Any such amendment with respect to an Early Opt-in Election will become effective on the first date on which each of the Lenders shall have delivered to the Administrative Agent written notice that such Lender accepts such amendment. No replacement of the LIBO Rate with a Benchmark Replacement pursuant to this Section 3.03(b) will occur prior to the applicable Benchmark Transition Start Date.

(ii) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement.

(iii) The Administrative Agent will promptly notify the Borrower and the Lenders of (A) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date and Benchmark Transition Start Date, (B) the implementation of any Benchmark Replacement, (C) the effectiveness of any Benchmark Replacement Conforming Changes and (D) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or Lenders pursuant to this [Section 3.03\(b\)](#), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party hereto, except, in each case, as expressly required pursuant to this [Section 3.03\(b\)](#).

(iv) Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Loan of, conversion to or continuation of Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period, (x) the component of the Base Rate based upon the LIBO Rate will not be used in any determination of the Base Rate, and (y) beginning on the first day of any Interest Period starting after receipt of a notice of commencement of a Benchmark Unavailability Period from the Administrative Agent and until (but excluding) the first day of any succeeding Interest Period after a receipt of a notice of conclusion of a Benchmark Unavailability Period from the Administrative Agent, any Loans then outstanding shall bear interest at a rate equal to the Base Rate plus the applicable Applicable Margin.

3.04 **Increased Costs.**

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender;

(ii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) and (c) of the definition of Excluded Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or LIBOR Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting to, continuing or maintaining any Loan the interest on which is determined by reference to the LIBO Rate (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon request of such Lender, the Borrower will pay to such Lender, such additional amount or amounts as will compensate such Lender, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Lender determines that any Change in Law affecting such Lender or any Lending Office of such Lender or such Lender's holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender, such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in subsection (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within ten days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender to demand compensation pursuant to the foregoing provisions of this Section 3.04 shall not constitute a waiver of such Lender's right to demand such compensation, provided that the Borrower shall not be required to compensate a Lender pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than six months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

3.05 **Compensation for Losses.** Upon demand of any Lender (with a copy to the Administrative Agent) from time to time, the Borrower shall promptly compensate such Lender for and hold such Lender harmless from any loss, cost or expense incurred by it as a result of:

- (a) any failure by the Borrower in making the Borrowing of the LIBOR Loans after the Borrower has delivered a Loan Notice in accordance with Section 2.02 (including as a result of the failure of any of the conditions set forth in Article IV to be satisfied);
- (b) any continuation, conversion, payment or prepayment of any Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or
- (c) any failure by the Borrower (for a reason other than the failure of such Lender to make a Loan) to prepay, borrow, continue or convert any Loan on the date or in the amount notified by the Borrower;

excluding any loss of anticipated profits but including any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained.

For purposes of calculating amounts payable by the Borrower to the Lenders under this Section 3.05, each Lender shall be deemed to have funded each LIBOR Loan made by it at the LIBO Rate for such Loan by a matching deposit or other borrowing in the London interbank Eurodollar market for a comparable amount and for a comparable period, whether or not such LIBOR Loan was in fact so funded.

3.06 **Mitigation Obligations.** If any Lender requests compensation under Section 3.04, or requires any Loan Party to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 (but in the case of Section 3.01 only to the extent the obligation to pay any such Indemnified Taxes or additional amounts results from a Change in Law after the Closing Date) or if any Lender gives a notice pursuant to Section 3.02, then at the request of the Borrower such Lender shall, as applicable, use reasonable efforts to designate a different Lending Office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.01 or 3.04, as the case may be, in the future, or eliminate the need for the notice pursuant to Section 3.02, as applicable, and (ii) in each case, would not subject such Lender, to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

3.07 **Survival.** All of the Borrower's obligations under this Article III shall survive termination of the Aggregate Commitments, repayment of all other Obligations hereunder, and resignation of the Administrative Agent.

3.08 Replacement of Lenders Under Certain Circumstances.

(a) If (i) any Lender requests compensation under Section 3.04, (ii) any Loan Party is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.01 (but in the case of Section 3.01 only to the extent the obligation to pay any such Indemnified Taxes or additional amounts results from a Change in Law after the Closing Date) or (iii) any Lender is a Non-Consenting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 11.06), all of its interests, rights (other than its existing right to payments pursuant to Sections 3.01 and 3.04) and obligations under this Agreement and the related Loan Documents to one or more assignees that shall assume such obligations (any of which assignee may be another Lender, if a Lender accepts such assignment); provided, that:

(i) the Borrower shall have paid to the Administrative Agent the assignment fee specified in Section 11.06(b)(iv);

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts payable under Section 3.05) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) the assignee shall become a Lender hereunder and the assigning Lender shall cease to constitute a Lender hereunder with respect to such assigned Loans, Commitments and participations, except with respect to indemnification provisions under this Agreement, which shall survive as to such assigning Lender;

(iv) in the case of any such assignment resulting from a claim for compensation under Section 3.04 or payments required to be made pursuant to Section 3.01, such assignment will result in a reduction in such compensation thereafter;

(v) in the case of any such assignment resulting from a Lender being a Non-Consenting Lender, the assignee shall consent, at the time of such assignment, to each matter in respect of which such Lender being replaced was a Non-Consenting Lender; and

(vi) such assignment does not conflict with applicable Laws.

(b) A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

ARTICLE IV.

CONDITIONS PRECEDENT TO CREDIT EXTENSIONS

4.01 **Conditions for Closing and Credit Extension.** The obligation of each Lender to make its Loan shall not become effective until the date on which the Administrative Agent shall have received each of the following documents (each of which shall be originals or telecopies (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Loan Party, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date)) or the following conditions precedent shall have been satisfied, as applicable (but in any event by no later than July 12, 2016), each of which shall be reasonably satisfactory to the Administrative Agent (and to the extent specified below, each Lender):

(a) **Loan Documents.** The Administrative Agent shall have received executed counterparts of each Loan Document, sufficient in number for distribution to the Administrative Agent, each Lender and the Borrower, duly executed and delivered by each of the parties named as a proposed signatory thereto, and each Loan Document shall be in full force and effect.

(b) **Organization Documents.** The Administrative Agent shall have received certified copies of the Organization Documents, of each Loan Party and of all corporate authority for such Loan Party (including, without limitation, all necessary action of the board of directors, shareholders, or other governing body) with respect to the execution, delivery and performance of each Loan Document to which each such Loan Party is intended to be a party and each other document to be signed and delivered by such Loan Party from time to time in connection herewith and with the Loans.

(c) **Financial Statements.** The Administrative Agent shall have received the financial statements described in Section 5.05 and financial projections of the Borrower and its Subsidiaries on a Consolidated basis for each of the fiscal years ending on or prior to December 31, 2021 and such financial statements shall be in form and substance reasonably satisfactory to the Administrative Agent. Such financial statements shall not be materially inconsistent with the financial statements or other information previously provided to the Administrative Agent.

(d) **Legal Opinions.** The Administrative Agent shall have received the following legal opinions, each dated as of the Closing Date, in the English language, addressed to the Administrative Agent and each Lender:

(i) an opinion of García Sayan Abogados, special Peruvian counsel to the Loan Parties, in the form of Exhibit F, with customary qualifications and exceptions reasonably acceptable to the Administrative Agent and its counsel (and each Loan Party has instructed such counsel to deliver such opinion to the Administrative Agent and the Lenders);

(ii) an opinion of Milbank, Tweed, Hadley & McCloy, LLP special New York counsel to the Loan Parties, in the form of Exhibit G, with customary qualifications and exceptions reasonably acceptable to the Administrative Agent and its counsel (and each Loan Party has instructed such counsel to deliver such opinion to the Administrative Agent and the Lenders);

(iii) an opinion of Payet, Rey, Cauvi, Pérez Abogados, special Peruvian counsel to the Administrative Agent, covering such matters relating to the transactions contemplated hereby as the Administrative Agent may reasonably request;

(iv) an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special New York counsel to the Administrative Agent, covering such matters relating to the transactions contemplated hereby as the Administrative Agent may reasonably request.

(e) Officer's Certificate. The Administrative Agent shall have received a certificate of each Loan Party dated as of the Closing Date, substantially in the form of Exhibit H, with appropriate insertions and attachments, in form and substance reasonably satisfactory to the Administrative Agent and its counsel, each executed by a Responsible Officer of such Loan Party.

(f) Solvency Certificate. The Administrative Agent shall have received a certificate of the Borrower, substantially in the form of Exhibit I, executed by the chief financial officer, principal accounting officer, treasurer or controller of the Borrower confirming the Solvency of the Borrower and its Subsidiaries on a Consolidated basis as of the Closing Date (after giving effect on a *pro forma* basis to the occurrence of the Closing Date and the consummation of the Transactions).

(g) Existing Debt Refinancing. The Borrower shall have made arrangements in substance and form reasonably satisfactory to the Administrative Agent and the Lenders, so that substantially concurrently with the making of the Loans hereunder, each and all obligations of the Borrower arising out of or in connection with the Reference Loan Documents shall have been paid in full in accordance with the terms thereof, and each such Reference Loan Document shall have been terminated.

(h) Payment of Fees. The Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers and the Lenders shall have received all costs, fees, expenses (including, without limitation, the fees and expenses of Payet, Rey, Cauvi, Pérez Abogados and Skadden, Arps, Slate, Meagher & Flom LLP, special Peruvian and New York counsel, respectively, to the Administrative Agent) and other consideration presented for payment required to be paid on or before the Closing Date.

(i) Material Adverse Effect. Since December 31, 2015, no event, development or circumstance has occurred that has had or could reasonably be expected to have a Material Adverse Effect, both immediately prior to the occurrence of the Closing Date and also after giving effect thereto, including the making of the Loans on the Closing Date and the intended use thereof.

(j) Material Adverse Change. No event, development or circumstance has occurred that has had or could reasonably be expected to have, as determined by the Administrative Agent in its reasonable discretion, a material adverse change or material disruption in the Peruvian and/or international financial, banking or capital markets, and/or a material adverse change in the political or financial stability or condition of Peru.

(k) Representations and Warranties. Each of the representations and warranties of the Borrower and each Guarantor set out in this Agreement and in each of the Loan Documents to which the Borrower or each such Guarantor is a party shall be (i) if such representation and warranty is qualified as to materiality or by reference to the existence of a Material Adverse Effect, true and correct (as so qualified) on and as of the Closing Date, or (ii) if such representation and warranty is not so qualified, true and correct in all material respects on and as of the Closing Date.

(l) No Default or Event of Default. No event, act or condition shall have occurred and be continuing or would result from the execution, delivery or performance of this Agreement or the other Loan Documents (including after giving effect to the occurrence of the Closing Date and the funding of the Loans hereunder) which would constitute a Default or an Event of Default (disregarding any cure period therefor).

(m) No Order. There shall not (i) be in effect any statute, regulation, order, decree or judgment of any Governmental Authority that makes illegal or enjoins or prevents the consummation of the Transactions, or (ii) have been commenced any action, suit, investigation or proceeding or, to the knowledge of any of the Loan Parties, threatened in any court or before any Governmental Authority that could reasonably be expected to have a Material Adverse Effect on the ability of the Loan Parties to perform their obligations under the Loan Documents.

(n) Governmental Approvals. The Administrative Agent shall have received all governmental, shareholder and third party consents and approvals necessary in connection with the Transactions and expiration of all applicable waiting periods without any action being taken by any authority that could restrain, prevent or impose any material adverse conditions on any of the Loan Parties or the Transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable that in the judgment of the Administrative Agent could have such effect.

(o) Process Agent Acceptance. Each Loan Party shall have appointed the Process Agent as its agent for service of process in New York in respect of any dispute arising from or relating to this Agreement and the other Loan Documents to which it is a party, and shall have furnished evidence of such appointment and a Process Agent Acceptance, duly executed and delivered by the Process Agent.

(p) Taxes. All applicable stamp taxes and duties due and payable, if any, arising in connection with the execution, delivery and performance of this Agreement and the other Loan Documents shall have been paid in full.

(q) Loan Notice. The Administrative Agent shall have received a Loan Notice as required by Section 2.02(b), requesting the borrowing of the LIBOR Loans to be made on the Closing Date.

(r) Notes. Each Lender shall have received its corresponding Note (together with its Instructions Letter), evidencing the Loan required to be made by such Lender on the Closing Date, duly executed and delivered by the Loan Parties, dated as of the Closing Date complying with the provisions of Section 2.09(b).

(s) KYC Requirements. Each Lender shall have received all documentation and other information that such Lender requires in order to comply with its obligations under applicable “know your customer” rules and regulations, including the USA PATRIOT Act; provided that such information is requested by the Administrative Agent to the Borrower not earlier than five business days prior to the Closing Date.

Without limiting the generality of the provisions of the last paragraph of Section 9.03, for purposes of determining compliance with the conditions specified in this Section 4.01, each Lender that has signed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless the Administrative Agent shall have received notice from such Lender prior to the proposed Closing Date specifying its objection thereto.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders to enter into this Agreement and to make the Loans, the Loan Parties, jointly and severally, represent and warrant to the Administrative Agent and the Lenders that:

5.01 **Existence, Qualification and Power**. Each Loan Party and each Material Subsidiary thereof (a) is duly organized or formed, validly existing and, as applicable, in good standing under the Laws of the jurisdiction of its incorporation or organization, (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (i) own or lease its assets and carry on its business and (ii) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (c) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (b)(i) or (c), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.02 **Authorization; No Contravention**. The execution, delivery and performance by each Loan Party of each Loan Document to which such Person is party, have been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of such Person’s Organization Documents; (b) conflict with or result in any breach or contravention of, or the creation of any Lien (other than Liens created under the Collateral Documents) under, or require any payment to be made under (i) any Contractual Obligation to which such Person is a party or affecting such Person or the properties of such Person or any of its Subsidiaries, (ii) any Mining Concession, or (iii) any order, injunction, writ or decree of any Governmental Authority or any arbitral award to which such Person or its property is subject; or (c) violate any Law.

5.03 **Governmental Authorization; Other Consents.** No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority (including, without limitation, MEM or the OSINERGMIN) or any other Person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Loan Party of this Agreement or any other Loan Document.

5.04 **Binding Effect.**

(a) This Agreement has been, and each other Loan Document, when delivered hereunder, will have been, duly executed and delivered by each Loan Party that is party thereto. This Agreement constitutes, and each other Loan Document when so delivered will constitute, a legal, valid and binding obligation of such Loan Party, enforceable against each Loan Party that is party thereto in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) Each of the Notes shall entitle the holder thereof to commence an executory proceeding (*proceso único de ejecución*) against each Loan Party in the Peruvian courts. If any Lender enforces any Note before the courts of Peru, it shall not be required to evidence to the Borrower or any other Person that such Note represents obligations of the Borrower under this Agreement nor that any condition herein has been satisfied.

5.05 **Financial Statements; No Material Adverse Effect.**

(a) The Audited Financial Statements (i) were prepared in accordance with IFRS consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with IFRS consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other material liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness.

(b) The unaudited statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows of the Borrower and its Subsidiaries dated March 31, 2016 (i) were prepared in accordance with IFRS consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (ii) fairly present in all material respects the financial condition of the Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby, subject, in the case of clauses (i) and (ii), to the absence of footnotes and to normal year-end audit adjustments.

