

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Unaudited interim consolidated financial statements as of June 30,
2020 and 2019 and for the six-month periods then ended



Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

**Building a better
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Independent Auditor's Report

To the Board of Directors of Compañía de Minas Buenaventura S.A.A.

Introduction

We have reviewed the accompanying interim consolidated financial statements of Compañía de Minas Buenaventura S.A.A. (a Peruvian public corporation) and Subsidiaries (together the "Group") which comprise the interim consolidated statements of financial position as of June 30, 2020, and the interim consolidated statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the nine-month periods ended June 30, 2020 and 2019, and explanatory notes. The Group's Management is responsible for the preparation and presentation of these interim consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards approved in Peru by the Board of Deans of the Peruvian Charter of Accountants and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Lima, Peru
July 30, 2020

Countersigned by:

Katherine Villanueva
C.P.C.C. Register N° 36892

Paredes, Burga & Asociados

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Consolidated statements of financial position

As of June 30, 2020 (unaudited) and December 31, 2019 (audited)

	Notes	2020 US\$(000)	2019 US\$(000)
Assets			
Current assets			
Cash and cash equivalents	3	195,513	210,046
Trade and other receivables, net	4(a)	174,718	287,712
Inventories, net	5(a)	118,722	97,973
Income tax credit		16,488	31,919
Prepaid expenses		13,435	20,969
Hedge derivative financial instruments	15	19	-
		<u>518,895</u>	<u>648,619</u>
Non-current assets			
Trade and other receivables, net	4(a)	84,620	88,515
Inventories, net	5(a)	526	394
Investments in associates and joint ventures	6(a)	1,481,977	1,488,247
Mining concessions, development costs, right-of-use, property, plant and equipment, net	7(a)	1,689,066	1,754,372
Investment properties, net		194	204
Deferred income tax asset, net	13(b)	76,971	74,556
Prepaid expenses		25,249	25,692
Other assets		26,947	26,675
		<u>3,385,550</u>	<u>3,458,655</u>
Total assets		<u>3,904,445</u>	<u>4,107,274</u>
Liabilities and shareholders' equity, net			
Current liabilities			
Bank loans	8	57,208	55,000
Trade and other payables		103,571	166,244
Provisions, contingent liabilities and other liabilities		76,450	72,771
Income tax payable		1,285	5,650
Financial obligations	9(a)	151,148	265,692
		<u>389,662</u>	<u>565,357</u>
Non-current liabilities			
Trade and other payables		-	616
Provisions, contingent liabilities and other liabilities		215,030	221,736
Financial obligations	9(a)	403,249	305,996
Contingent consideration liability		16,410	16,410
Deferred income tax liabilities, net	13(b)	30,108	28,959
		<u>664,797</u>	<u>573,717</u>
Total liabilities		<u>1,054,459</u>	<u>1,139,074</u>
Shareholders' equity, net			
Capital stock	10	750,497	750,497
Investment shares		791	791
Additional paid-in capital		218,450	218,450
Legal reserve		163,168	163,168
Other reserves		269	269
Retained earnings		1,540,892	1,639,658
Other reserves of equity		(1,756)	(1,311)
Shareholders' equity, net attributable to owners of the parent		2,672,311	2,771,522
Non-controlling interest		177,675	196,678
Total shareholders' equity, net		<u>2,849,986</u>	<u>2,968,200</u>
Total liabilities and shareholders' equity, net		<u>3,904,445</u>	<u>4,107,274</u>

Compañía de Minas Buenaventura S.A.A. and Subsidiaries
Interim consolidated statements of profit or loss (unaudited)

For the three-month and six-month ended June 30, 2020 and 2019

	Notes	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2020	2019	2020	2019
		US\$(000)	US\$(000)	US\$(000)	US\$(000)
Continuing operations					
Operating income					
		91,598	206,503	197,317	383,635
Net sales of goods	11				
Net sales of services		2,628	4,267	5,685	7,737
Royalty income	14(a)	3,559	5,375	9,285	10,835
Total operating income		<u>97,785</u>	<u>216,145</u>	<u>212,287</u>	<u>402,207</u>
Operating costs					
Cost of sales of goods, excluding depreciation and amortization	12	(41,020)	(129,390)	(146,377)	(242,341)
Cost of sales of services, excluding depreciation and amortization		(152)	(138)	(603)	(1,483)
Depreciation and amortization		(28,537)	(58,774)	(65,178)	(108,518)
Exploration in operating units		(2,456)	(13,246)	(8,465)	(24,710)
Mining royalties		(1,216)	(3,310)	(3,575)	(5,404)
Total operating costs		<u>(73,381)</u>	<u>(204,858)</u>	<u>(224,198)</u>	<u>(382,456)</u>
Gross profit (loss)		<u>24,404</u>	<u>11,287</u>	<u>(11,911)</u>	<u>19,751</u>
Operating expenses, net					
Administrative expenses		(14,914)	(17,988)	(33,035)	(37,404)
Selling expenses		(2,230)	(6,373)	(6,778)	(10,291)
Exploration in non-operating areas		(1,708)	(3,358)	(3,465)	(6,768)
Reversal (provision) of contingents and others		1,087	(241)	850	1,262
Other, net	1(c)	(24,519)	1,327	(23,196)	(8,970)
Total operating expenses		<u>(42,284)</u>	<u>(26,633)</u>	<u>(65,624)</u>	<u>(62,171)</u>
Operating profit (loss)		<u>(17,880)</u>	<u>(15,346)</u>	<u>(77,535)</u>	<u>(42,420)</u>
Other income (expense), net					
Share in the results of associates and joint ventures	6(b)	3,904	22,705	(18,146)	72,217
Financial costs		(7,346)	(10,156)	(15,720)	(21,685)
Net gain (loss) from currency exchange difference		(2,019)	(238)	(3,115)	(217)
Financial income		548	1,825	1,312	4,045
Total other income (expense), net		<u>(4,913)</u>	<u>14,136</u>	<u>(35,669)</u>	<u>54,360</u>
Profit (loss) before income tax		<u>(22,793)</u>	<u>(1,210)</u>	<u>(113,204)</u>	<u>11,940</u>
Current income tax	13(c)	(1,122)	(1,746)	(3,107)	(3,743)
Deferred income tax	13(c)	(5,502)	10,747	1,272	25,995
Profit (loss) from continuing operations		<u>(29,417)</u>	<u>7,791</u>	<u>(115,039)</u>	<u>34,192</u>
Discontinued operations					
Loss from discontinued operations attributable to equity holders of the parent		(1,335)	(2,124)	(2,812)	(4,514)
Net profit (loss)		<u>(30,752)</u>	<u>5,667</u>	<u>(117,851)</u>	<u>29,678</u>
Attributable to:					
Owners of the parent		(25,112)	9,700	(100,107)	36,964
Non-controlling interest		(5,640)	(4,033)	(17,744)	(7,286)
		<u>(30,752)</u>	<u>5,667</u>	<u>(117,851)</u>	<u>29,678</u>
Basic and diluted profit per share attributable to equity holders of the parent, stated in U.S. dollars					
		(0.10)	0.04	(0.39)	0.15
Profit for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in U.S. dollars					
		(0.09)	0.05	(0.38)	0.16