(c) Since December 31, 2015, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(d) Except as set forth in Schedule 7.03(b), no Loan Party has any Indebtedness outstanding as of the Closing Date.

(e) As of the Closing Date, none of the Loan Parties or any Material Subsidiary thereof has any material contingent liabilities, liabilities for taxes, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in the foregoing financial statements (including the notes thereto).

5.06 **Litigation.** There are no actions, suits, proceedings, claims or disputes pending or, to the knowledge of the Loan Parties, threatened, at law, in equity, in arbitration or before any Governmental Authority (including, without limitation, MEM or the OSINERGMIN), by or against any Loan Party or any of their respective Subsidiaries or against any of their properties or revenues that (a) purport to affect or pertain to this Agreement or any other Loan Document, or any of the Transactions, or (b) except as specifically disclosed in Schedule 5.06, either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect, and there has been no adverse change in the status, or financial effect on any Loan Party or any Subsidiary thereof, of the matters described on Schedule 5.06.

5.07 **No Default.**

(a) Neither any Loan Party nor any Subsidiary thereof is in default under or with respect to any Contractual Obligation that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Neither any Loan Party nor any Material Subsidiary thereof is in default under or with respect to any Mining Concession that could, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) No Default or Event of Default has occurred and is continuing or would result from the consummation of the Transactions.

5.08 **Ownership of Property; Liens.** Each Loan Party and each of their respective Material Subsidiaries has good and valid title in, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The property of the Borrower and its Material Subsidiaries is subject to no Liens, other than Liens permitted by Section 7.01.

5.09 **Environmental Compliance.** Each Loan Party and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof the Loan Parties have reasonably concluded that, except as specifically disclosed in Schedule 5.09, such Environmental Laws and claims could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.10 **Insurance.** The properties of the Loan Parties and their respective Material Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of any Loan Party, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in localities where the Loan Parties or the applicable Material Subsidiary operates.

5.11 **Taxes.**

(a) The Loan Parties and their respective Material Subsidiaries have filed all federal, state and other material tax returns and reports required to be filed, and have paid all federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with IFRS. There is no proposed tax assessment against any Loan Party or any Subsidiary thereof that would, if made, have a Material Adverse Effect.

(b) Under applicable Law, there is no restriction or limitation on the obligation of the Loan Parties to pay any additional amounts payable pursuant to Section 3.01(b).

5.12 **Subsidiaries; Equity Interests.**

(a) As of the Closing Date, the Loan Parties have no Subsidiaries other than those specifically disclosed in Schedule 5.12, and all of the outstanding Equity Interests in such Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by each Loan Party in the amounts specified in Schedule 5.12 free and clear of all Liens, except those created under the Collateral Documents. The Loan Parties have no equity investments in any other corporation or entity other than those specifically disclosed in Schedule 5.12. All of the outstanding Equity Interests in each Guarantor have been validly issued, are fully paid and nonassessable and are owned by the Persons and in the amounts specified in Schedule 5.12 free and clear of all Liens, except those created under the Collateral Documents.

(b) Except as set forth in Schedule 5.12 there are no outstanding rights, plans, options, warrants, calls, conversion rights or any obligations, agreements, arrangements or commitments of any character, either firm or conditional (including without limitation pursuant to uncanceled capital contributions), obligating any Loan Party to issue, deliver or sell, or cause to be issued, delivered or sold, any capital stock or any securities exchangeable for, or convertible into, capital stock or obligating any Loan Party to grant, extend or enter into any such agreement, arrangement, requirement or commitment or providing for the right on the part of any shareholder to subscribe for such shares.

5.13 Margin Regulations; Investment Company Act.

(a) None of the Loan Parties are engaged nor will they engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Loan Parties is or is required to be registered as an “investment company” under the Investment Company Act of 1940, as amended. The Loan Parties are not subject to any regulation which limits their ability to incur Indebtedness hereunder or satisfy their obligations under the Loan Documents.

5.14 Disclosure. The Borrower has disclosed under Part I, Item 10, Section C of the annual report of the Borrower most recently filed with the SEC prior to the Closing Date, all agreements or instruments, other than contracts entered into in the ordinary course of business, that, if breached or terminated, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No report, financial statement, certificate or other information furnished (in writing) by or on behalf of any Loan Party to the Administrative Agent, any Lender or any of their consultants in connection with the Transactions and the negotiation of this Agreement or delivered hereunder or under any other Loan Document (in each case, as modified or supplemented by other information so furnished), when taken as a whole, contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Loan Parties represent only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time, it being recognized by the Lenders that such projected financial information as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projected financial information may differ from the projected results.

5.15 Compliance with Laws. Each Loan Party and each Subsidiary thereof is in compliance in all material respects with the requirements of all applicable Laws (including, without limitation, the General Mining Law) and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.16 Intellectual Property; Licenses, Etc. Each Loan Party and each Material Subsidiary thereof owns, or possesses the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights that are reasonably necessary for the operation of its respective businesses, without conflict with the rights of any other Person. To the best knowledge of the Loan Parties, no slogan or other advertising device, product, process, method, substance, part or other material now employed, or now contemplated to be employed, by any Loan Party or any Material Subsidiary thereof infringes upon any rights held by any other Person.

5.17 **Legal Form.**

(a) Each of the Loan Documents to which any Loan Party is a party is in proper legal form under the laws of the jurisdiction of such Loan Party for the enforcement thereof against such Loan Party under such law. To ensure the legality, validity, enforceability or admissibility in evidence of this Agreement and each other Loan Document in the jurisdiction of each Loan Party, it is not necessary that (i) this Agreement or any other Loan Document be filed or recorded with any Governmental Authority in such jurisdiction; or (ii) that any stamp or similar tax be paid on or in respect of this Agreement or any other document to be furnished under this Agreement, unless such stamp or similar taxes have been paid by the Loan Parties.

(b) Under current laws and regulations of Peru and each political subdivision thereof, all interest, principal, premium, if any, and other payments due or to be made pursuant to the Loan Documents may be freely transferred out of Peru and may be paid in, or freely converted into, Dollars.

5.18 **Labor Matters.** There is (i) no unfair labor practice complaint pending or threatened against any Loan Party or any Subsidiary thereof or before any other Governmental Authority, and no grievance or arbitration proceeding arising out of or under any collective bargaining agreement is so pending or threatened against any Loan Party or any Subsidiary thereof, (ii) no strike, labor dispute, slowdown or stoppage pending or threatened against any Loan Party or any Subsidiary thereof, (iii) no representation proceeding pending with any Governmental Authority involving the employees of any Loan Party or of any Subsidiary thereof, (iv) no union representation question existing with respect to the employees of any Loan Party or any Subsidiary thereof and (v) no union organizing activity taking place, except, in each case with respect to (i) through (v), as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.19 **Solvency.** Upon giving effect to the execution and delivery of the Loan Documents by the parties thereto and the consummation of the Transactions, the Loan Parties will be Solvent as of the Closing Date.

5.20 **Rank of Debt.** The obligations evidenced by each Loan Document to which each Loan Party is a party are and will at all times be direct and unconditional general obligations of each such Loan Party and rank and will at all times rank in right of payment and otherwise at least *pari passu* with all other senior unsecured Indebtedness of such Loan Party, if any, whether now existing or hereafter outstanding.

5.21 **Commercial Activity; Absence of Immunity.** Each Loan Party is subject to civil and commercial law with respect to its obligations under this Agreement, and each other Loan Document to which it is a party. The execution, delivery and performance by each Loan Party of this Agreement and each other Loan Document to which it is a party constitute private and commercial acts rather than public or governmental acts. No Loan Party nor any property of any Loan Party is entitled to any right of immunity in any jurisdiction from suit, court jurisdiction, judgment, attachment (whether before or after judgment), setoff or execution of a judgment or from any other legal process or remedy relating to its obligations under this Agreement or any of the other Loan Documents to which it is a party.

5.22 Use of Proceeds.

(a) The Borrower will use the proceeds of the Loans solely (i) to prepay the Reference Indebtedness, (ii) for other general corporate purposes and (iii) to pay the fees and expenses incurred in connection with the transactions contemplated herein.

(b) No part of the proceeds of the Loans will be used for “purchasing” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter be in effect or for any purpose which violates or is inconsistent with the provisions of Regulation U or Regulation X of the FRB. The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U issued by the FRB), or extending credit for the purpose of purchasing or carrying margin stock.

(c) No part of the proceeds of the Loans will be used to fund any “project” (*Proyecto*), within the meaning of such quoted term under *Resolución SBS No 1928-2015* of the Peruvian *Superintendencia de Banca, Seguros y AFP* as now and from time to time hereafter be in effect or for any purpose which violates or is inconsistent with the provisions of *Resolución SBS No 1928-2015* of the Peruvian *Superintendencia de Banca, Seguros y AFP*.

(d) No part of the proceeds of the Loans will be used to finance (i) production or commercialization of arms, munition and any kind of military equipment or weapons of war, and generally goods and services destined to military use, (ii) production or commercialization of radioactive materials, except for those that are intended for medical or scientific purposes, (iii) production or commercialization of any product or activity which is illegal under applicable Law, (iv) gambling, casinos and similar enterprises, regardless of the means by which the activity is carried out (electric, through the internet or otherwise), or whether the activity is legal or illegal, (v) trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, (vi) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest (prohibited by the Forestry policy under applicable Law), (vii) production or commercialization of pesticides and herbicides subject to restrictions or international prohibitions according to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, or (viii) production or trade in ozone depleting substances subject to international phase out according to the Montreal Protocol.

5.23 Transaction Documents.

(a) No “default,” “event of default” or similar event has occurred and is continuing under any Reference Loan Document. Schedule 1.01-I sets forth the aggregate amount of principal, interest, fees, premium, penalties, rental payments and all other amounts outstanding under each Reference Loan Document and payable by the Borrower to each Reference Creditor opposite to each such Reference Creditor’s name in such Schedule 1.01-I.

(b) The Borrower has delivered to the Administrative Agent a true, correct and complete copy of the Cerro Verde Subordinated Loan Agreement as in effect on the date hereof duly executed and delivered by the parties thereto. No provision of the Cerro Verde Subordinated Loan Agreement has been amended, supplemented or modified in any respect prior to the date hereof, other than as disclosed in writing to the Administrative Agent on or prior to the date hereof. The Cerro Verde Subordinated Loan Agreement has been validly authorized, executed and delivered by each party thereto and constitutes the valid and binding obligation of each party thereto in accordance with the terms thereof. No “default,” “event of default” or similar event has occurred and is continuing under the Cerro Verde Subordinated Loan Agreement. As of the Closing Date, the aggregate amount of Investments made by the Borrower in Cerro Verde pursuant to the Subordinated Loan Agreement is U.S.\$124,800,000.

5.24 **Permits.**

(a) Set forth in Schedule 5.24(a) is a list of all Permits that are required as of the date hereof. Except as (i) disclosed in Schedule 5.24(a) or (ii) the failure of which could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, the Loan Parties and their respective Material Subsidiaries have obtained all Permits set forth in Schedule 5.24(a), all of which are in full force and effect, and the Loan Parties and their respective Material Subsidiaries are in compliance with all such Permits. The Borrower has not received any notice of proceedings relating to the revocation, cancellation, expropriation or materially adverse modification of any such Permit.

(b) The Borrower has no reason to believe that:

(i) any Permit set forth in Schedule 5.24(a) which requires renewal will not be renewed as and when required under applicable Law and without imposing any further material adverse restrictions or conditions thereon;

(ii) any such Permit will be withdrawn, suspended, cancelled, varied, surrendered or revoked unless no longer required pursuant to applicable Law; or

(iii) any such Permit required to be obtained following the date hereof will not be obtained in the ordinary course.

5.25 **Huanza Non-Recourse Indebtedness.** As of the Closing Date, all Indebtedness of Huanza constitutes Non-Recourse Indebtedness.

5.26 **Sanctions.**

(a) None of the Loan Parties or any of their respective Subsidiaries or, to the knowledge of such Loan Party, any of the respective directors, officers, employees, agents or Affiliates of the Loan Parties or any of its Subsidiaries is: (i) a Sanctions Target; or (ii) subject to any action, proceeding, litigation, claim or investigation with regard to any actual or alleged violation of Sanctions.

(b) Each of the Loan Parties and their respective Subsidiaries have instituted and maintain policies and procedures designed to promote and achieve compliance with applicable Sanctions.

5.27 **Anti-Corruption Laws.**

(a) None of the Loan Parties or any of their Subsidiaries or, to the knowledge of such Loan Party, any of their respective directors, officers, agents or employees has taken any action, directly or indirectly, that would constitute a violation by such Persons of applicable Anti-Corruption Laws.

(b) Each of the Loan Parties and their respective Subsidiaries have instituted and maintain policies and procedures designed to promote and achieve compliance with applicable Anti-Corruption Laws.

5.28 **Anti-Money Laundering Laws.** None of the Loan Parties or any of their Subsidiaries or, to the knowledge of such Loan Party, any of their respective directors, officers, employees, agents, or Affiliates is or has been subject to any action, proceeding, litigation, claim or investigation with regard to any actual or alleged violation of Anti-Money Laundering Laws.

5.29 **Collateral Documents**

(a) Effective as of the date of the Cerro Verde Share Pledge Agreement, the provisions of the Cerro Verde Share Pledge Agreement are effective to create in favor of the Collateral Agent a legal, valid and enforceable fully perfected Lien in all property required to be pledged thereunder in accordance with the terms thereof, subject to no other Liens.

(b) Effective as of the date of the El Brocal Share Pledge Agreement, the provisions of the El Brocal Share Pledge Agreement are effective to create in favor of the Collateral Agent a legal, valid and enforceable fully perfected Lien in all property required to be pledged thereunder in accordance with the terms thereof, subject to no other Liens.

(c) Effective as of the date of the Huanza Share Pledge Agreement, the provisions of the Huanza Share Pledge Agreement are effective to create in favor of the Collateral Agent a legal, valid and enforceable fully perfected Lien in all property required to be pledged thereunder in accordance with the terms thereof, subject to no other Liens.

(d) Effective as of the date of the Yanacocha Share Pledge Agreement, the provisions of the Yanacocha Share Pledge Agreement are effective to create in favor of the Collateral Agent a legal, valid and enforceable fully perfected Lien in all property required to be pledged thereunder in accordance with the terms thereof, subject to no other Liens.

(e) Neither the establishment of the Liens created by the Collateral Documents, nor the exercise of the rights and remedies contemplated by the Collateral Documents contravenes any provision of applicable Law or any order, writ, injunction or decree of any Governmental Authority.

(f) None of the Loan Parties has received any notice of any adverse claims by any Person in respect of its ownership or entitlement to the assets and rights assigned as Collateral, and the Collateral and the distribution of the proceeds resulting from the enforcement of the Collateral Documents shall be governed solely by the terms of the Collateral Documents and applicable Law.

ARTICLE VI.

AFFIRMATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than (i) contingent indemnification obligations and (ii) expense reimbursement obligations, in each case, which are not yet due and payable and for which no claim has been made):

6.01 **Financial Statements.** The Loan Parties, jointly and severally, agree to deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, (i) the consolidated statements of financial position and related consolidated statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Borrower and its Subsidiaries as of the end of such fiscal year setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with IFRS, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to the Required Lenders, which report and opinion shall be prepared in accordance with generally accepted auditing standards and shall not be subject to any “going concern” or like qualification or exception or any qualification or exception as to the scope of such audit to the effect that such Consolidated financial statements are fairly stated in all material respects when considered in relation to the Consolidated financial statements of the Borrower and its Subsidiaries, and (ii) the unaudited consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows of the Borrower and its Subsidiaries for the fourth fiscal quarter of such fiscal year, setting forth in comparative form, as applicable, the figures for the corresponding fiscal quarter of the previous fiscal year, all in reasonable detail, certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of profit and loss and cash flows of the Borrower and its Subsidiaries in accordance with IFRS, subject only to normal year-end audit adjustments and the absence of footnotes; and

(b) as soon as available, but in any event within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, the unaudited consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of cash flows of the Borrower and its Subsidiaries for such fiscal quarter and for the portion of the Borrower’s fiscal year then ended in each case setting forth in comparative form, as applicable, the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail, certified by a Responsible Officer of the Borrower as fairly presenting the financial condition, results of profit and loss and cash flows of the Borrower and its Subsidiaries in accordance with IFRS, subject only to normal year-end audit adjustments and the absence of footnotes.

6.02 **Certificates; Other Information.** The Loan Parties, jointly and severally, agree to deliver to the Administrative Agent and each Lender, in form and detail reasonably satisfactory to the Administrative Agent and the Required Lenders:

(a) concurrently with the delivery of the financial statements referred to in Sections 6.01(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of the Borrower (which delivery may, unless the Administrative Agent, or a Lender requests executed originals, be by electronic communication including fax or email and shall be deemed to be an original authentic counterpart thereof for all purposes) (i) certifying as to whether a Default or Event of Default has occurred and, if a Default or Event of Default has occurred, specifying the details thereof and any action taken or proposed to be taken by the Loan Parties with respect thereto, (ii) certifying the compliance by the Loan Parties with Sections 7.03(g), 7.11 and 10.17(b) and setting forth in reasonable detail the calculations required to establish the compliance by the Loan Parties with such section, and (iii) stating whether any change in IFRS or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4.01 or Section 5.01(a), as applicable, and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(b) promptly after determining that a Significant Event of Loss with respect to any asset or property of any Loan Party or any of its Subsidiaries has occurred, a certificate signed by a Responsible Officer of such Loan Party, describing in detail the nature of such Significant Event of Loss, the property or asset affected thereby, the insurance covering such Significant Event of Loss, the aggregate Net Insurance/Condemnation Proceeds received by such Loan Party or such Subsidiary (together with calculations in reasonable detail in connection thereto) and the actions proposed to be taken by such Loan Party in connection therewith to comply with Section 2.03(b)(i);

(c) not later than five Business Days prior to the day on which any Loan Party becomes required to use, or to cause any of its Subsidiaries to use, Net Debt Incurrence Proceeds to prepay the Loans pursuant to Section 2.03(b)(ii), a certificate from a Responsible Officer of the relevant Loan Party setting forth a description in reasonable detail of the Indebtedness Incurred by such Loan Party or such Subsidiary, the aggregate Net Debt Incurrence Proceeds received by such Loan Party or such Subsidiary in connection with such Indebtedness (together with calculations in reasonable detail in connection thereto) and the actions proposed to be taken by such Loan Party in connection therewith to comply with Section 2.03(b)(ii);

(d) not later than five Business Days prior to the day on which any Disposition of the type permitted under Section 7.05(g) is expected to be consummated by any Loan Party or any of its Subsidiaries, a certificate signed by a Responsible Officer of such Loan Party, describing the property or assets to be so Disposed, the aggregate Net Asset Sale Proceeds expected to be received by such Loan Party or such Subsidiary in connection with such Disposition and the actions proposed to be taken by the Loan Parties in connection therewith to comply with Section 2.03(b)(iii);

(e) promptly after any request by the Administrative Agent or any Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of the Borrower by independent accountants in connection with the accounts or books of the Borrower or any Material Subsidiary, or any audit of any of them;

(f) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of the Borrower, and copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC (or comparable agency in Peru or in any applicable non-Peruvian jurisdiction), and not otherwise required to be delivered to the Administrative Agent pursuant hereto;

(g) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Material Subsidiary thereof, copies of each notice or other correspondence received from the SEC (or comparable agency in Peru or in any applicable non-Peruvian jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of any Loan Party or any Material Subsidiary thereof;

(h) promptly, and in any event within five Business Days after receipt thereof by any Loan Party or any Material Subsidiary thereof, copies of each notice or other correspondence received from MEM or the OSINERGMIN concerning any sanction, investigation or possible investigation or other inquiry by such agency regarding any Loan Party or any Material Subsidiary thereof; ~~and~~

(i) promptly, such additional information regarding the business, financial or corporate affairs of any Loan Party or any Material Subsidiary thereof, or compliance with the terms of the Loan Documents, as the Administrative Agent or any Lender may from time to time reasonably request; and

(j) promptly (and, in any event, within three Business Days) following the occurrence thereof, written notice of the occurrence of any event or circumstance that, to the knowledge of the Loan Parties, after due inquiry, has or could reasonably be expected to have a material adverse effect on the value of the Collateral.

Documents required to be delivered pursuant to Section 6.01(a) or 6.01(b), may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Internet website www.buenaventura.com; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third-party website or whether sponsored by the Administrative Agent); provided that: (i) the Borrower shall deliver paper copies of such documents to the Administrative Agent or any Lender upon its request to the Borrower to deliver such paper copies until a written request to cease delivering paper copies is given by the Administrative Agent or such Lender and (ii) the Borrower shall notify the Administrative Agent and each Lender (by facsimile or electronic mail) of the posting of any such documents and provide to the Administrative Agent by electronic mail electronic versions (i.e., soft copies) of such documents. The Administrative Agent shall have no obligation to request the delivery of or to maintain paper copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request by a Lender for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

The Borrower hereby acknowledges that (a) the Administrative Agent, the Global Coordinator and/or the Lead Arrangers may, but shall not be obligated to, make available to the Lenders materials and/or information provided by or on behalf of the Borrower hereunder (collectively, "Borrower Materials") by posting the Borrower Materials on Debt Domain, IntraLinks, Syndtrak or another similar electronic system (the "Platform") and (b) certain of the Lenders (each, a "Public Lender") may have personnel who do not wish to receive material non-public information with respect to the Borrower or its Affiliates, or the respective securities of any of the foregoing, and who may be engaged in investment and other market-related activities with respect to such Persons' securities. The Borrower hereby agrees that (w) all Borrower Materials that are to be made available to Public Lenders shall be clearly and conspicuously marked "PUBLIC" which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof; (x) by marking Borrower Materials "PUBLIC," the Borrower shall be deemed to have authorized the Administrative Agent, the Global Coordinator, the Lead Arrangers and the Lenders to treat such Borrower Materials as not containing any material non-public information with respect to the Borrower or its securities for purposes of United States Federal and state securities laws (provided, however, that to the extent such Borrower Materials constitute Information, they shall be treated as set forth in Section 11.07); (y) all Borrower Materials marked "PUBLIC" are permitted to be made available through a portion of the Platform designated "Public Side Information;" and (z) the Administrative Agent, the Global Coordinator and the Lead Arrangers shall be entitled to treat any Borrower Materials that are not marked "PUBLIC" as being suitable only for posting on a portion of the Platform not designated "Public Side Information."

6.03 **Notices.** The Loan Parties, jointly and severally, agree to promptly notify the Administrative Agent and each Lender after a Responsible Officer of any Loan Party obtains knowledge thereof:

- (a) of the occurrence of any Default or Event of Default;
- (b) of any matter that has resulted or could reasonably be expected to result in a Material Adverse Effect;
- (c) of any material change in accounting policies or financial reporting practices by any Loan Party or any Material Subsidiary thereof; and
- (d) any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (c) or (d) of such certification.

Each notice pursuant to this Section 6.03 shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower has taken and proposes to take with respect thereto. Each notice pursuant to Section 6.03(a) shall describe with particularity any and all provisions of this Agreement and any other Loan Document that have been breached.

6.04 **Payment of Obligations.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, pay and discharge or otherwise satisfy, as the same shall become due and payable, all its obligations and liabilities, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with IFRS are being maintained by the Borrower or such Material Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property; and (c) all Indebtedness (other than Indebtedness hereunder), as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness, except, in each case, to the extent failure to pay or discharge the same would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

6.05 **Preservation of Existence, Etc.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, (a) preserve, renew and maintain in full force and effect its legal existence under the Laws of the jurisdiction of its incorporation or organization, as applicable, except in a transaction expressly permitted by Section 7.04 or 7.05; (b) take all reasonable action to maintain all rights, privileges, permits, licenses and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) preserve or renew all of its registered patents, trademarks, trade names and service marks, the non-preservation of which could reasonably be expected to have a Material Adverse Effect.

6.06 **Maintenance of Properties.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, (a) maintain, preserve and protect all of its properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (c) use the standard of care typical in the industry in the operation and maintenance of its facilities.

6.07 **Maintenance of Insurance.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, maintain with financially sound and reputable insurance companies not Affiliates of any Loan Party, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons.

6.08 **Compliance with Laws.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, comply in all material respects with the requirements of all applicable Laws (including, without limitation, the General Mining Law) and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.09 **Compliance with Contractual Obligations.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, comply with all the terms and conditions of all contracts (including, without limitation, any Mining Project Rights) to which it is a party or by which any of its properties or assets is bound, keep each such material contract in full force and effect and enforce all material provisions thereof in accordance with their respective terms; except in such instances in which the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

6.10 **Books and Records.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, (a) maintain proper books of record and account, in which full, true and correct entries in conformity with IFRS consistently applied shall be made of all financial transactions and matters involving the assets and business of each Loan Party and each Material Subsidiary thereof, as the case may be; and (b) maintain such books of record and account in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over such Loan Party or such Material Subsidiary, as the case may be.

6.11 **Inspection Rights.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its directors, officers, and independent public accountants, all at the expense of the Loan Parties and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the relevant Loan Party; provided, however, that absent the existence of an Event of Default, only one any such visit and inspection during any fiscal year shall be at the Borrower's expense; provided, further, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Loan Parties at any time during normal business hours and without advance notice.

6.12 **Use of Proceeds.** The Borrower will use the proceeds of the Loans solely (i) to prepay the Reference Indebtedness, (ii) for general corporate purposes and (iii) to pay the fees and expenses incurred in connection with the transactions contemplated herein.

6.13 **Pari Passu Ranking.** The Loan Parties, jointly and severally, agree to take all action which may be or become necessary or appropriate to ensure that the obligations of each Loan Party under the Loan Documents to which it is a party will continue to constitute its direct and unconditional obligations ranking at least *pari passu* in right of payment with all other senior unsecured Indebtedness of such Loan Party.

6.14 **Permits.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, promptly obtain, maintain and renew or extend (as appropriate) from time to time at its own expense all such Permits as may be required for (i) the Loan Parties to comply with their obligations under each Loan Document to which it is a party, and (ii) for the Loan Parties and their respective Material Subsidiaries, to own their respective properties that are material to their business and conduct their businesses and operations as presently conducted and as proposed to be conducted in all material respects.

6.15 **Additional Documents.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, from time to time execute and deliver or cause to be executed and delivered any and all such further documents and instruments as may reasonably be requested by the Administrative Agent that are necessary for the compliance by each Loan Party with its obligations under this Agreement and the other Loan Documents to which it is a party.

6.16 **Corporate Separateness.** The Loan Parties, jointly and severally, agree to, and to cause each of their respective Material Subsidiaries to, satisfy customary corporate formalities, including the holding of regular board of directors' and shareholders' meetings or action by directors or shareholders without a meeting and the maintenance of corporate records. None of the Loan Parties or any of their respective Material Subsidiaries shall conduct its or their affairs in a manner which is reasonably likely to result in the corporate or other existence of any Loan Party or any of its Material Subsidiaries being ignored, or in the assets and liabilities of any Loan Party or any of its Material Subsidiaries being substantively consolidated with those of any other such Person in a bankruptcy, reorganization or other insolvency proceeding.

6.17 **Reference Creditors Pay-Off Confirmations.** The Borrower agrees to deliver to the Administrative Agent, not later than 30 days following the Closing Date, documentation in substance and form reasonably satisfactory to the Administrative Agent and the Required Lenders, issued by each Reference Creditor and signed by a duly appointed representative of such Reference Creditor, evidencing that (a) all extensions of credit and all other obligations due and payable by the Borrower under each Reference Loan Document to which such Reference Creditor is a party have been repaid in full, (b) such Reference Loan Document has been terminated and is of no further force and effect (other than with respect to those obligations and provisions in such Reference Loan Document that expressly survive the termination thereof) and (c) any guarantees, sureties and all liens created thereunder or with respect thereto, if any, have been terminated and are of no further force and effect.

6.18 **Preservation of Rights under the Collateral Documents.** Subject to the provisions of this Agreement and any other applicable Loan Document, the Loan Parties, jointly and severally, agree to do and perform, from time to time, any and all acts (and execute any and all documents) as may be necessary or required by applicable Law or reasonably requested by any Agent to maintain each Lien created by the Collateral Documents in full force and effect and enforceable in accordance with its terms, including: (a) making filings and recordations, (b) making payments of fees and other charges, (c) issuing and, if necessary, filing or recording supplemental documentation, including continuation statements, (d) discharging all claims or other Liens adversely affecting the rights of any Secured Party in any Collateral, (e) publishing or otherwise delivering a notice to third parties, (f) depositing title documents and (g) taking all other actions either necessary or required by applicable Law or otherwise reasonably requested by any Agent to ensure that all after-acquired property intended to be covered by such Liens is subject to a valid and enforceable first priority Lien in favor of the applicable Agent (on behalf of the Secured Parties).

ARTICLE VII.

NEGATIVE COVENANTS

So long as any Lender shall have any Commitment hereunder, any Loan or other Obligation hereunder shall remain unpaid or unsatisfied (other than (i) contingent indemnification obligations and (ii) expense reimbursement obligations, in each case, which are not yet due and payable and for which no claim has been made):

7.01 **Liens.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, other than the following:

(a) Liens existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that (i) the property covered thereby is not changed, (ii) the amount secured or benefited thereby is not increased except as contemplated by Section 7.03(b), (iii) the direct or any contingent obligor with respect thereto is not changed, and (iv) any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.03(b);

(b) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with IFRS;

(c) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(d) (i) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation and (ii) pledges and deposits in the ordinary course of business securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to the Borrower or any Subsidiaries;

(e) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(f) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person;

(g) Liens securing judgments for the payment of money not constituting an Event of Default under [Section 8.01\(h\)](#);

(h) Liens securing Indebtedness permitted under [Section 7.03\(c\)](#); provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (ii) the Indebtedness secured thereby does not exceed the cost of the property being acquired on the date of acquisition;

(i) Liens on any property or asset acquired after the Closing Date and existing prior to the acquisition thereof by the Borrower or existing on any property or asset of any Person that becomes a Subsidiary of the Borrower after the Closing Date that exists prior to the time such Person becomes a Subsidiary of the Borrower; provided, however, that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary of the Borrower, as the case may be, (ii) such Lien will not apply to any other property of the Borrower or any of its Subsidiaries, and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary of the Borrower, as the case may be;

[\(j\) Liens created pursuant to the Loan Documents:](#)

[\(k\)](#) ~~(j)~~ any other Liens securing Indebtedness of any Loan Party or any Subsidiary thereof in an aggregate amount, not exceeding, individually or in the aggregate, U.S.\$70,000,000 (as such amount may be reduced pursuant to [Section 7.03\(d\)](#)) at any time outstanding (or the Dollar Equivalent thereof); provided that no Default or Event of Default shall have occurred and be continuing or would reasonably be expected to occur after giving effect on a *pro forma* basis to the creation of such Lien.

7.02 **Investments.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, make any Investments, except:

(a) Investment existing on the date hereof and listed on [Schedule 7.02](#);

(b) Investments held by such Loan Party or such Subsidiary in the form of cash equivalents;

(c) advances to officers, directors and employees of any Loan Party or any Subsidiary thereof in an aggregate amount not to exceed U.S.\$1,000,000 (or the Dollar Equivalent thereof) at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;

(d) Investments of the Loan Parties in any wholly-owned Subsidiary thereof (other than Huanza) and Investments of any wholly-owned Subsidiary of any Loan Party in a Loan Party or in another wholly-owned Subsidiary of any Loan Party (other than Huanza);

(e) Investments of the Borrower, directly or indirectly, in Huanza; provided, however that any Investment in Huanza shall only be permitted pursuant to this Section 7.02(c) if, and only to the extent that, (i) such Investment is made solely out of net income of the Borrower available for distribution to the stockholders of the Borrower on the fiscal year of the Borrower on which such Investment is made, as evidenced in the audited financial statements of the Borrower and its Subsidiaries for the fiscal year immediately preceding the fiscal year in which such Investment is made and delivered to the Administrative Agent and each Lender pursuant to Section 6.01(a), (ii) on the date on which the Borrower makes such Investment, the Borrower and the Loan Parties would have been permitted to make a Restricted Payment pursuant to Section 7.06(b) or (c) (as applicable), and (iii) no Default or Event of Default shall have occurred and be continuing or would reasonably be expected to occur after making such Investment;

(f) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction thereof from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;

(g) Guarantees expressly permitted by Section 7.03(d);

(h) Investments of the Borrower in Cerro Verde made pursuant to the Cerro Verde Subordinated Loan Agreement; provided that any such Investments made at any time following the Closing Date shall not exceed, individually or in the aggregate, U.S.\$41,700,000.

(i) Investments of the Loan Parties, directly or indirectly, in any non-wholly owned Subsidiary of the Borrower or joint venture (including any Associated Entity); provided, however that any Investment pursuant to this Section 7.02(i) shall only be permitted if, and only to the extent that, (i) such Investment is made solely out of net income of the Borrower available for distribution to the stockholders of the Borrower on the fiscal year of the Borrower on which such Investment is made, as evidenced in the audited financial statements of the Borrower and its Subsidiaries for the fiscal year immediately preceding the fiscal year in which such Investment is made and delivered to the Administrative Agent and each Lender pursuant to Section 6.01(a), (ii) on the date on which the relevant Loan Party makes such Investment, the Borrower and the Loan Parties would have been permitted to make a Restricted Payment pursuant to Section 7.06(b) or (c) (as applicable), and (iii) no Default or Event of Default shall have occurred and be continuing or would reasonably be expected to occur after making such Investment;

(j) other Investments not exceeding, individually or in the aggregate, during any fiscal year of the Borrower, U.S.\$20,000,000 (or the Dollar Equivalent thereof), but only to the extent no Default or Event of Default shall have occurred and is continuing at the time of such Investment or would result from the making of such Investment.

7.03 **Indebtedness.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) Indebtedness outstanding on the date hereof and listed on Schedule 7.03(b) and any refinancing, refunding, renewals or extension thereof; provided that (i) the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing and by an amount equal to any existing commitments unutilized thereunder and (ii) the terms relating to principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole, of any such refinancing, refunding, renewing or extending Indebtedness, and of any agreement entered into and of any instrument issued in connection therewith, are no less favorable in any material respect to the Loan Parties or the Lenders than the terms of any agreement or instrument governing the Indebtedness being refinanced, refunded, renewed or extended and the interest rate applicable to any such refinancing, refunding, renewing or extending Indebtedness does not exceed the then applicable market interest rate;

(c) Indebtedness in respect of purchase money obligations or Capital Lease Obligations for fixed or capital assets within the limitations set forth in Section 7.01(h); provided, however that the aggregate amount of all such Indebtedness shall not exceed, individually or in the aggregate, during any fiscal year of the Borrower, U.S.\$10,000,000 (or the Dollar Equivalent thereof);

(d) Guarantees (other than any Liens) of the Borrower or any Subsidiary of the Borrower in respect of Indebtedness otherwise permitted hereunder of the Borrower or any Subsidiary of the Borrower; provided, that with respect to any Guarantee in respect of any Indebtedness of any non-wholly owned Subsidiary of the Borrower, such Guarantee shall only be permitted if, and only to the extent that, (i) on the date on which the Borrower or any of its Subsidiaries grants such Guarantee, the Borrower and the Loan Parties would have been permitted to make an Investment pursuant to Section 7.02(i) in the amount of the Indebtedness Guaranteed thereby; and (ii) on the date on which the Borrower or any of its Subsidiaries grants such Guarantee, the Borrower and its Subsidiaries would have been permitted to create a Lien pursuant to Section 7.01(j), securing Indebtedness in the amount of the Indebtedness so Guaranteed; provided, further that for purposes of determining the compliance of the Loan Parties with Section 7.01(j), the amount of any Indebtedness of any non-wholly owned Subsidiary of the Borrower which is Guaranteed by the Borrower or any of its Subsidiaries pursuant to this Section 7.03(d), shall count toward (and reduce) the threshold set forth under such Section 7.01(j) as if such Guarantee constituted a Lien securing the Indebtedness so Guaranteed;

(e) obligations (contingent or otherwise) of the Borrower or any Subsidiary of the Borrower existing or arising under any Swap Contract, provided that (i) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a “market view;” and (ii) such Swap Contract does not contain any provisions exonerating the non-defaulting party from its obligations to make payments on outstanding transactions to the defaulting party;

(f) Non-Recourse Indebtedness incurred by Huanza;

(g) Indebtedness of any Person that becomes a Subsidiary after the Closing Date pursuant to an acquisition permitted hereunder, which Indebtedness is existing at the time such Person becomes a Subsidiary and is not incurred in contemplation of such Person becoming a Subsidiary, that is non-recourse to (and is not assumed by any of) the Borrower or any Subsidiary (other than any Subsidiary of such Person that is a Subsidiary on the date such Person becomes a Subsidiary after the Closing Date) and is either (x) unsecured or (y) secured only by the assets of such Subsidiary by Liens permitted under Section 7.01(i);

(h) other Indebtedness in an aggregate principal amount not to exceed, individually or in the aggregate, U.S.\$200,000,000 at any one time outstanding; provided, that (i) no Default or Event of Default shall have occurred and be continuing or would reasonably be expected to occur after giving effect on a *pro forma* basis to the creation, incurrence or assumption of such Indebtedness, (ii) the Consolidated Net Leverage Ratio (excluding the cash proceeds from the incurrence of such Indebtedness) as of the date of creation, incurrence or assumption of such Indebtedness, after giving effect on a *pro forma* basis to the creation, incurrence or assumption of such Indebtedness, shall not be greater than 3.00:1.00, (iii) the proceeds of such Indebtedness are used primarily to finance the construction and development of any mining projects of the Borrower or any of its Subsidiaries in Peru, and (iv) if such Indebtedness is to be incurred or assumed by a Subsidiary of the Borrower which is not a Guarantor, prior to incurring or assuming such Indebtedness the Borrower shall cause such Subsidiary to become a Guarantor pursuant to Section 10.17(a); ~~and~~

(i) Indebtedness under the Letters of Guarantee; and

(j) ~~(j)~~ additional Indebtedness for borrowed money not otherwise permitted under clauses (a) through (h) above; provided that (a) no Default or Event of Default shall have occurred and be continuing or would occur after giving effect on a *pro forma* basis to the Incurrence of such Indebtedness, and (b) the Net Debt Incurrence Proceeds therefrom are applied to prepay the Loans pursuant to Section 2.03(b)(ii).

7.04 Fundamental Changes. The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to, merge, dissolve, liquidate, spin-off, consolidate, with or into another Person, or Dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom,

(a) any Subsidiary of the Borrower may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more other Subsidiaries of the Borrower, provided that (i) when any wholly-owned Subsidiary of the Borrower is merging with a another Subsidiary of the Borrower, the wholly-owned Subsidiary of the Borrower shall be the continuing or surviving Person, and (ii) when any Guarantor is merging with another Subsidiary of the Borrower, the Guarantor shall be the continuing or surviving Person;

(b) any Subsidiary of the Borrower (other than a Guarantor) may liquidate or dissolve if the board of directors of the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not adverse to the interests of the Lenders hereunder in any material respect;

(c) any Subsidiary of the Borrower may Dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Borrower or to another Subsidiary of the Borrower; provided that if the transferor in such a transaction is a Guarantor, then (i) the transferee must be a Guarantor and (ii) prior to, and after giving effect on a *pro forma* basis, to such transaction, the Loan Parties shall be in compliance with Section 10.17 as of the last day of the fiscal quarter of the Borrower most recently ended (assuming that such transaction was consummated on the first day of such fiscal quarter);

(d) any Subsidiary of the Borrower (other than a Guarantor) may merge or consolidate with any other Person in order to effect an Investment permitted pursuant to Section 7.02; and

(e) any Subsidiary of the Borrower (other than a Guarantor) may enter into any merger, dissolution, liquidation or consolidation the purpose of which is to effect a Disposition permitted pursuant to Section 7.05.

7.05 **Dispositions.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory in the ordinary course of business;

(c) Dispositions of equipment or real property to the extent that (i) such property is exchanged for credit against the purchase price of similar replacement property or (ii) the proceeds of such Disposition are reasonably promptly applied to the purchase price of such replacement property;

(d) Dispositions of property by any Subsidiary of the Borrower to the Borrower or to a wholly-owned Subsidiary of the Borrower; provided that if the transferor of such property is a Guarantor, the transferee thereof must either be the Borrower or a Guarantor;

(e) Dispositions permitted by Section 7.04;

(f) Other Dispositions by the Borrower and its Subsidiaries; provided that (i) at the time of such Disposition, no Default or Event of Default shall exist or would result from such Disposition and (ii) the aggregate book value of all property Disposed of in reliance on this clause (f), in any fiscal year of the Borrower shall not exceed 5% of the Consolidated Total Assets as of the last day of the fiscal year most recently ended prior to such Disposition; and

(g) additional Dispositions not otherwise permitted under clauses (a) through (f) above; provided that (i) at the time of such Disposition, no Default or Event of Default shall exist or would result from such Disposition and (ii) the Net Asset Sale Proceeds relating to such Disposition are applied to prepay the Loans pursuant to Section 2.03(b)(iii);

provided, however, that any Disposition pursuant to subsections (a) through (g) shall only be permitted to the extent that (i) such Disposition is made for Fair Market Value; and (ii) such Disposition and all transactions related thereto are consummated in accordance with applicable Law.

Anything herein to the contrary notwithstanding, the Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to, directly or indirectly, make any Disposition in respect of any Equity Interest in Cerro Verde.

7.06 Restricted Payments. The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, or issue or sell any Equity Interest, except that, so long as no Default or Event of Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(a) the Borrower and each Material Subsidiary of the Borrower may declare and make dividend payments or other distributions payable solely in the common stock, other common Equity Interests or investment shares of such Person;

(b) the Borrower may declare or pay cash dividends to its stockholders or holders of its investment shares during any fiscal year of the Borrower ending on or prior to December 31, 2018; provided, that any such declaration or payment of dividends is made solely out of up to 20% of the net income of the Borrower and its Subsidiaries available for distribution to the stockholders or holders of investment shares of the Borrower on such fiscal year, as evidenced in the audited financial statements of the Borrower and its Subsidiaries for the fiscal year immediately preceding the fiscal year in which such dividend payment is declared or paid and delivered to the Administrative Agent and each Lender pursuant to Section 6.01(a); and

(c) the Borrower may declare or pay cash dividends to its stockholders or holders of investment shares during any fiscal year of the Borrower following the fiscal year of the Borrowing ending on December 31, 2018; provided, that any such declaration or payment of dividends is made solely out of the net income of the Borrower and its Subsidiaries available for distribution to the stockholders of the Borrower on such fiscal year, as evidenced in the audited financial statements of the Borrower and its Subsidiaries for the fiscal year immediately preceding the fiscal year in which such dividend payment is declared or paid and delivered to the Administrative Agent and each Lender pursuant to Section 6.01(a).

7.07 Change in Nature of Business. The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, engage in any material line of business substantially different from the Line of Business.

7.08 Transactions with Affiliates. The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to, enter into any transaction of any kind with any Affiliate of any Loan Party, whether or not in the ordinary course of business, other than on fair and reasonable terms substantially as favorable to such Loan Party or Material Subsidiary thereof as would be obtainable by such Loan Party or such Material Subsidiary at the time in a comparable arm's length transaction with a Person other than an Affiliate, provided that the foregoing restriction shall not apply to transactions solely between or among Loan Parties.

7.09 Burdensome Agreements. The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to, enter into any Contractual Obligation (other than this Agreement or any other Loan Document) that limits the ability (a) of any Subsidiary of any Loan Party to pay, directly or indirectly, dividends or make any other distributions in respect of its Equity Interests to the Borrower or any Guarantor or to otherwise transfer property to the Borrower or any Guarantor, (b) of any Subsidiary of the Borrower to Guarantee the Indebtedness of the Borrower, (c) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Liens on property of such Person, (d) of any Subsidiary of any Loan Party to pay any Indebtedness owed to, any Loan Party or any of its Subsidiaries or (e) of any Subsidiary of any Loan Party to make loans or advances to, or other Investments in, any Loan Party or any of its Subsidiaries; provided that the foregoing shall not apply to (i) restrictions and conditions existing on the date hereof (but shall apply to any amendment or modification expanding the scope of, or any extension or renewal of, any such restriction or condition), (ii) restrictions under the Loan Documents, (iii) customary restrictions and conditions contained in agreements relating to the Disposition of a Subsidiary of the Borrower (to the extent such Disposition is permitted hereunder) pending such Disposition (provided that such restrictions and conditions apply only to the Subsidiary that is to be Disposed of), (iv) Contractual Obligations binding only on a Subsidiary at the time such Subsidiary first becomes a Subsidiary, so long as such Contractual Obligations were not entered into in contemplation of such Person becoming a Subsidiary, and (v) other customary restrictions and conditions that apply to any Subsidiary of the Borrower, which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

7.10 **Use of Proceeds.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to:

(a) use the proceeds of the Loans, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the FRB) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose;

(b) use the proceeds of the Loans, whether directly or indirectly, and whether immediately, incidentally or ultimately, to fund any "project" (*Proyecto*), within the meaning of such quoted term under *Resolución SBS No 1928-2015* of the Peruvian *Superintendencia de Banca, Seguros y AFP* as now and from time to time hereafter be in effect or for any purpose which violates or is inconsistent with the provisions of *Resolución SBS No 1928-2015* of the Peruvian *Superintendencia de Banca, Seguros y AFP*; or

(c) use the proceeds of the Loans to finance (i) production or commercialization of arms, munition and any kind of military equipment or weapons of war, and generally goods and services destined to military use, (ii) production or commercialization of radioactive materials, except for those that are intended for medical or scientific purposes, (iii) production or commercialization of any product or activity which is illegal under applicable Law, (iv) gambling, casinos and similar enterprises, regardless of the means by which the activity is carried out (electric, through the internet or otherwise), or whether the activity is legal or illegal, (v) trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora, (vi) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest (prohibited by the Forestry policy under applicable Law), (vii) production or commercialization of pesticides and herbicides subject to restrictions or international prohibitions according to the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, or (viii) production or trade in ozone depleting substances subject to international phase out according to the Montreal Protocol.