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Interim consolidated statements of other comprehensive income (unaudited)

For the three-month and six-month periods ended June 30, 2020 and 2019

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2020 US\$(000)	2019 US\$(000)	2020 US\$(000)	2019 US\$(000)
Net profit (loss)	<u>(30,752)</u>	<u>5,667</u>	<u>(117,851)</u>	<u>29,678</u>
Other comprehensive income of the period:				
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods				
Net change in unrealized gain (loss) on hedge derivative				
financial instruments	19	370	19	(2,561)
Income tax effect	(6)	383	(6)	1,247
Unrealized gain (loss) on investments	819	159	(437)	(282)
	<u>832</u>	<u>912</u>	<u>(424)</u>	<u>(1,596)</u>
Total other comprehensive profit, net of income tax	<u>(29,920)</u>	<u>6,579</u>	<u>(118,275)</u>	<u>28,082</u>
Attributable to:				
Equity holders of the parent	(24,301)	10,377	(100,552)	36,773
Non-controlling interests	<u>(5,619)</u>	<u>(3,798)</u>	<u>(17,723)</u>	<u>(8,691)</u>
	<u>(29,920)</u>	<u>6,579</u>	<u>(118,275)</u>	<u>28,082</u>

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Interim consolidated statements of changes in shareholders' equity (unaudited)

For the six-month ended June 30, 2020 and 2019

	Attributable to equity holders of the parent										
	Capital stock, net of treasury shares										
	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)	Other reserves of equity US\$(000)	Total US\$(000)	Non- controlling interest US\$(000)	Total net equity US\$(000)
As of January 1, 2019	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 the implementation of new IFRS	-	-	-	-	-	-	(957)	-	(957)	-	(957)
As of January 1, 2019	253,715,190	750,497	791	218,450	163,115	269	1,674,952	(703)	2,807,371	221,237	3,028,608
Net profit (loss)	-	-	-	-	-	-	36,964	-	36,964	(7,286)	29,678
Other comprehensive income	-	-	-	-	-	-	-	(191)	(191)	(1,405)	(1,596)
Total other comprehensive income (loss)	-	-	-	-	-	-	36,964	(191)	36,773	(8,691)	28,082
Dividends declared and paid, note 10	-	-	-	-	-	-	(15,240)	-	(15,240)	(3,100)	(18,340)
Expired dividends	-	-	-	-	1	-	-	-	1	-	1
Transfer and other equity changes	-	-	-	-	-	-	(1,172)	-	(1,172)	-	(1,172)
As of June 30, 2019	253,715,190	750,497	791	218,450	163,116	269	1,695,504	(894)	2,827,733	209,446	3,037,179
As of January 1, 2020	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	-	-	-	-	-	-	(100,107)	-	(100,107)	(17,744)	(117,851)
Other comprehensive income	-	-	-	-	-	-	-	(445)	(445)	21	(424)
Total other comprehensive income (loss)	-	-	-	-	-	-	(100,107)	(445)	(100,552)	(17,723)	(118,275)
Dividends declared and paid, note 10	-	-	-	-	-	-	-	-	-	(1,280)	(1,280)
Transfer and other equity changes	-	-	-	-	-	-	1,341	-	1,341	-	1,341
As of June 30, 2020	253,715,190	750,497	791	218,450	163,168	269	1,540,892	(1,756)	2,672,311	177,675	2,849,986

Compañía de Minas Buenaventura S.A.A. and Subsidiaries
Interim consolidated statements of cash flows (unaudited)
For the three-month and six-month periods ended June 30, 2020 and 2019