Neither the Administrative Agent nor any Lender shall have any responsibility as to the use of any of such proceeds.

7.11 **Financial Covenants.** The Borrower shall not:

(a) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio to be, as of the last day of any fiscal quarter of the Borrower (commencing with the fiscal quarter of the Borrower ending on September 30, 2021), less than 4.00:1.00.

(b) Consolidated Net Leverage Ratio. Permit the Consolidated Net Leverage Ratio to be ~~greater than, (i) 4.00:1.00~~, as of the last day of any fiscal quarter of the Borrower ~~during the period (commencing on the Closing Date and ending on (and including) June 30, 2017, and (ii) 3.00:1.00, as of the last day of any~~ with the fiscal quarter of the Borrower ~~hereafter ending on September 30, 2021), greater than 3.00:1.00.~~

(c) Consolidated Net Worth. Permit the Consolidated Net Worth to be less than U.S.\$2,711,388,800 at any time.

7.12 **Limitation on Prepayments; Amendments of Certain Documents.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to:

(a) Prepay, retire, redeem, purchase, defease or exchange, or make or arrange for any prepayment, retirement, redemption, purchase, defeasance or exchange of any outstanding Indebtedness of any Loan Party or any of its Subsidiaries that ranks junior and subordinate in right of payment to any of the obligations of the Loan Parties hereunder and under the other Loan Documents, or (b) waive, amend, supplement, modify, terminate or release any of the provisions with respect to any Indebtedness of any Loan Party or any of its Subsidiaries that ranks junior and subordinate in right of payment to any of the obligations of the Loan Parties hereunder and under the other Loan Documents, except (i) to the extent such modification, supplement, waiver, termination or release does not adversely affect the interests of the Lenders hereunder in any material respect; or (ii) with the prior written consent of the Required Lenders.

(b) Enter into or consent to any modification, supplement or waiver to any provision of its Organization Documents, except (i) to the extent such modification, supplement or waiver does not adversely affect the interests of the Lenders hereunder in any material respect; or (ii) otherwise with the prior written consent of the Required Lenders.

(c) Enter into or consent to any modification, supplement or waiver to any provision of the Cerro Verde Subordinated Loan Agreement, except (i) to the extent such modification, supplement or waiver does not adversely affect the interests of the Lenders hereunder in any material respect; or (ii) otherwise with the prior written consent of the Required Lenders.

7.13 **Accounting Changes; Limitations on Changes in Fiscal Year.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Material Subsidiaries to:

(a) Make, any change in accounting treatment and reporting practices or tax reporting treatment except as (i) required or permitted by IFRS, consistently applied, or applicable Law and, to the extent material, disclosed to the Administrative Agent and (ii) agreed to by its independent public accountants (who shall be of recognized international standing).

(b) Change its current fiscal year end to end on a day other than on December 31.

7.14 **Sanctions.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to, use the proceeds of any Loan, or lend, contribute or otherwise make available such proceeds to any Subsidiary of any Loan Party, joint venture partner or other individual or entity, to fund any activities or business of or with any Sanctions Target, or in any Sanctioned Jurisdiction, or in any manner that would constitute a violation of Sanctions by any party hereto (including any Lender).

7.15 **Anti-Corruption Laws.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to, use the proceeds of any Loan in any manner that would constitute a violation of applicable Anti-Corruption Laws by any Loan Party or any of its Subsidiaries.

7.16 **Anti-Money Laundering Laws.** The Loan Parties, jointly and severally agree that they shall not, and shall not permit any of their respective Subsidiaries to, use the proceeds of any Loan in any manner that would constitute a violation of applicable Anti-Money Laundering Laws by any Loan Party or any of its Subsidiaries.

ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

8.01 **Events of Default.** Any of the following shall constitute an Event of Default:

(a) **Non-Payment.** The Borrower or any other Loan Party fails to pay (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within three Business Days after the same becomes due, any interest on any Loan, or any fee or other amount payable hereunder or under any other Loan Document; or

(b) **Specific Covenants.** The Borrower fails to perform or observe any term, covenant or agreement contained in any of [Section 6.01, 6.02, 6.03, 6.05, 6.12, 6.13](#) or [Article VII](#), or any Guarantor fails to perform or observe any term, covenant or agreement contained in [Article X](#) or any Loan Party fails to perform or observe any term or agreement contained in any Collateral Document; or

(c) **Other Defaults.** Any Loan Party fails to perform or observe any other covenant or agreement (not specified in [subsection \(a\)](#) or [\(b\)](#) above) contained in any Loan Document on its part to be performed or observed and such failure continues unremedied for 30 days after receipt of notice thereof by the Borrower from the Administrative Agent or the Required Lenders; or

(d) **Representations and Warranties.** Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of any Loan Party (or any Subsidiary thereof) herein, in any other Loan Document, or in any document delivered in connection herewith or therewith shall be incorrect when made or deemed made in any material respect; or

(e) **Cross-Default.** (i) Any Loan Party or any Material Subsidiary thereof (A) fails to make any payment when due, beyond the applicable grace period, if any, (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) in respect of any Indebtedness or Guarantee (other than Indebtedness hereunder and Indebtedness under Swap Contracts) having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than the Threshold Amount, or (B) fails to observe or perform any other agreement or condition beyond the applicable grace period, if any, relating to any such Indebtedness or Guarantee or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event occurs, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness or the beneficiary or beneficiaries of such Guarantee (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or to become due or to be repurchased, prepaid, defeased or redeemed (automatically or otherwise), or an offer to repurchase, prepay, defease or redeem such Indebtedness to be made, prior to its stated maturity, or such Guarantee to become payable or cash collateral in respect thereof to be demanded; or (ii) there occurs under any Swap Contract an Early Termination Date (as defined in such Swap Contract) resulting from (A) any event of default under such Swap Contract as to which the Borrower or any Material Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (B) any Termination Event (as so defined) under such Swap Contract as to which the Borrower or any Material Subsidiary is an Affected Party (as so defined) and, in either event, the Swap Termination Value owed by such Loan Party or such Material Subsidiary as a result thereof is greater than the Threshold Amount; or

(f) Insolvency Proceedings, Etc. Any Loan Party or any Material Subsidiary thereof [or any Pledged Entity](#) institutes or consents to the institution of any proceeding under any Debtor Relief Law, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of such Person and the appointment continues undischarged or unstayed for 90 calendar days; or any proceeding under any Debtor Relief Law relating to any such Person or to all or any material part of its property is instituted without the consent of such Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(g) Inability to Pay Debts; Attachment. (i) Any Loan Party or any Material Subsidiary thereof [or any Pledged Entity](#) becomes unable or admits in writing its inability or fails generally to pay its debts as they become due, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 60 days after its issue or levy; or

(h) Judgments. There is entered against any Loan Party or any Material Subsidiary thereof (i) one or more final judgments or orders for the payment of money in an aggregate amount (as to all such judgments or orders) exceeding the Threshold Amount (to the extent not covered by independent third-party insurance as to which the insurer does not dispute coverage), or (ii) any one or more non-monetary final judgments that have, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect and, in either case, (A) enforcement proceedings are commenced by any creditor upon such judgment or order, or (B) there is a period of 30 consecutive days during which a stay of enforcement of such judgment, by reason of a pending appeal or otherwise, is not in effect; or

(i) Invalidity of Loan Documents. Any provision of any Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or thereunder or satisfaction in full of all the Obligations, ceases to be in full force and effect; or any Loan Party or any other Person contests in any manner the validity or enforceability of any provision of any Loan Document; or any Loan Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any provision of any Loan Document; or

(j) Condemnation; Nationalization. Any Governmental Authority shall take any action to condemn, seize, nationalize or appropriate all or any substantial portion of the property of the Loan Parties and their Subsidiaries taken as a whole (either with or without payment of compensation), or the Loan Parties and their Subsidiaries taken as a whole shall be prevented from exercising normal control over all or a substantial part of its property (and the same shall continue for 30 or more days); or

(k) Order. Any Governmental Authority shall issue any order, decree or resolution that limits, restricts, or prohibits the consummation of any of the Transactions; or

(l) Moratorium. Any Governmental Authority shall, by moratorium laws or otherwise, cancel, suspend or defer the obligation of any Loan Party to pay any principal, interest or any amount payable by any of them hereunder or under any other Loan Document when the same become due and payable hereunder or under any other Loan Document, and such cancellation, suspension or deferral shall continue for ten or more consecutive days; or

(m) Exchange Controls. The imposition of any exchange controls, currency convertibility controls or currency transferability controls by any competent Governmental Authority, or any other action of a Governmental Authority, in each case that adversely affects the ability of the Loan Parties, taken as a whole, to comply with its obligations hereunder or under any other Loan Document; or

(n) Permits. Any Permit shall be revoked, adversely modified in any material respect, withdrawn or withheld, in each case that adversely affects the ability of the Loan Parties, taken as a whole, to comply with their obligations hereunder or under any other Loan Document, and such Permit shall not have been reinstated, revised or replaced within 30 days; or

(o) Mining Concessions. Any Mining Concession or any Mining Project Right is terminated, to the extent such termination could reasonably be expected to result in a Material Adverse Effect.

(p) Collateral Documents. Any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien on the Collateral purported to be covered thereby; or

(q) CAVALI Custody. Any shares of capital stock constituting Collateral which as of the Amendment No. 3 Effective Date are registered and/or in custody with CAVALI, cease for any reason to be so registered with and/or in custody with CAVALI.

8.02 **Remedies Upon Event of Default.** If any Event of Default occurs and is continuing, the Administrative Agent shall, at the request of, or may, with the consent of, the Required Lenders, take any or all of the following actions:

(a) declare the commitment of each Lender to make Loans to be terminated, whereupon such commitments and obligation shall be terminated;

(b) declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; ~~and~~

(c) instruct the Collateral Agent to liquidate the Collateral in whole or in part and transfer the proceeds thereof to the Administrative Agent for payment of amounts owing under the Loan Documents; and

(d) ~~(e)~~ exercise, or direct the Collateral Agent to exercise, on behalf of itself and the Lenders any or all rights and remedies available to it and the Lenders under the Loan Documents;

provided, however, that upon the occurrence of an Event of Default specified in Section 8.01(f) or 8.01(g), the obligation of each Lender to make Loans shall automatically terminate, the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable, in each case without further act of the Administrative Agent or any Lender.

8.03 **Application of Funds.** After the exercise of remedies provided for in Section 8.02 (or after the Loans have automatically become immediately due and payable pursuant to Section 8.02), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under Article III) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders (including fees, charges and disbursements of counsel to the respective Lenders and amounts payable under Article III), ratably among them in proportion to the respective amounts described in this clause Second payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans and other Obligations, ratably among the Lenders in proportion to the respective amounts described in this clause Third payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause Fourth held by them; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Law.

ARTICLE IX.

ADMINISTRATIVE AGENT

9.01 **Appointment and Authority.** Each of the Lenders hereby irrevocably appoints Banco de Crédito del Perú to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any of such provisions. It is understood and agreed that the use of the term “agent” herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead such term is used as a matter of market custom, and is intended to create or reflect only an administrative relationship between contracting parties.

9.02 **Rights as a Lender.** The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

9.03 **Exculpatory Provisions.** The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents, and its duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law, including for the avoidance of doubt any action that may be in violation of the automatic stay under any Debtor Relief Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Loan Party or any of their Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 10.01 and 8.02) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given in writing to the Administrative Agent by any Loan Party or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

9.04 **Reliance by Administrative Agent.** The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan, that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

9.05 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents except to the extent that a court of competent jurisdiction determines in a final and non-appealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

9.06 Resignation of Administrative Agent.

(a) The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation (or such earlier day as shall be agreed by the Required Lenders) (the "**Resignation Effective Date**"), then the retiring Administrative Agent may (but shall not be obligated to) on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above. Whether or not a successor has been appointed, such resignation shall become effective in accordance with such notice on the Resignation Effective Date.

(b) With effect from the Resignation Effective Date (1) the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring or removed Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) except for any indemnity payments or other amounts then owed to the retiring or removed Administrative Agent, all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided for above. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or removed) Administrative Agent (other than as provided in Section 3.01(i) and other than any rights to indemnity payments or other amounts owed to the retiring or removed Administrative Agent as of the Resignation Effective Date), and the retiring or removed Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring or removed Administrative Agent's resignation or removal hereunder and under the other Loan Documents, the provisions of this Article and Section 11.04 shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring or removed Administrative Agent was acting as Administrative Agent.

9.07 **Non-Reliance on Administrative Agent and Other Lenders.** Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

9.08 **No Other Duties, Etc.** Anything herein to the contrary notwithstanding, the Global Coordinator, the Lead Arrangers or the Co-Arrangers listed on the cover page hereof shall not have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in their respective capacity, as applicable, as the Administrative Agent or a Lender hereunder.

9.09 **Administrative Agent May File Proofs of Claim.** In case of the pendency of any proceeding under any Debtor Relief Law or any other judicial proceeding relative to any Loan Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under Sections 2.07 and 11.04) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under Sections 2.07 and 11.04.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

9.10 Guaranty Matters.

(a) Without limiting the provisions of Section 9.09, the Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Guarantor from its obligations under the Guaranty if such Person ceases to be a Subsidiary of the Borrower as a result of a transaction expressly permitted under the Loan Documents.

(b) Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guaranty pursuant to this Section 9.10.

9.11 Collateral and Guaranty Matters. Without limiting the provisions of Section 9.09, the Lenders irrevocably authorize the Administrative Agent,

(a) to release, or instruct the Collateral Agent to release, any Lien on any property granted to or held by the Administrative Agent or the Collateral Agent under any Loan Document (i) in accordance with the provisions of this Agreement or any other applicable Loan Document, (ii) upon termination of the Aggregate Commitments and payment in full of all Obligations (other than contingent indemnification obligations), (iii) that is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted hereunder or under any other Loan Document, or (iv) if approved, authorized or ratified in writing by the Required Lenders; and

(b) without limiting the provisions of Section 9.09, the Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion, to release any Guarantor from its obligations hereunder if such Person ceases to be a Subsidiary as a result of a transaction expressly permitted under the Loan Documents.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations hereunder pursuant to this Section 9.11.

Except as otherwise specified in the Loan Documents, instructions by the Administrative Agent to the Collateral Agent shall be made by the Administrative Agent acting at the prior instruction of the Required Lenders.

The Administrative Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of any Agent's Lien thereon, or any certificate prepared by any Loan Party in connection therewith, nor shall the Administrative Agent be responsible or liable to the Lenders for any failure to monitor or maintain any portion of the Collateral.