	Notes	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
		2020	2019	2020	2019
		US\$(000)	US\$(000)	US\$(000)	US\$(000)
Operating activities					
Proceeds from sales	4	102,891	209,222	310,846	391,994
Value added tax recovered	4	10,485	12,902	14,827	22,285
Royalty received	14(a)	6,769	5,475	12,495	10,935
Proceeds from dividends	14(a)	5,132	28,440	5,132	29,376
Interest received		323	-	1,483	523
Payments to suppliers and third-parties		(92,552)	(147,770)	(238,326)	(321,895)
Payments to employees		(31,142)	(31,566)	(65,554)	(73,176)
Payments of income taxes and royalties paid to State		(7,907)	(4,325)	(13,978)	(10,050)
Payments of interest		(6,333)	(8,054)	(12,626)	(14,579)
Payment of mining royalties		(497)	(1,136)	(1,633)	(1,577)
Net cash and cash equivalents provided by (used in) operating activities		(12,831)	63,188	12,666	33,836
Investing activities					
Proceeds from sales of mining concessions, property, plant and equipment	4(c)	147	275	21,184	422
Acquisitions of mining concessions, development costs, property, plant and equipment	7	(11,435)	(27,768)	(21,481)	(36,284)
Purchase of shares	6(c)	-	-	(13,453)	-
Acquisitions of other assets		(115)	(986)	(806)	(1,428)
Net cash and cash equivalents used in investing activities		(11,403)	(28,479)	(14,556)	(37,290)
Financing activities					
Proceeds from bank loans	8	2,208	-	7,208	5,000
Payments of bank loans	8	-	-	(5,000)	(45,000)
Payments of financial obligations	9	(4,342)	(12,881)	(14,030)	(23,228)
Dividends paid to controlling shareholders		-	(15,240)	-	(15,240)
Dividends paid to non-controlling interest		-	(1,500)	(1,280)	(3,100)
Decrease (increase) of restricted bank accounts	4(a)	293	(448)	459	(144)
Net cash and cash equivalents used in financing activities		(1,841)	(30,069)	(12,643)	(81,712)
Net increase (decrease) in cash and cash equivalents during the period, net		(26,075)	4,640	(14,533)	(85,166)
Cash and cash equivalents at beginning of period	3	221,588	279,394	210,046	369,200
Cash and cash equivalents at period-end	3	195,513	284,034	195,513	284,034
Financing and investing activities not affecting cash flows:					
Changes in mine closures plans		(2,899)	(1,382)	(2,899)	(5,905)

Compañía de Minas Buenaventura S.A.A. and Subsidiaries

Notes to the interim consolidated financial statements (unaudited)

As of June 30 2020 and 2019

1. Identification and business activity

(a) Identification -

Compañía de Minas Buenaventura S.A.A. (hereafter “Buenaventura” or “the Company”) is a publicly traded corporation incorporated in 1953 in Lima city. The Company stocks are 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.

(b) Business activity -

The Company and its subsidiaries (hereinafter “the Group”), directly or associated with third parties, are principally engaged in the exploration, mining, concentration, smelting and marketing of polymetallic ores and metals.

As of June 30, 2020, the Group operates directly four operating mining units (Uchucchacua, Orcopampa, Julcani and Tambomayo), three mining units with discontinued operations (Mallay, Poracota and Shila-Paula) and one mining unit under development stage (San Gabriel). In addition, the Group has a controlling interest in Sociedad Minera El Brocal S.A.A. (hereinafter “El Brocal”), which operates the Colquijirca mining unit; Minera La Zanja S.R.L. (hereinafter “La Zanja”), which operates La Zanja mining unit; El Molle Verde S.A.C. (hereinafter “Molle Verde”) which operates Trapiche, a mining unit at the development stage; and other entities dedicated to energy generation and transmission services and other activities. All these activities are carried out in Peru.

(c) COVID-19 (Corona Virus Disease 2019) in Peru -

Our 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 interim consolidated financial statements (unaudited)

(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, reaching a total of 138 calendar days; whose final date would be July 31, 2020. 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 of its assets:

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

Finally, regarding Group's Production guidance for the rest of 2020, it is noteworthy that the values are subject to the local and national sanitary performance and therefore has to be carefully evaluated.

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 the first semester of 2020, which is reflected in the variation in sales. During the first quarter sales decreased by US\$189.9 million in relation to the same quarter of the previous year, as well as the increase in inventories of US\$20.9 million, mainly explained by the suspension of dispatches, which resulted in lower sales and higher inventories in process, see notes 5 and 11, respectively. In the April and May 2020, the Group's production costs amounted to a total amount of US\$29.3 million, presented in the "Other, net" caption because in those months was no production in mine nor plant due to the lockdown of the State of National Emergency.

Notes to the interim consolidated financial statements (unaudited)

(continued)

The Group is currently evaluating the potential short-term and long-term implications of COVID-19 on its consolidated financial statements. The ultimate severity of the Coronavirus outbreak is uncertain at this time and therefore we cannot predict the possible impact on the world, the Peruvian economy, the international financial markets, or ultimately on our 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 increase in the short and medium term, considering: normal regularization of operations, commercial landscape and increase in metal prices.

2. Basis for preparation, presentation, consolidation and changes in accounting policies

2.1. Basis of preparation and presentation -

The unaudited interim consolidated financial statements have been prepared and presented in accordance with IAS 34 - "Interim Financial Reporting", as issued by the International Accounting Standards Board (hereinafter "IASB").

The unaudited interim consolidated financial statements have been prepared on a historical cost basis, from the accounting records of the Group, except for financial assets and liabilities at fair value through profit or loss.

The unaudited interim consolidated financial statements are stated in U.S. dollars and all values have been rounded to the nearest thousands, except when otherwise indicated.

The unaudited interim consolidated financial statements provide comparative information for prior periods, however, do not include all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as of December 31, 2019 and for the year then ended.

2.2. New standards and interpretations adopted by the Group -

The accounting policies used by the Group for the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements as of December 31, 2019 and for the year then ended.

Certain standards and amendments apply from January 1, 2020, however, they do not impact the unaudited interim consolidated financial statements of the Group as of June 30, 2020 and, therefore, they have not been disclosed. The Group has not early adopted any standard, interpretation or modification issued and not yet effective.

Notes to the interim consolidated financial statements (unaudited)

(continued)

3. Cash and cash equivalents

This caption is made up as follow:

	As of June 30, 2020 US\$(000)	As of December 31, 2019 US\$(000)
Cash	205	304
Bank accounts (i)	167,808	37,836
Time deposits (ii)	<u>27,500</u>	<u>171,906</u>
	<u>195,513</u>	<u>210,046</u>

(i) Banks accounts are freely available and earn interest at floating rates based on market rates.

(ii) As of June 30, 2020 and December 31, 2019, time deposits were kept in prime financial institutions, which generated interest at annual market rates and had original current maturities, according to the immediate cash needs of the Group.

4. Trade and other receivables, net

(a) This caption is made up as follows:

	As of June 30, 2020 US\$(000)	As of December 31, 2019 US\$(000)
Trade receivables, net		
Domestic clients	82,215	141,005
Foreign clients	29,918	78,860
Related entities, note 14(b)	<u>4,594</u>	<u>6,247</u>
	116,727	226,112
Allowance for expected credit losses (b)	<u>(22,006)</u>	<u>(22,016)</u>
	<u>94,721</u>	<u>204,096</u>
Other receivables		
Value added tax credit	54,743	54,327
Tax claims	41,823	42,602
Other receivables to third parties	31,721	31,478
Refund applications of tax	16,371	3,067
Advances to suppliers	15,628	9,275
Insurance claim (d)	3,242	-
Interest receivables	2,625	3,244
Related entities, note 14(b)	2,026	2,967
Restricted bank accounts	1,908	2,367
Tax deposits	1,391	6,788
Loans to personal	1,104	1,128
Due from for sales of assets (c)	512	21,648
Dividends receivable	-	2,501
Other minor	1,311	745
Allowance for expected credit losses (b)	<u>(9,788)</u>	<u>(10,006)</u>
	<u>164,617</u>	<u>172,131</u>
Total trade and other receivables, net	<u>259,338</u>	<u>376,227</u>

Notes to the interim consolidated financial statements (unaudited)

(continued)

	As of June 30, 2020	As of December 31, 2019
	US\$(000)	US\$(000)
Classification by maturity:		
Current portion	174,718	287,712
Non-current portion	<u>84,620</u>	<u>88,515</u>
Total trade and other receivables, net	<u>259,338</u>	<u>376,227</u>
Classification by nature:		
Financial receivables	188,224	318,833
Non-financial receivables	<u>71,114</u>	<u>57,394</u>
Total trade and other receivables, net	<u>259,338</u>	<u>376,227</u>
Classification by measurement:		
Trade receivables (without provisional prices)	25,140	38,550
Trade receivables (with provisional prices)	69,581	165,546
Other accounts receivables	<u>164,617</u>	<u>172,131</u>
Total trade and other receivables, net	<u>259,338</u>	<u>376,227</u>

- (b) 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.
- (c) 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.
- (d) 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 Dominion Mill located on the first plant that occurred in August 2019. As of June 30, 2020, the amount collected was US\$1,139,000, and a pending balance of US\$3,242,000. On July 8, 2020, El Brocal collected US\$2,264,000, leaving a final account receivable of US\$978,000 as of the date of this report.

5. Inventories, net

- (a) This caption is made up as follows:

	As of June 30, 2020	As of December 31, 2019
	US\$(000)	US\$(000)
Finished goods	5,572	2,084
Products in process	73,943	47,652
Spare parts and supplies	<u>79,592</u>	<u>74,033</u>
	159,107	123,769
Provision for impairment of value of inventory (b)	<u>(39,859)</u>	<u>(25,402)</u>
	<u>119,248</u>	<u>98,367</u>

Notes to the interim consolidated financial statements (unaudited)

(continued)

	As of June 30, 2020	As of December 31, 2019
	US\$(000)	US\$(000)
Classification by use:		
Current portion	118,722	97,973
Non-current portion	<u>526</u>	<u>394</u>
	<u>119,248</u>	<u>98,367</u>

- (b) In the opinion of Group's Management, the provision for impairment of value of inventories adequately covers this risk as of the date of the consolidated statements of financial position. The provision for impairment of value of inventory had the following movement during the six-month periods ended as of June 30, 2020 and 2019:

	2020	2019
	US\$(000)	US\$(000)
Balance as of January 1,	25,402	23,163
<i>Continuing operations:</i>		
Provision for impairment of finished and in progress goods, note 12	19,162	7,347
Reversal for impairment of finished and in progress goods, note 12	<u>(4,705)</u>	<u>(9,470)</u>
Balance as of June 30,	<u>39,859</u>	<u>21,040</u>

6. Investments in associates and joint venture

- (a) This caption is made up as follows:

	Share in equity		As of June 30, 2020	As of December, 31 2019
	2020	2019	US\$(000)	US\$(000)
	%	%		
Associates				
Sociedad Minera Cerro Verde S.A.A.	19.584	19.584	1,156,959	1,155,358
Minera Yanacocha S.R.L.	43.650	43.650	212,408	230,000
Compañía Minera Coimolache S.A.	40.095	40.095	93,355	98,427
Tinka Resources Ltd. (c)	19.300	-	<u>14,844</u>	-
			1,477,566	1,483,785
Joint ventures			2,576	2,627
Other minor investments			<u>1,835</u>	<u>1,835</u>
			<u>1,481,977</u>	<u>1,488,247</u>

Notes to the interim consolidated financial statements (unaudited)

(continued)

- (b) The table below presents the net share in profit (loss) of associates:

	For the three-month periods		For the six-month periods	
	ended June 30,		ended June 30,	
	2020	2019	2020	2019
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Associates				
Minera Yanacocha S.R.L.	(7,628)	11,232	(17,138)	20,899
Compañía Minera Coimolache S.A.	(1,825)	1,082	(2,440)	1,723
Tinka Resources Ltd.	(117)	-	(117)	-
Sociedad Minera Cerro Verde S.A.A.	13,451	10,435	1,600	49,639
	3,881	22,749	(18,095)	72,261
Joint ventures	23	(44)	(51)	(44)
	3,904	22,705	(18,146)	72,217

- (c) Investment in Tinka Resources Ltd. -

In January 2020, Buenaventura acquired from Tinka Resources Ltd. (hereinafter "Tinka") 19.30 per cent of common shares on a non-diluted basis, through private placement financing, which represents 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 are subject to a four-month hold period pursuant to Canadian securities laws expired on May 14, 2020.