Notwithstanding any provision herein to the contrary, if the Administrative Agent and the Borrower acting together identify any ambiguity, omission, mistake, typographical error or other defect in any provision of this Agreement or any other Loan Document (including the schedules and exhibits thereto), then the Administrative Agent and the Borrower shall be permitted to amend, modify or supplement such provision to cure such ambiguity, omission, mistake, typographical error or other defect, and such amendment shall become effective without any further action or consent of any other party to this Agreement.

ARTICLE X.

GUARANTY

10.01 Guaranty.

(a) The Guarantors hereby irrevocably and unconditionally, jointly and severally, guarantee to the Administrative Agent and each Lender and until termination of this Guaranty pursuant to Section 10.16, the full payment and performance of each and all of the Obligations, when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise.

(b) Each payment made by each of the Guarantors pursuant to this Guaranty shall (i) be made in Dollars, (ii) in immediately available funds, (iii) without set-off or counterclaim, and (iv) free and clear of and without deduction or withholding for or on account of any present and future Taxes and any penalties, interest and other payments on or in respect thereof.

10.02 **Taxes.** If any Taxes must be deducted or withheld from any amounts payable or paid by the Guarantors hereunder, Section 3.01 shall apply to the Guarantors as if such Guarantor would be the Borrower.

10.03 **Continuing Guaranty.** This Guaranty is a continuing guaranty, and shall apply to all Obligations whenever arising until termination of this Guaranty pursuant to Section 10.16.

10.04 **Waiver of Rights.** Each Guarantor hereby absolutely, unconditionally and irrevocably waives to the fullest extent permitted by applicable Law:

- (a) promptness, diligence, notice of acceptance, notice of presentment of payment and any other notice hereunder;
- (b) demand of payment, protest, notice of dishonor or nonpayment, notice of the present and future amount of the Obligations and any other notice with respect to the Obligations;
- (c) any requirement that the Administrative Agent or any Lender protect, secure, perfect or insure any security interest or Lien or any property subject thereto or exhaust any right or take any action against any of the other Loan Parties, or any Person;
- (d) any other action, event or precondition that constitutes or may constitute a discharge or defense to the enforcement hereof or the performance by each of the Guarantors of the Obligations;
- (e) all suretyship defenses;
- (f) any defense arising by any lack of capacity or authority or any other defense of any of the Parties or any notice, demand or defense by reason of cessation from any cause of Obligations other than payment and performance in full of the Obligations by the Parties and any defense that any other guarantee or security was or was to be obtained by the Administrative Agent and/or the other Lenders;
- (g) any right to which it may be entitled to require that the Borrower be sued and all claims against the Borrower be completed prior to an action or proceeding being initiated against any Guarantor; and
- (h) any law, regulation, decree or order of any jurisdiction, or any other event, affecting any of the Obligations or any rights of the Administrative Agent or the Lenders with respect thereto, including (i) the application of any such law, regulation, decree or order, including any prior approval, which would prevent the exchange of a non-Dollar currency for Dollars or the remittance of funds outside of such jurisdiction or the unavailability of Dollars in any legal exchange market in such jurisdiction in accordance with normal commercial practice, (ii) a declaration of banking moratorium or any suspension of payments by banks in such jurisdiction or the imposition by such jurisdiction or any governmental authority thereof of any moratorium on, the required rescheduling or restructuring of, or required approval of payments on, any indebtedness in such jurisdiction, (iii) any expropriation, confiscation, nationalization or requisition by such jurisdiction or any Governmental Authority that directly or indirectly deprives any Loan Party of any assets or their use or of the ability to operate its business or a material part thereof, or (iv) any war (whether or not declared), insurrection, revolution, hostile act, civil strife or similar events occurring in such jurisdiction which has the same effect as the events described in clauses (i), (ii) or (iii) above, (in each of the cases contemplated in clauses (i) through (iv) above, to the extent occurring or existing on or at any time after the date of this Agreement).

10.05 **No Defense.** No invalidity, irregularity, voidableness, voidness or unenforceability of this Agreement or any other Loan Document or any other agreement or instrument relating thereto, or of all or any part of the Obligations shall affect, impair or be a defense hereunder.

10.06 Guaranty of Payment. The Guaranty hereunder is one of payment and performance, not collection, and the obligations of each of the Guarantors hereunder are independent of the obligations of the other Loan Parties, and a separate action or actions may be brought and prosecuted against any Guarantor to enforce the terms and conditions of this Article X, irrespective of whether any action is brought against any other Loan Party or any other Person or whether any other Loan Party or any other Person is joined in any such action or actions. Each Guarantor waives any right to require any resort by the Administrative Agent or any Lender to any security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent or any Lender in favor of any of the Loan Parties or any other Person. No election to proceed in one form of action or proceedings, or against any Person, or on any Obligations, shall constitute a waiver of the Administrative Agent's right to proceed in any other form of action or proceeding or against any other Person unless the Administrative Agent has expressed any such waiver in writing. Without limiting the generality of the foregoing, no action or proceeding by the Administrative Agent against any of the Loan Parties under any document evidencing or securing Indebtedness of any of the Loan Parties to the Administrative Agent shall diminish the liability of any of the Guarantors hereunder, except to the extent the Administrative Agent receives actual payment on account of Obligations by such action or proceeding, notwithstanding the effect of any such election, action or proceeding upon the right of subrogation of any of the Guarantors in respect of any of the Loan Parties.

10.07 Indemnity. As an original and independent obligation under this Agreement, each Guarantor shall (a) indemnify the Administrative Agent and each of the Lenders and keep the Administrative Agent and each of the Lenders indemnified against all costs, losses, expenses and liabilities of whatever kind resulting from the failure by any Loan Party to make due and punctual payment of any of the obligations or resulting from any of the obligations being or becoming void, voidable, unenforceable or ineffective against the Borrower (including, but without limitation, all legal and other costs, charges and expenses incurred by the Administrative Agent and each of the Lenders, or any of them in connection with preserving or enforcing, or attempting to preserve or enforce, its rights under this Agreement or any other Loan Document); and (b) pay on demand the amount of such costs, losses, expenses and liabilities whether or not the Administrative Agent or any of the Lenders has attempted to enforce any rights against any of the Loan Parties or any other Person or otherwise, except to the extent that any of the foregoing arises out of (i) the gross negligence or willful misconduct of the party being indemnified, as determined by a final non-appealable judgment of a court of competent jurisdiction, (ii) a claim brought by the Borrower or any Loan Party against the party being indemnified for breach in bad faith of the obligations hereunder or under any Loan Document of such party being indemnified, if the Borrower or such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction, or (iii) any dispute solely among the Administrative Agent and the Lenders or among Lenders other than any claims against the Administrative Agent in its capacity or in fulfilling its role as the Administrative Agent and other than any claims arising out of any act or omission of the Borrower or any of its Subsidiaries. This Section 10.07 shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

10.08 Liabilities Absolute. The liability of each Guarantor hereunder shall be absolute, unlimited and unconditional and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason, including, without limitation, any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any claim, defense or set-off, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of any other obligation or otherwise. Without limiting the generality of the foregoing, to the fullest extent permitted by applicable Law, the obligations of each Guarantor shall not be discharged or impaired, released, limited or otherwise affected by:

(a) any change in the manner, place or terms of payment or performance, and/or any change or extension of the time of payment or performance of, release, renewal or alteration of, or any new agreements relating to, any obligation, any security therefor, or any liability incurred directly or indirectly in respect thereof, or any rescission of, or amendment to, or waiver or other modification of, or any consent to departure from, this Agreement or any other Loan Document, including any increase in the Obligations resulting from the extension of additional credit to the Borrower or otherwise;

(b) any amendment or waiver of or consent to departure from any other guaranty for all or any of the Obligations;

(c) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any right or remedy against the Borrower or any other Loan Party or any other Person under the provisions of this Agreement or any other Loan Document or any other document or instrument executed and delivered in connection herewith or therewith;

(d) any settlement or compromise of any Obligation, any security therefor or any liability (including any of those hereunder) incurred directly or indirectly in respect thereof or hereof, and any subordination of the payment of all or any part thereof to the payment of any obligation (whether due or not) of any of the Loan Parties to creditors of any of the Loan Parties other than any other Loan Party;

(e) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any right or remedy against the Borrower or any other Loan Party or any other Person under the provisions of this Agreement or any other Loan Document or any other document or instrument executed and delivered in connection herewith or therewith;

(f) any other agreement or circumstance of any nature whatsoever that may or might in any manner or to any extent vary the risk of any of the Guarantors, or that might otherwise at law or in equity constitute a defense available to, or a discharge of, the Guaranty hereunder and/or the obligations of any of the Guarantors, or a defense to, or discharge of, any Loan Party or any other Person or party hereto or the Obligations or otherwise with respect to the Loan to the Borrower pursuant to this Agreement and/or any other Loan Document;

- (g) the lack of validity or enforceability of any terms of any of the Loan Documents;
- (h) any contest by the Borrower or any other Loan Party or any other Person as to the amount of the Obligations, the validity or enforceability of any terms of the Loan Documents;
- (i) any defense, counterclaim or right of set-off available to the Borrower or any other Loan Party;
- (j) any release, compounding or other variance of the liability of the Borrower or any other Loan Party or any other Person liable in any manner under or in respect of the Obligations or the extinguishment of all or any part of the Obligations by operation of law;
- (k) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Lenders, the Administrative Agent, the Borrower or any other Loan Party or any reorganization (whether by way of reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) of the Lenders, the Administrative Agent, the Borrower or any Loan Party or their respective businesses;
- (l) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation, winding-up or other like proceeding involving or affecting the Borrower or any other Loan Party or any other Person or any action taken with respect to this guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not any Guarantor shall have notice or knowledge of any of the foregoing;
- (m) the assignment of all or any part of the benefits of this guaranty; ~~or~~
- (n) any impossibility, impracticability, frustration of purpose, force majeure or illegality of any Loan Document, or the occurrence of any change in the applicable Law, rules, regulations or ordinances of any jurisdiction or by any present or future action of (i) any Governmental Authority that amends, varies, reduces or otherwise affects, or purports to amend, vary, reduce or otherwise affect, any of the Obligations or the obligations of any Guarantor under this guaranty, or (ii) any court order that amends, varies, reduces or otherwise affects any of the Obligations; or
- (o) any release, impairment, non-perfection or invalidity of any Collateral, other than as provided for or permitted by the Agreement and any other Loan Document.

10.09 Waiver of Notice. The Administrative Agent shall have the right to do any of the above without notice to or the consent of any Guarantor and each Guarantor expressly waives any right to notice of, consent to, knowledge of and participation in any agreements relating to any of the above or any other present or future event relating to Obligations whether under this Agreement or under any other Loan Document or otherwise, or any right to challenge or question any of the above and waives any defenses of such Guarantor which might arise as a result of such actions.

10.10 **Administrative Agent's Discretion.** The Administrative Agent may at any time and from time to time (whether prior to or after the revocation or termination of this Agreement) without the consent of, or notice to, any Guarantor, and without incurring responsibility to any Guarantor or impairing or releasing the Obligations, apply any sums by whomsoever paid or howsoever realized to any Obligations regardless of what Obligations remain unpaid.

10.11 **Reinstatement.**

(a) The Guaranty provisions herein contained shall continue to be effective or be reinstated, as the case may be, if claim is ever made upon the Administrative Agent or any Lender for repayment or recovery of any amount or amounts received by such Person in payment or on account of any of the Obligations and such Person repays all or part of said amount for any reason whatsoever, including, without limitation, by reason of any judgment, decree or order of any court or administrative body having jurisdiction over such Person or the respective property of each, or any settlement or compromise of any claim effected by such Person with any such claimant (including the Loan Parties); and in such event each of the Guarantors hereby agrees that any such judgment, decree, order, settlement or compromise or other circumstances shall be binding upon such Guarantor, notwithstanding any revocation hereof or the cancellation of any note or other instrument evidencing any Obligation, and each Guarantor shall be and shall remain liable to the Administrative Agent and the Lenders for the amount so repaid or recovered to the same extent as if such amount had never originally been received by such Person(s).

(b) The Administrative Agent shall not be required to marshal any assets in favor of any Guarantor, or against or in payment of the Obligations.

(c) No Guarantor shall be entitled to assert any claim against any present or future security held by the Administrative Agent from any Person for Obligations in priority to or equally with any claim of the Administrative Agent, or assert any claim for any liability of any Loan Party to any Guarantor in priority to or equally with claims of the Administrative Agent for Obligations, and no Guarantor shall be entitled to compete with the Administrative Agent with respect to, or to advance any equal or prior claim to, any security held by the Administrative Agent for Obligations.

(d) If any Loan Party makes any payment to the Administrative Agent, which payment is, wholly or partly, subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to any Person under any federal, national, departmental, territorial or provincial statute or at common law or under equitable principles (including bankruptcy, insolvency or other reorganization laws), then to the extent of such payment, the obligation intended to be paid shall be revived and continued in full force and effect as if the payment had not been made, and the resulting revived obligation shall continue to be guaranteed, uninterrupted, by each of the Guarantors hereunder.

(e) All present and future monies payable by any Loan Party to any Guarantor, arising out of a right of subrogation or similar concept, are assigned to the Administrative Agent for its benefit and for the ratable benefit of Lenders as security for such Guarantor's liability to the Administrative Agent and Lenders hereunder and are postponed and subordinated to the Administrative Agent's prior right to payment in full of Obligations. Except to the extent prohibited otherwise by this Agreement, all monies received by any Guarantor from any of the Loan Party shall be held by such Guarantor as agent and trustee for the Administrative Agent. This assignment, postponement and subordination shall only terminate when the Obligations are paid in full in cash and this Agreement is irrevocably terminated (other than indemnities and any other provisions that expressly survive such termination).

(f) The Borrower acknowledges this assignment, postponement and subordination and, except as otherwise set forth herein, agrees to make no payments to any Guarantor without the prior written consent of the Administrative Agent. The Borrower agrees to give full effect to the provisions hereof.

10.12 Action Upon Event of Default. Upon the occurrence and during the continuance of any Event of Default, the Administrative Agent may, and upon written request of the Required Lenders shall, without notice to or demand upon any Loan Party or any other Person, declare any obligations of any of the Guarantors hereunder immediately due and payable, and shall be entitled to enforce the obligations of such Guarantor. Upon such declaration by the Administrative Agent, the Administrative Agent and the Lenders are hereby authorized at any time and from time to time to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Administrative Agent or the Lenders to or for the credit or the account of any Guarantor against any and all of the obligations of each of such Guarantor now or hereafter existing hereunder, whether or not the Administrative Agent or the Lenders shall have made any demand hereunder against any other Loan Party and although such obligations may be contingent and unmatured. The rights of the Administrative Agent and the Lenders hereunder are in addition to other rights and remedies (including other rights of set-off) which the Administrative Agent and the Lenders may have. Upon such declaration by the Administrative Agent, with respect to any claims (other than those claims referred to in the immediately preceding paragraph) of any Guarantor against any other Loan Party (the "Claims"), the Administrative Agent shall have the full right in its own name or in the name of such Guarantor to collect and enforce such Claims by legal action, proof of debt in bankruptcy or other liquidation proceedings, vote in any proceeding for the arrangement of debts at any time proposed, or otherwise, the Administrative Agent and each of its officers being hereby irrevocably constituted attorneys-in-fact for each Guarantor for the purpose of such enforcement and for the purpose of endorsing in the name of each Guarantor any instrument for the payment of money. Each Guarantor will receive as trustee for the Administrative Agent and will pay to the Administrative Agent forthwith upon receipt thereof any amounts which such Guarantor may receive from any of the other Loan Parties on account of the Claims. Each Guarantor agrees that at no time hereafter will any of the Claims be represented by any notes, other negotiable instruments or writings, except and in such event they shall either be made payable to the Administrative Agent, or if payable to any Guarantor, shall forthwith be endorsed by such Guarantor to the Administrative Agent. Each Guarantor agrees that no payment on account of the Claims or any security interest therein shall be created, received, accepted or retained during the continuance of any Event of Default nor shall any financing statement be filed with respect thereto by any Guarantor.