Tinka is a Canadian junior exploration and development mining company with its flagship property being the 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 interim consolidated financial statements (unaudited)

(continued)

7. Mining concessions, development costs, right-of-use, property, plant and equipment, net

(a) This caption is made up as follow:

	Cost US\$(000)	Accumulated depreciation / amortization US\$(000)	Provision for impairment of long-lived assets US\$(000)	Net cost US\$(000)
As of January 1, 2020	3,781,326	(1,998,596)	(28,358)	1,754,372
Additions	25,211	(90,154)	-	(64,943)
Reclassifications	(384)	134	-	(250)
Disposals / Sales	(280)	167	-	(113)
As of June 30, 2020	<u>3,805,873</u>	<u>(2,088,449)</u>	<u>(28,358)</u>	<u>1,689,066</u>
As of January 1, 2019	3,727,403	(1,853,513)	(26,275)	1,847,615
Additions	42,189	(104,958)	-	(62,769)
Reclassifications	(6,880)	(696)	-	(7,576)
Disposals / Sales	(13,311)	1,473	-	(11,838)
Effect of the implementation of IFRS 16	18,528	(4,175)	-	14,353
As of June 30, 2019	<u>3,767,929</u>	<u>(1,961,869)</u>	<u>(26,275)</u>	<u>1,779,785</u>

(b) The net assets for right in use maintained by the Group correspond:

	As of June 30, 2020 US\$(000)	As of December 31, 2019 US\$(000)
Right in use		
Buildings	3,970	5,393
Transportation units	638	7,009
Machinery and equipment	174	3,840
	<u>4,782</u>	<u>16,242</u>

(c) In connection with the decline in metal prices, the Group evaluated its long-lived assets, other than indefinite-lived intangible assets, for impairment as of June 30, 2020.

The Group's long-lived asset impairment evaluation required to make several assumptions in determining estimates of future cash flows of its individual mining operations. The assumptions include mainly: i) near- and long-term metal price assumptions estimates of commodity-based; ii) discount rate that reflect the current market assessments of the time value of money and the risks specific to the its mining operations; iii) other input costs; iv) proven and probable mineral reserves estimates, including the timing and costs to develop and produce the reserves; and v) the value of mineral resources not yet included in proven and probable mineral reserves. Projected long-term average metal prices represented the most significant assumption used in the cash flow estimates.

Notes to the interim consolidated financial statements (unaudited)

(continued)

The Group's evaluation of long-lived assets (other than indefinite-lived intangible assets) did not result in the recognition of significant impairments as of June 30, 2020. Should metal prices decline further in future quarters; the Group will continue to evaluate its long-lived assets for impairment.

8. Bank loans

(a) This caption is made up as follows:

	2020 US\$(000)	2019 US\$(000)
Balance as of January 1,	55,000	95,000
New loans	7,208	5,000
Disbursements	<u>(5,000)</u>	<u>(45,000)</u>
Balance as of June 30,	<u>57,208</u>	<u>55,000</u>

As of June 30, 2020, bank loans were obtained for working capital purposes, have current maturity and accrue interest at market annual rates ranging from 2% to 3.85% (annual rates ranging from 2% to 2.95% as of December 31, 2019).

(b) On July 8, 2020, Buenaventura signed an addendum to modify the schedule and maturity of his loan for US\$50 million with original maturity from July 2020 to July 8, 2021.

9. Financial obligations

(a) This caption is made up as follow:

	As of June 30, 2020 US\$(000)	As of December 31, 2019 US\$(000)
Compañía de Minas Buenaventura S.A.A.(b)		
BBVA Banco Continental	61,667	61,667
Banco de Crédito del Perú	61,667	61,667
CorpBanca New York Branch	61,666	61,666
Banco Internacional del Perú	30,000	30,000
ICBC Perú Bank	25,000	25,000
Banco Latinoamericano de Comercio Exterior S.A.	20,000	20,000
Banco de Sabadell, Miami Branch	<u>15,000</u>	<u>15,000</u>
	275,000	275,000
Debt issuance costs	<u>(3,720)</u>	<u>(2,504)</u>
	271,280	272,496
Sociedad Minera El Brocal S.A.A. (c)		
Banco de Crédito del Perú – Finance lease	156,497	161,894
Debt issuance costs	<u>(654)</u>	<u>(709)</u>
	155,843	161,185
Empresa de Generación Huanza S.A.	<u>121,871</u>	<u>130,504</u>
Obligations for leases	<u>5,403</u>	<u>7,503</u>
Total financial obligations	<u>554,397</u>	<u>571,688</u>

Notes to the interim consolidated financial statements (unaudited)

(continued)

	As of June 30, 2020	As of December 31, 2019
	US\$(000)	US\$(000)
Classification by maturity:		
Current portion	151,148	265,692
Non-current portion (b)	<u>403,249</u>	<u>305,996</u>
Total financial obligations	<u>554,397</u>	<u>571,688</u>

The compliance with the clauses described in the annual audited report is overseen by the Group's Management. As of June 30, 2020, the Group complies with the consolidated financial ratios agreed with the Banks.

- (b) On April 2, 2020, Buenaventura entered into a second amendment to the Syndicated Term Loan, pursuant to which, 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).
- (c) In April 2020, the subsidiary El Brocal arranged with the Banco de Crédito del Perú to defer the payment of the second installment, scheduled for April 30, 2020, for an amount of US\$5,396,000 (includes capital only), to a 180 days. In this way, the schedule established for the following installments will not be affected.

10. 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.

By means of Mandatory Annual Shareholders' Meeting held on March 25, 2019, a distribution of dividends was approved for US\$0.06 per share, equivalent to US\$16,538,000 (US\$15,240,000 net of treasury shares), which were paid during the second quarter of the 2019.

Dividends declared by S.M.R.L. Chaupiloma Dos de Cajamarca corresponding to non-controlling interest were US\$1,280,000 and US\$3,100,000 for the six-month periods ended June 30, 2020 and 2019, respectively.

Notes to the interim consolidated financial statements (unaudited)

(continued)

11. Net sales of goods

The table below presents the detail of net sales of goods to clients for the three-month and six-month periods ended June 30, 2020 and 2019:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2020 US\$(000)	2019 US\$(000)	2020 US\$(000)	2019 US\$(000)
Sales by metal				
Gold	44,150	59,749	78,385	106,044
Silver	24,289	79,675	75,931	133,701
Copper	14,024	55,841	60,889	106,759
Zinc	5,283	49,083	33,194	90,560
Lead	5,640	28,081	18,026	47,329
Manganese sulfate	385	243	2,052	2,437
	93,771	272,672	268,477	486,830
Commercial deductions	(19,958)	(55,984)	(70,001)	(101,530)
Contracts with customers for sale of goods	73,813	216,688	198,476	385,300
Fair value of accounts receivables	17,785	(10,721)	(1,159)	(4,687)
Hedge operations	-	536	-	3,022
Net sale of goods	91,598	206,503	197,317	383,635

Notes to the interim consolidated financial statements (unaudited)

(continued)

12. Cost of sales of goods, without considering depreciation and amortization

The cost of sales of goods is made up as follows:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2020 US\$(000)	2019 US\$(000)	2020 US\$(000)	2019 US\$(000)
Beginning balance of finished goods and products in process, net of depreciation and amortization	44,591	48,580	31,939	49,206
Cost of production				
Services provided by third parties	11,091	51,848	52,305	91,775
Consumption of materials and supplies	9,891	25,746	28,313	48,871
Direct labor	8,301	20,685	28,017	39,635
Electricity and water	3,831	11,646	14,309	22,630
Short-term and low-value lease	1,972	3,212	5,930	9,390
Insurances	1,964	3,004	5,124	5,887
Maintenance and repair	901	4,039	5,080	7,862
Transport	1,077	4,617	4,073	7,949
Other production expenses	973	2,134	4,173	4,328
Provision (reversal) for impairment of finished goods and product in progress	3,771	(3,052)	14,457	(2,123)
Total cost of production	43,772	123,879	161,781	236,204
Final balance of products in process and finished goods, net of depreciation and amortization	(47,343)	(43,069)	(47,343)	(43,069)
Cost of sales of goods, without considering depreciation and amortization	41,020	129,390	146,377	242,341

Notes to the interim consolidated financial statements (unaudited)

(continued)

13. Income tax

- (a) Below is the composition and movement of those items that are related to deferred income taxes, according to the items that originated them:

	As of June 30, 2020	As of December 31, 2019
	US\$(000)	US\$(000)
Deferred asset for income tax included in results		
Tax - loss carryforward	156,081	131,328
Difference in depreciation and amortization rates	45,040	48,607
Provision for closure of mining units, net	34,404	30,900
Impairment loss of long-lived assets	8,022	8,048
Other minor	24,274	21,503
	<u>267,821</u>	<u>240,386</u>
Deferred assets for mining royalties and special mining tax included in results	<u>55</u>	<u>30</u>
Total deferred asset	<u>267,876</u>	<u>240,416</u>
Deferred liability for income tax included in results		
Effect of translation into U.S. dollars	(73,619)	(46,276)
Differences in amortization rates for development costs	(68,495)	(69,345)
Other minors	(78,781)	(79,030)
	<u>(220,895)</u>	<u>(194,651)</u>
Hedge derivative financial instruments	<u>(6)</u>	<u>-</u>
Deferred liability for mining royalties and special mining tax included in results	<u>(112)</u>	<u>(168)</u>
Total deferred liability	<u>(221,013)</u>	<u>(194,819)</u>
Deferred income tax asset, net	<u>46,863</u>	<u>45,597</u>

- (b) The deferred tax asset is presented in the consolidated statement of financial position:

	2020	2019
	US\$(000)	US\$(000)
Deferred income tax asset	76,971	74,556
Deferred income tax liability	<u>(30,108)</u>	<u>(28,959)</u>
	<u>46,863</u>	<u>45,597</u>

Notes to the interim consolidated financial statements (unaudited)

(continued)

- (c) Below is a reconciliation of tax expense (income) and the accounting profit (loss) multiplied by the statutory tax rate:

	For the three-month periods		For the six-month periods	
	ended June 30,		ended June 30,	
	2020	2019	2020	2019
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Profit (loss) before income tax	(22,793)	(1,210)	(113,204)	11,940
Loss for discontinued operations	(1,335)	(2,124)	(2,812)	(4,514)
Profit (loss) before income tax	<u>(24,128)</u>	<u>(3,334)</u>	<u>(116,016)</u>	<u>7,426</u>
Theoretical income (loss) for income tax	7,118	984	34,225	(2,191)
Permanent items and others:				
Share in the results of associates and joint ventures	1,198	6,698	(5,307)	21,304
Effect of translation into U.S. dollars	(11,180)	5,930	(27,343)	16,038
Permanent items	(3,442)	(4,593)	(3,491)	(12,824)
Income tax benefit (loss)	(6,306)	9,019	(1,916)	22,327
Mining royalties and special mining tax	(318)	(18)	81	(75)
Total income tax	<u>(6,624)</u>	<u>9,001</u>	<u>(1,835)</u>	<u>22,252</u>
Classification by type of tax:				
Income tax expense				
Current	(1,122)	(1,721)	(3,107)	(3,683)
Deferred	(5,184)	10,740	1,191	26,010
	(6,306)	9,019	(1,916)	22,327
Mining Royalties and Special Mining Tax				
Current	-	(25)	-	(60)
Deferred	(318)	7	81	(15)
	(318)	(18)	81	(75)
Total income tax	<u>(6,624)</u>	<u>9,001</u>	<u>(1,835)</u>	<u>22,252</u>

- (d) Deferred income tax asset is presented net of the portion unrecognized that the Group estimates will not be probable that taxable profits will be available against which the deferred tax asset can be utilized:

Notes to the interim consolidated financial statements (unaudited)

(continued)

	Total deferred tax asset	Unrecognized deferred tax	Net deferred tax asset
	US\$(000)	US\$(000)	US\$(000)
As of June 30, 2020 -			
Tax - loss carryforward	165,287	(9,206)	156,081
Difference in depreciation and amortization rates	64,584	(19,544)	45,040
Provision for closure of mining units, net	55,814	(21,410)	34,404
Impairment loss of long-lived assets			8,022
Other minor	24,274	-	24,274
	<u>317,981</u>	<u>(50,160)</u>	<u>267,821</u>
As of December 31, 2019 -			
Tax - loss carryforward	139,480	(8,152)	131,328
Difference in depreciation and amortization rates	68,151	(19,544)	48,607
Provision for closure of mining units, net	53,418	(22,518)	30,900
Impairment loss of long-lived assets	8,048	-	8,048
Other minor	21,503	-	21,503
	<u>290,600</u>	<u>(50,214)</u>	<u>240,386</u>

- (e) As of June 30, 2020 no changes have occurred in the open tax processes of the Group compared to the ones disclosed in note 29 of the consolidated annual financial statements as of December 31, 2019.