10.13 **Interest.** All amounts due, owing and unpaid from time to time by any Guarantor hereunder shall bear interest at the interest rate then chargeable pursuant to Section 2.06.

10.14 **Guarantors' Investigation.** Each Guarantor acknowledges receipt of a copy of each of this Agreement and the other Loan Documents. Each Guarantor has made an independent investigation of the financial condition of each of the other Loan Parties. Neither the Administrative Agent nor any Lender has made and neither the Administrative Agent nor any Lender does make any representations or warranties as to the income, expense, operation, finances or any other matter or thing affecting any Loan Party nor has the Administrative Agent or any Lender made any representations or warranties as to the amount or nature of the Obligations, nor has the Administrative Agent or any Lender or any officer, agent or employee of the Administrative Agent or any Lender or any representative thereof, made any other oral representations, agreements or commitments of any kind or nature, and each Guarantor hereby expressly acknowledges that no such representations or warranties have been made and each Guarantor expressly disclaims reliance on any such representations or warranties.

10.15 **Bankruptcy, etc.**

(a) So long as any Obligations remain outstanding, none of the Guarantors shall, without the prior written consent of Administrative Agent acting pursuant to the instructions of Required Lenders, commence or join with any other Person in commencing any bankruptcy, reorganization or insolvency case or proceeding of or against the Borrower. The obligations of the Guarantors hereunder shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any case or proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of the Borrower or by any defense which the Borrower may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(b) Each Guarantor acknowledges and agrees that any interest on any portion of the Obligations which accrues after the commencement of any case or proceeding referred to in clause (a) above (or, if interest on any portion of the Obligations ceases to accrue by operation of law by reason of the commencement of such case or proceeding, such interest as would have accrued on such portion of the Obligations if such case or proceeding had not been commenced) shall be included in the Obligations because it is the intention of each such Guarantor that the Obligations which are guaranteed by such Guarantor pursuant hereto should be determined without regard to any rule of law or order which may relieve the Borrower of any portion of such Obligations. Subject to applicable Law, each Guarantor will permit any trustee in bankruptcy, receiver, debtor-in-possession, assignee for the benefit of creditors or similar Person to pay the Administrative Agent, or allow the claim of the Administrative Agent in respect of, any such interest accruing after the date on which such case or proceeding is commenced.

10.16 **Termination.** The provisions of this Article X shall remain in effect until the indefeasible payment in full in cash in Dollars of all Obligations and irrevocable termination of this Agreement.

10.17 Additional Guarantors.

(a) From time to time any one or more Subsidiaries of the Borrower (other than the Loan Parties) (each, an “Additional Guarantor”) may, upon written notice to the Administrative Agent, become a Guarantor hereunder by delivering to the Administrative Agent a Joinder Agreement, substantially in the form of Exhibit J (a “Joinder Agreement”), duly executed by such Additional Guarantor or Additional Guarantors, as applicable; provided that in the case of each Additional Guarantor or Additional Guarantors, as applicable, that become a Guarantor pursuant to this Section 10.17, each such Additional Guarantor or Additional Guarantors, as applicable, shall (x) deliver to the Administrative Agent simultaneously with the Joinder Agreement legal opinions from counsel to the Loan Parties in New York and in the jurisdiction or incorporation of the Additional Guarantor or Additional Guarantors, as applicable, addressed to the Administrative Agent and each Lender, as applicable, reasonably acceptable to the Administrative Agent, covering such matters relating to the applicable Joinder Agreement and the transactions contemplated hereby and thereby as the Administrative Agent may reasonably request and (y) deliver to each Lender, at least five Business Days prior to the execution of the Joinder Agreement, all documentation and other information required by regulatory authorities under applicable “know your customer” and Anti-Money Laundering Laws, including without limitation the USA PATRIOT Act, in form and substance satisfactory to such Lender so as to not cause such Lender to be in violation of such rules and regulations. The execution and delivery of any Joinder Agreement shall not require the consent of any other Loan Party hereunder. The rights and obligations of each Loan Party hereunder shall remain in full force and effect notwithstanding any Additional Guarantor becoming a party to this Agreement.

(b) If, as of the last day of any fiscal quarter of the Borrower (for purposes of this Section 10.17(b), the “reference date”), (i) the EBITDA of the Loan Parties as of the reference date, for the Rolling Period ended on the reference date (determined on a Consolidated basis in accordance with IFRS), represents less than 80% of the Consolidated EBITDA for such Rolling Period, or (ii) the unconsolidated total assets of the Loan Parties (other than Capital Stock of any Loan Party) as of the reference date (determined on a Consolidated basis in accordance with IFRS) represent less than 80% of the Consolidated Total Assets as of the reference date, or (iii) the aggregate amount of the net sales of goods of the Loan Parties as of the reference date, as reflected in the balance sheets of the Loans Parties for the fiscal quarter of the Loan Parties ended on the reference date, represents less than 80% of the amount of the net sales of goods of the Borrower and its Subsidiaries as of the reference date, as reflected in the Consolidated balance sheets of the Borrower and its Subsidiaries for the fiscal quarter of the Borrower ended on the reference date, the Borrower shall, at its sole cost and expense, within the earlier of (x) 60 days following such reference date, and (y) 15 days following the date on which financial statements of the Borrower for the fiscal quarter of the Borrower ended on such reference date are actually delivered (or otherwise made available) pursuant to Section 6.01(a) or (b), as applicable, to the Administrative Agent, cause one or more Subsidiaries of the Borrower to become Additional Guarantor(s) hereunder, by executing and delivering to the Administrative Agent a Joinder Agreement, so that, (A) the EBITDA of such Additional Guarantors together with the EBITDA of the Loan Parties party to this Agreement as of the reference date, in each case, for the Rolling Period ended on the reference date (determined on a Consolidated basis), represents at least 80% of the Consolidated EBITDA for such Rolling Period, (B) the unconsolidated total assets of such Additional Guarantors together with the total assets of the Loan Parties (other than Capital Stock of any Loan Party) party to this Agreement as of the reference date, in each case (determined on a Consolidated basis), represent at least 80% of the Consolidated Total Assets as of such reference date, or (C) the amount of the net sales of goods of such Additional Guarantors together with the amount of the net sales of goods of the Loan Parties party to this Agreement as of the reference date, represent at least 80% of the amount of the net sales of goods of the Borrower and its Subsidiaries as of the reference date, as reflected in the Consolidated balance sheets of the Borrower and its Subsidiaries for the fiscal quarter of the Borrower ended on the reference date.

(c) The Borrower shall have the right, at any time and from time to time, following compliance with Section 10.17(b) as of the last day of the fiscal quarter of the Borrower most recently ended (for purposes of this paragraph, such date, the “reference date”), to request by written notice to the Administrative Agent the release of one or more Reference Guarantors from its obligations under the Loan Documents, but only to the extent that, after giving effect to the proposed release of such Reference Guarantor as Guarantor hereunder, (i) the EBITDA of the Loan Parties party to this Agreement as of the reference date (disregarding for such determination, EBITDA of the Reference Guarantor), for the Rolling Period ended on the reference date (determined on a Consolidated basis in accordance with IFRS), represents at least 80% of the Consolidated EBITDA for such Rolling Period, or (ii) the unconsolidated total assets (other than Capital Stock of any Loan Party) of the Loan Parties party to this Agreement (disregarding for such determination, assets of the Reference Guarantor) as of the reference date (determined on a Consolidated basis), represent at least 80% of the Consolidated Total Assets as of such reference date, or (iii) the amount of the net sales of goods of the Loan Parties party to this Agreement (disregarding for such determination, the amount of net sales of goods of the Reference Guarantor) as of the reference date, represent at least 80% of the amount of the net sales of goods of the Borrower and its Subsidiaries as of the reference date, as reflected in the Consolidated balance sheets of the Borrower and its Subsidiaries for the fiscal quarter of the Borrower ended on the reference date. Upon delivery of any such written notice by the Borrower to the Administrative Agent (together with calculations in reasonable detail to that effect), the Administrative Agent shall, at the expense of the Borrower, take such actions and execute and deliver such agreements, instruments and documents as may be necessary or advisable (as reasonably requested by the Borrower) in order to evidence any such release.

(d) As used in this Section 10.17, the term “EBITDA” with respect to any Person shall have a correlative meaning with the meaning of the term “Consolidated EBITDA,” provided that each reference to the Borrower in the definition of “Consolidated EBITDA” shall be deemed a reference to such Person but shall disregard any reference to the Subsidiaries of such Person.

10.18 **Subordination.** Each Guarantor hereby agrees that any and all debts, liabilities and other obligations owed to such Guarantor by any other Loan Party or any other guarantor of the Borrower, are hereby subordinated to the prior payment in full in cash of the obligations of such other Loan Party or guarantor under the Loan Documents.

10.19 **Fraud.** Each Guarantor, the Lenders and the Administrative Agent, hereby confirm that it is the intention of such Persons that this guaranty and the obligations of each Guarantor hereunder not constitute a fraudulent transfer or conveyance under any applicable Law or any foreign, federal or state law to the extent applicable to this guaranty and the obligations of such Guarantor hereunder. To effectuate the foregoing intention, each Guarantor, the Lenders and the Administrative Agent hereby irrevocably agree that the obligations of such Guarantor under this guaranty at any time shall be limited to the maximum amount as will result in the obligations of such Guarantor under this guaranty not constituting a fraudulent transfer or conveyance.

ARTICLE XI.

MISCELLANEOUS

11.01 **Amendments, Etc.** No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent to any departure by the Borrower or any other Loan Party therefrom, shall be effective unless in writing signed by the Required Lenders and the Loan Parties, and acknowledged by the Administrative Agent, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall:

- (a) waive any condition set forth in Section 4.01 without the written consent of each Lender;
- (b) extend or increase the Commitment of any Lender (or reinstate any Commitment terminated pursuant to Section 8.02) without the written consent of such Lender;
- (c) postpone any date fixed by this Agreement or any other Loan Document for any payment or mandatory prepayment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;
- (d) reduce the principal of, or the rate of interest specified herein on any Loan, or any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; provided, however, that only the consent of the Required Lenders shall be necessary to waive any obligation of the Borrower to pay interest pursuant to Section 2.06(b);
- (e) change Section 8.03 in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender;
- (f) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; or
- (g) release any Guarantor from the Guaranty without the written consent of each Lender, except to the extent the release of any Guarantor is permitted pursuant to Section 10.10 (in which case such release may be made by the Administrative Agent acting alone); or

(h) except as provided in any Collateral Document, release any portion of the Collateral, without the written consent of the Required Lenders; or

(i) ~~impose any obligation on any Lender without the written consent of such Lender;~~

and, provided further, that (i) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document; and (ii) the Fee Letters may be amended, or rights or privileges thereunder waived, in a writing executed only by the respective parties thereto.

11.02 Notices; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, as follows:

(i) if to the Borrower or any other Loan Party or the Administrative Agent, to the address, facsimile number, electronic mail address or telephone number specified for such Person on Schedule 11.02; and

(ii) if to any other Lender, to the address, facsimile number, electronic mail address or telephone number specified in its Administrative Questionnaire (including, as appropriate, notices delivered solely to the Person designated by a Lender on its Administrative Questionnaire then in effect for the delivery of notices that may contain material non-public information relating to any Loan Party).

Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by facsimile shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (b).

(b) Electronic Communications. Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or any Loan Party may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(c) The Platform. THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE." THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE BORROWER MATERIALS OR THE ADEQUACY OF THE PLATFORM, AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS IN OR OMISSIONS FROM THE BORROWER MATERIALS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY ANY AGENT PARTY IN CONNECTION WITH THE BORROWER MATERIALS OR THE PLATFORM. In no event shall the Administrative Agent or any of its Related Parties (collectively, the "Agent Parties") have any liability to any Loan Party, any Lender, or any other Person for losses, claims, damages, liabilities or expenses of any kind (whether in tort, contract or otherwise) arising out of the Borrower's, any Loan Party's or the Administrative Agent's transmission of Borrower Materials through the Internet, except to the extent that such losses, claims, damages, liabilities or expenses are determined by a court of competent jurisdiction by a final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Agent Party; provided, however, that in no event shall any Agent Party have any liability to the Borrower, any Lender, or any other Person for indirect, special, incidental, consequential or punitive damages (as opposed to direct or actual damages).

(d) Change of Address, Etc. Each Loan Party and the Administrative Agent may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto. Each other Lender may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the Borrower and the Administrative Agent. In addition, each Lender agrees to notify the Administrative Agent from time to time to ensure that the Administrative Agent has on record (i) an effective address, contact name, telephone number, facsimile number and electronic mail address to which notices and other communications may be sent and (ii) accurate wire instructions for such Lender. Furthermore, each Public Lender agrees to cause at least one individual at or on behalf of such Public Lender to at all times have selected the "Private Side Information" or similar designation on the content declaration screen of the Platform in order to enable such Public Lender or its delegate, in accordance with such Public Lender's compliance procedures and applicable Law, including United States Federal and state securities Laws, to make reference to Borrower Materials that are not made available through the "Public Side Information" portion of the Platform and that may contain material non-public information with respect to any Loan Party or its securities for purposes of United States Federal or state securities laws.

(c) **Reliance by Administrative Agent and Lenders.** The Administrative Agent and the Lenders shall be entitled to rely and act upon any notices (including telephonic or electronic Loan Notices) purportedly given by or on behalf of any Loan Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. The Loan Parties, jointly and severally, agree to indemnify the Administrative Agent, each Lender and the Related Parties of each of them from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the Borrower in the absence of gross negligence or willful misconduct of the indemnified party as determined in a final and non-appealable judgment by a court of competent jurisdiction. All telephonic notices to and other telephonic communications with the Administrative Agent may be recorded by the Administrative Agent, and each of the parties hereto hereby consents to such recording.

11.03 No Waiver; Cumulative Remedies; Enforcement. No failure by any Lender or the Administrative Agent to exercise, and no delay by any such Person in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Loan Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Section 8.02 for the benefit of all the Lenders; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) any Lender from exercising setoff rights in accordance with Section 11.08 (subject to the terms of Section 2.11), or (c) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Lenders shall have the rights otherwise ascribed to the Administrative Agent pursuant to Section 8.02 and (ii) in addition to the matters set forth in clauses (b) and (c) of the preceding proviso and subject to Section 2.11, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

11.04 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Loan Parties, jointly and severally agree to pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated); provided that the Loan Parties shall not be required to pay or reimburse any such out of pocket expenses (other than fees, charges and disbursements of counsel for the Administrative Agent) that individually exceed U.S.\$10,000 per month, without the Borrower's prior written consent and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Loan Parties. The Loan Parties, jointly and severally, agree to indemnify the Administrative Agent (and any sub-agent thereof) and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower or any other Loan Party) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Administrative Agent (and any sub-agent thereof) and its Related Parties only, the administration of this Agreement and the other Loan Documents (including in respect of any matters addressed in Section 3.01), (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Loan Party or any of its Subsidiaries, or any Environmental Liability related in any way to any Loan Party or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Loan Party, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (y) result from a claim brought by the Borrower or any other Loan Party against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower or such Loan Party has obtained a final and non-appealable judgment in its favor on such claim as determined by a court of competent jurisdiction or (z) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from a dispute solely among Indemnitees other than any claims against an Indemnitee in its capacity or in fulfilling its role as the Administrative Agent and other than any claims arising out of any act or omission of the Borrower or any of its Subsidiaries. Without limiting the provisions of Section 3.01(d), this Section 11.4(b) shall not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Reimbursement by Lenders. To the extent that the Loan Parties for any reason fail to indefeasibly pay any amount required under subsection (a) or (b) of this Section to be paid by them to the Administrative Agent (or any sub-agent thereof) or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent) or such Related Party, as the case may be, such Lender's pro rata share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the Total Credit Exposure at such time) of such unpaid amount (including any such unpaid amount in respect of a claim asserted by such Lender), such payment to be made severally among them based on such Lenders' Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought), provided, further that, the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this subsection (c) are subject to the provisions of Section 2.10(d).

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, no Loan Party shall not assert, and each Loan Party hereby waives, and acknowledges that no other Person shall have, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than ten Business Days after demand therefor.

(f) Survival. The agreements in this Section and the indemnity provisions of Section 11.02(e) shall survive the resignation of the Administrative Agent, the replacement of any Lender, the termination of the Aggregate Commitments and the repayment, satisfaction or discharge of all the other Obligations.

11.05 **Payments Set Aside**. To the extent that any payment by or on behalf of the Borrower is made to the Administrative Agent or any Lender, or the Administrative Agent or any Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Administrative Agent or such Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then (a) to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred, and (b) each Lender severally agrees to pay to the Administrative Agent upon demand its applicable share (without duplication) of any amount so recovered from or repaid by the Administrative Agent, plus interest thereon from the date of such demand to the date such payment is made at a rate per annum equal to the Federal Funds Rate from time to time in effect. The obligations of the Lenders under clause (b) of the preceding sentence shall survive the payment in full of the Obligations and the termination of this Agreement.

11.06 **Successors and Assigns**.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Loan Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section, (ii) by way of participation in accordance with the provisions of subsection (d) of this Section, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

- (i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and/or the Loans at the time owing to it or contemporaneous assignments to related Approved Funds that equal at least the amount specified in paragraph (b)(i)(B) of this Section in the aggregate or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in subsection (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date, shall not be less than U.S.\$5,000,000 unless the Administrative Agent otherwise consents (such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) Required Consents. No consent of any Loan Party shall be required for any assignment. The consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required if such assignment is to a Person that is not a Lender, an Affiliate of such Lender or an Approved Fund with respect to such Lender.

(iv) Assignment and Assumption. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee in the amount of U.S.\$3,500; provided, however, that the Administrative Agent may, in its sole discretion, elect to waive such processing and recordation fee in the case of any assignment. The assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Certain Persons. No such assignment shall be made (A) to the Borrower or any of the Borrower's Affiliates or Subsidiaries, or (B) to a natural Person.

(vi) No Increased Costs. For so long as no Event of Default shall have occurred and is continuing at the time of such assignment, none of the Loan Parties shall be required to pay to the relevant assignee any amounts pursuant to Section 3.01(a) or Section 3.04 in excess of the amount that any Loan Party would have been required to pay to the assigning Lender if such assignment had not been made, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the time of such assignment.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to subsection (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.01, 3.04, 3.05, and 11.04 with respect to facts and circumstances occurring prior to the effective date of such assignment. Upon request, the Borrower and the other Loan Parties (at their expense) shall execute and deliver a Note to the assignee Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with subsection (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrower (and such agency being solely for tax purposes), shall maintain at the Administrative Agent's Office a copy of each Assignment and Assumption delivered to it (or the equivalent thereof in electronic form) and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Loan Party or the Administrative Agent, sell participations to any Person (other than a natural Person, or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnity under Section 11.04(c) without regard to the existence of any participation.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, waiver or other modification described in the first proviso to Section 11.01 that affects such Participant. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.01, 3.04 and 3.05 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (b) of this Section (it being understood that the documentation required under Section 3.01(f) shall be delivered to the Lender who sells the participation) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section; provided that such Participant (A) agrees to be subject to the provisions of Section 3.06 as if it were an assignee under paragraph (b) of this Section and (B) shall not be entitled to receive any greater payment under Sections 3.01 or 3.04, with respect to any participation, than the Lender from whom it acquired the applicable participation would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 3.06 with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.08 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.11 as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans, letters of credit or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) **Certain Pledges.** Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under its Note, if any) to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

11.07 Treatment of Certain Information; Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its Related Parties on a confidential basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to any Loan Party and its obligations, this Agreement or payments hereunder, (g) on a confidential basis to (i) any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facilities provided hereunder or (ii) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers or other market identifiers with respect to the credit facilities provided hereunder, (h) with the consent of the Borrower or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a nonconfidential basis from a source other than any Loan Party. For purposes of this Section, "Information" means all information received from the Borrower or any Subsidiary relating to the Borrower or any Subsidiary or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower or any Subsidiary, provided that, in the case of information received from the Borrower or any Subsidiary after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

Each of the Administrative Agent and the Lenders acknowledges that (a) the Information may include material non-public information concerning the Borrower or a Subsidiary, as the case may be, (b) it has developed compliance procedures regarding the use of material non-public information and (c) it will handle such material non-public information in accordance with applicable Law, including United States Federal and state securities Laws.

11.08 **Right of Setoff.** If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any and all of the obligations of the Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Lender or its Affiliates, irrespective of whether or not such Lender or Affiliate shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch, office or Affiliate of such Lender different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness. The rights of each Lender and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or its Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.09 **Interest Rate Limitation.** Notwithstanding anything to the contrary contained in any Loan Document, the interest paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Borrower. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

11.10 **Counterparts; Integration; Effectiveness.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by e-mail in portable document format (.pdf) or facsimile will be effective as delivery of a manually executed counterpart of this Agreement.

11.11 **Survival of Representations and Warranties.** All representations and warranties made hereunder and in any other Loan Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Administrative Agent and each Lender, regardless of any investigation made by the Administrative Agent or any Lender or on their behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or Event of Default at the time of the Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation hereunder shall remain unpaid or unsatisfied.

11.12 **Severability.** If any provision of this Agreement or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.13 **Governing Law; Jurisdiction; Etc.**

(a) GOVERNING LAW. THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (OTHER THAN THE NOTES) AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT (EXCEPT, AS TO ANY OTHER LOAN DOCUMENT, AS EXPRESSLY SET FORTH THEREIN) AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(b) SUBMISSION TO JURISDICTION. EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT IT WILL NOT COMMENCE ANY ACTION, LITIGATION OR PROCEEDING OF ANY KIND OR DESCRIPTION, WHETHER IN LAW OR EQUITY, WHETHER IN CONTRACT OR IN TORT OR OTHERWISE, AGAINST THE ADMINISTRATIVE AGENT, ANY LENDER OR ANY RELATED PARTY OF THE FOREGOING IN ANY WAY RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS RELATING HERETO OR THERETO, IN ANY FORUM OTHER THAN THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, AND EACH LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION, LITIGATION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE LOAN PARTIES AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION, LITIGATION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR IN ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST THE BORROWER OR ANY OTHER LOAN PARTY OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTION.

(c) WAIVER OF VENUE. THE BORROWER AND EACH OTHER LOAN PARTY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) SERVICE OF PROCESS. EACH LOAN PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT SERVICE OF ALL WRITS, PROCESS AND SUMMONSES IN ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN THE STATE OF NEW YORK MAY BE MADE UPON C T CORPORATION SYSTEM, PRESENTLY LOCATED AT 111 EIGHTH AVENUE, NEW YORK, NEW YORK 10011, UNITED STATES (THE "PROCESS AGENT"), AND EACH LOAN PARTY HEREBY CONFIRMS AND AGREES THAT THE PROCESS AGENT HAS BEEN DULY AND IRREVOCABLY APPOINTED AS ITS AGENT AND TRUE AND LAWFUL ATTORNEY-IN-FACT IN ITS NAME, PLACE AND STEAD TO RECEIVE AND FORWARD SUCH SERVICE OF ANY AND ALL SUCH WRITS, PROCESS AND SUMMONSES, AND AGREES THAT THE FAILURE OF THE PROCESS AGENT TO GIVE ANY NOTICE OF ANY SUCH SERVICE OF PROCESS TO SUCH LOAN PARTY SHALL NOT IMPAIR OR AFFECT THE VALIDITY OF SUCH SERVICE OR OF ANY JUDGMENT BASED THEREON. IF THE PROCESS AGENT SHALL CEASE TO SERVE AS AGENT FOR ANY LOAN PARTY TO RECEIVE SERVICE OF PROCESS HEREUNDER, SUCH LOAN PARTY SHALL PROMPTLY APPOINT A SUCCESSOR AGENT REASONABLY SATISFACTORY TO THE ADMINISTRATIVE AGENT. EACH LOAN PARTY HEREBY FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS IN ANY SUIT, ACTION OR PROCEEDING IN SUCH COURTS BY THE MAILING THEREOF BY THE ADMINISTRATIVE AGENT OR ANY LENDER BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, AT ITS ADDRESS SET FORTH IN SCHEDULE 11.02.

11.14 **Waiver of Jury Trial.** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.14.

11.15 **No Immunity.** To the extent that any Loan Party may be or become entitled, in any jurisdiction in which judicial proceedings may at any time be commenced with respect to this Agreement or any other Loan Document to which any Loan Party is a party, to claim for itself or its properties, assets or revenues any immunity from suit, court jurisdiction, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or from any other legal process or remedy relating to its obligations under this Agreement or any other Loan Document to which such Loan Party is a party, and to the extent that in any such jurisdiction there may be attributed such an immunity (whether or not claimed), such Loan Party hereby irrevocably agrees not to claim and hereby irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction.

11.16 **Special Waiver.** To the extent that any Loan Party may be entitled to the benefit of any provision of law requiring the Administrative Agent or any Lender in any suit, action or proceeding brought in a court of Peru or other jurisdiction arising out of or in connection with any of this Agreement, any other Loan Documents to which such Loan Party is a party and the Transactions, to post security for litigation costs or otherwise post a performance bond or guaranty, or to take any similar action, such Loan Party hereby irrevocably waives such benefit, in each case to the fullest extent now or hereafter permitted under the laws of the applicable jurisdiction.

11.17 **Judgment Currency.** This is an international loan transaction in which the specification of Dollars and payment in New York is of the essence, and the obligations of the Loan Parties under this Agreement and the other Loan Documents to make payment to (or for account of) the Administrative Agent, a Lender, a Lead Arranger or a Co-Arranger in Dollars shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any other currency or in another place except to the extent that such tender or recovery results in the effective receipt by such Person in New York of the full amount of Dollars payable to such Person under this Agreement. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency (in this [Section 11.17](#) called the "judgment currency"), the rate of exchange that shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase such Dollars in New York with the judgment currency on the Business Day next preceding the day on which such judgment is rendered. The obligation of the Loan Parties in respect of any such sum due from it to the Administrative Agent, any Lender any Lead Arranger or any Co-Arranger hereunder or under any other Loan Document (in this [Section 11.17](#) called an "Entitled Person") shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by such Entitled Person of any sum adjudged to be due hereunder in the judgment currency such Entitled Person may in accordance with normal banking procedures purchase and transfer Dollars to New York with the amount of the judgment currency so adjudged to be due, and the Loan Parties hereby, jointly and severally, as a separate obligation and notwithstanding any such judgment, agree to indemnify such Entitled Person against, and to pay such Entitled Person on demand, in Dollars, the amount (if any) by which the sum originally due to such Entitled Person in Dollars hereunder exceeds the amount of the Dollars so purchased and transferred. If any Entitled Person reasonably determines that the amount of the Dollars so purchased and transferred to such Entitled Person exceeds the sum originally due to such Entitled Person, then such Entitled Person shall as promptly as reasonably practicable, reimburse such excess to the relevant Loan Party.

11.18 **Use of English Language.** This Agreement has been negotiated and executed in the English language. All certificates, reports, notices and other documents and communications given or delivered pursuant to this Agreement (including any modifications or supplements hereto) shall be in the English language, or accompanied by a certified English translation thereof. Except in the case of (i) laws or official communications of Peru or (ii) documents filed with any Governmental Authority in Peru, in the case of any document originally issued in a language other than English, the English language version of any such document shall for purposes of this Agreement, and absent manifest error, control the meaning of the matters set out therein.

11.19 **Headings.** Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

11.20 **No Advisory or Fiduciary Responsibility.** In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower and each other Loan Party acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (i) (A) the arranging and other services regarding this Agreement provided by the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers and the Lenders are arm's-length commercial transactions between the Borrower, each other Loan Party and their respective Affiliates, on the one hand, and the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers and the Lenders, on the other hand, (B) each of the Borrower and the other Loan Parties has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (C) the Borrower and each other Loan Party is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (ii) (A) the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers and each Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower, any other Loan Party or any of their respective Affiliates, or any other Person and (B) neither the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers nor any Lender has any obligation to the Borrower, any other Loan Party or any of their respective Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers and the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower, the other Loan Parties and their respective Affiliates, and neither the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers nor any Lender has any obligation to disclose any of such interests to the Borrower, any other Loan Party or any of their respective Affiliates. To the fullest extent permitted by law, each of the Borrower and each other Loan Party hereby waives and releases any claims that it may have against the Administrative Agent, the Global Coordinator, the Lead Arrangers, the Co-Arrangers or any Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

11.21 **Electronic Execution of Assignments and Certain Other Documents.** The words “execute,” “execution,” “signed,” “signature,” and words of like import in any Assignment and Assumption or in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Administrative Agent, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

11.22 **USA PATRIOT Act.** Each Lender that is subject to the USA PATRIOT Act (as hereinafter defined) and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies each Loan Party that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “**USA PATRIOT Act**”), it is required to obtain, verify and record information that identifies each Loan Party, which information includes the name and address of such Loan Party and other information that will allow such Lender or the Administrative Agent, as applicable, to identify such Loan Party in accordance with the USA PATRIOT Act and to provide notice of these requirements, and this notice shall satisfy such notice requirements of the USA PATRIOT Act. Each Loan Party shall, promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the USA PATRIOT Act.

11.23 **Acknowledgment and Consent to Bail-In of Affected Financial Institutions.** Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all or a portion of such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of the applicable Resolution Authority.

[Remainder of this page intentionally left blank]

Compañía de Minas Buenaventura S.A.A.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Leandro Garcia, 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, because 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 consolidated 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 consolidated 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; and
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: April 30, 2021

/s/ LEANDRO GARCIA

Leandro Garcia
Chief Executive Officer

Compañía de Minas Buenaventura S.A.A.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Daniel Dominguez, 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, because 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 consolidated 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 consolidated 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; and
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: April 30, 2021

/s/ DANIEL DOMÍNGUEZ

Daniel Domínguez
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, 2020 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: April 30, 2021

/s/ LEANDRO GARCIA
Leandro Garcia
Chief Executive Officer