Notes to the interim consolidated financial statements (unaudited)

(continued)

14. Related entities transactions

- (a) Main transactions made by the Group with its associates during the three-month and six-month periods ended June 30, 2020 and 2019 are presented below:

	For the three-month periods ended June 30,		For the six-month periods ended June 30,	
	2020 US\$(000)	2019 US\$(000)	2020 US\$(000)	2019 US\$(000)
Collections and disbursements for:				
Dividends declared and collected	-	28,440	-	29,376
Dividends declared and not collected	-	(29,374)	-	-
Sales of:				
Energy	650	773	1,343	1,390
Mineral	-	117	211	309
Supplies	3	474	10	506
Income by:				
Royalties	3,559	5,375	9,285	10,835
Administrative services (treasury, systems, marketing, accounting, logistics, legal and others)	531	566	1,067	1,133
Operational management services	263	320	529	641
Energy transmission	70	72	141	144
Management services	54	54	108	108
Occupational safety services	43	72	87	144
Interests received from joint ventures	50	63	71	83
Services for environmental activities and exploration	21	22	68	44
Expense reimbursements	-	16	1	32
Personnel expenses	-	-	-	2
Purchases from:				
Supplies	12	3	839	3

Notes to the interim consolidated financial statements (unaudited)

(continued)

- (b) As a result of the transactions indicated and other minors, the Group had the following accounts receivable and payable from/to associates:

	As of June 30, 2020 US\$(000)	As of December 31, 2019 US\$(000)
Trade receivables		
Minera Yanacocha S.R.L. (associate)	4,313	5,920
Compañía Minera Coimolache S.A. (associate)	280	327
Sociedad Minera Cerro Verde S.A.A. (associate)	1	-
	<u>4,594</u>	<u>6,247</u>
Other receivables		
Transportadora Callao S.A. (c) (joint ventures)	1,997	1,951
Compañía Minera Coimolache S.A. (associate)	29	1,016
	<u>2,026</u>	<u>2,967</u>
	<u>6,620</u>	<u>9,214</u>
Trade payables		
Compañía Minera Coimolache S.A. (associate)	349	27
Sociedad Minera Cerro Verde S.A.A. (associate)	-	2
	<u>349</u>	<u>29</u>
Other payables		
Other minor	44	51
	<u>393</u>	<u>80</u>

The trade and other receivables from related entities corresponds mainly to disbursements made to these entities in order to finance their operating activities, which generate interest at fixed market rates.

- (c) The account receivable from Consorcio Transportadora Callao S.A. corresponds to the disbursements made between 2011 and 2013 by the subsidiary El Brocal in order to participate in the joint venture, whose objective was the construction of a fixed conveyor belt of minerals and deposits in the Port of Callao. This account receivable generates interest at an annual rate of 5.82 percent and according to the established schedule is charge in eight semi-annual installments from June 2019 to December 2022.

15. Derivative financial instruments

Hedge derivative financial instruments of copper and zinc-

The volatility of copper and zinc prices 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 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 of El Brocal.

Notes to the interim consolidated financial statements (unaudited)

(continued)

As of June 30, 2020, the fair value of the hedge contracts amounts to an assets of US\$19,000 (as of December 31, 2019, there were not any hedge contract). The counterparty as of June 30, 2020, net of deferred income tax, amounts to a positive balance of US\$13,000 and it is show in the equity account of "Other reserves of equity". (positive balance of US\$632,000 as of June 30, 2019). As of June 30, 2020, due to the quotation periods, the hedge derivative financial instruments has not generate effects in results (the effect in profit or loss was a gain of US\$3,022,000 as of June 30, 2019 for copper and zinc hedges), see note 11.

The table below presents the composition of open transactions included in the hedge derivative financial instruments as of June 30, 2020:

Quotation period	Concentrate	Metric Ton	Quotations		Fair value US\$(000)
			Fixed US\$/MT	Futures US\$/MT	
July 2020	Copper	1,250	6,014	6,008	7
August 2020	Copper	1,250	6,020	6,014	8
September 2020	Copper	1,250	6,022	6,019	4
		<u>3,750</u>			<u>19</u>

16. 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.
- Exploration and development activities.
- 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 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 that are managed independently.

Notes to the interim consolidated financial statements (unaudited) (continued)

	Julcani (Mining operation) US\$(000)	Orcopampa (Mining operation) US\$(000)	Uchucbacua (Mining operation) US\$(000)	Colquijirca (Mining operation) US\$(000)	La Zanja (Mining operation) US\$(000)	Tambomayo (Mining 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 investmen t in shares US\$(000)	Industrial activities US\$(000)	Corporate US\$(000)	Total operating segments US\$(000)	Adjustments and eliminations US\$(000)	Total US\$(000)
As of June 30, 2020																
Results:																
Continuing operations																
Operating income:																
Net sales of goods	10,479	22,201	37,650	63,181	13,386	48,023	-	-	-	-	-	13,406	-	208,326	(11,009)	197,317
Net sales of services	-	-	-	-	-	-	-	21,997	3,468	-	300	6,385	-	32,150	(26,465)	5,685
Royalty income	-	-	-	-	-	-	-	-	-	9,285	-	-	-	9,285	-	9,285
Total operating income	10,479	22,201	37,650	63,181	13,386	48,023	-	21,997	3,468	9,285	300	19,791	-	249,761	(37,474)	212,287
Operating costs																
Cost of sales of goods, excluding depreciation and amortization	(8,011)	(11,019)	(41,976)	(60,592)	(12,119)	(26,283)	-	-	-	-	-	(14,251)	-	(174,251)	27,874	(146,377)
Cost of sales of services, excluding depreciation and amortization	-	-	-	-	-	-	-	(8,118)	-	-	-	(1,719)	-	(9,837)	9,234	(603)
Depreciation and amortization	(2,228)	(2,155)	(7,117)	(22,001)	(2,952)	(20,750)	-	(4,695)	-	-	-	(3,585)	-	(65,483)	305	(65,178)
Exploration in operating units	(1,393)	(1,513)	(2,653)	(1,579)	-	(1,327)	-	-	-	-	-	-	-	(8,465)	-	(8,465)
Mining royalties	(124)	(1,895)	(473)	(634)	(124)	(325)	-	-	-	-	-	-	-	(3,575)	-	(3,575)
Total operating costs	(11,756)	(16,582)	(52,219)	(84,806)	(15,195)	(48,685)	-	(12,813)	-	-	-	(19,555)	-	(261,611)	37,413	(224,198)
Gross profit (loss)	(1,277)	5,619	(14,569)	(21,625)	(1,809)	(662)	-	9,184	3,468	9,285	300	236	-	(11,850)	(61)	(11,911)
Operating expenses, net																
Administrative expenses	(1,551)	(3,256)	(5,470)	(3,995)	(1,025)	(7,063)	(965)	(1,428)	(4,649)	(28)	(238)	(631)	(3,348)	(33,647)	612	(33,035)
Selling expenses	(150)	(122)	(1,700)	(2,922)	(50)	(1,460)	-	(351)	-	-	-	(317)	-	(7,072)	294	(6,778)
Exploration in non-operating areas	-	-	(8)	-	(2,198)	-	-	-	-	-	-	-	(1,275)	(3,481)	16	(3,465)
Reversal (provision) of contingents and others	(40)	(142)	374	(262)	2	65	215	504	-	-	-	-	136	852	(2)	850
Other, net	(3,022)	(5,763)	(916)	(8,801)	(283)	(1,726)	(290)	(45)	-	(5)	(10)	(2,128)	582	(22,407)	(789)	(23,196)
Total operating expenses	(4,763)	(9,283)	(7,720)	(15,980)	(3,554)	(10,184)	(1,040)	(1,320)	(4,649)	(33)	(248)	(3,076)	(3,905)	(65,755)	131	(65,624)
Operating profit (loss)	(6,040)	(3,664)	(22,289)	(37,605)	(5,363)	(10,846)	(1,040)	7,864	(1,181)	9,252	52	(2,840)	(3,905)	(77,605)	70	(77,535)
Other income (expense), net																
Share in the results of associates and joint ventures	-	-	-	(50)	-	-	-	3,798	-	-	(36,656)	-	(45,648)	(78,556)	60,410	(18,146)
Financial costs	(312)	(297)	(140)	(4,707)	(736)	(190)	(197)	(2,743)	(32)	(1)	-	(122)	(6,900)	(16,377)	657	(15,720)
Net gain (loss) from currency exchange difference	50	62	191	(227)	(300)	67	(1,179)	(259)	41	(94)	(7)	(777)	(683)	(3,115)	-	(3,115)
Financial income	-	-	-	95	596	-	1	252	19	9	-	37	816	1,825	(513)	1,312
Total other income (expense), net	(262)	(235)	51	(4,889)	(440)	(123)	(1,375)	1,048	28	(86)	(36,663)	(862)	(52,415)	(96,223)	60,554	(35,669)
Profit (loss) before income tax	(6,302)	(3,899)	(22,238)	(42,494)	(5,803)	(10,969)	(2,415)	8,912	(1,153)	9,166	(36,611)	(3,702)	(56,320)	(173,828)	60,624	(113,204)
Current income tax	-	-	-	-	-	-	-	(300)	(31)	(2,789)	(40)	-	-	(3,160)	53	(3,107)
Deferred income tax	-	-	-	3,020	(3,022)	-	-	(1,190)	(2)	-	-	(501)	3,020	1,325	(53)	1,272
Profit (loss) from continuing operations	(6,302)	(3,899)	(22,238)	(39,474)	(8,825)	(10,969)	(2,415)	7,422	(1,186)	6,377	(36,651)	(4,203)	(53,300)	(175,663)	60,624	(115,039)
Loss from discontinued operations																
																(2,812)
Net loss																(117,851)
Other disclosures as of June 30, 2020:																
Total assets	29,575	53,256	133,495	668,760	129,391	371,945	411,115	372,412	9,363	8,976	420,682	94,600	2,312,723	5,016,293	(1,111,848)	3,904,445
Total liability	33,707	39,188	33,771	312,117	67,859	26,624	20,511	165,935	2,736	1,833	202	15,387	396,490	1,116,360	(61,901)	1,054,459
Investments in associates and joint ventures	-	-	-	2,576	-	-	-	93,583	-	-	415,276	-	2,049,949	2,561,384	(1,079,407)	1,481,977
CAPEX	233	69	3,630	3,127	481	626	11,302	192	7	-	-	1,789	25	21,481	-	21,481

Notes to the interim consolidated financial statements (unaudited) (continued)

	Julcani (Mining operation)	Orcopampa (Mining operation)	Uchucchacua (Mining operation)	Colquijirca (Mining operation)	La Zanja (Mining operation)	Tambomayo (Mining operation)	Exploration and development mining projects	Energy generation and transmission	Insurance brokerage	Rental of mining concessions	Holding of investment in shares	Industrial activities	Corporate	Total operating segments	Adjustments and eliminations	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
As of June 30, 2019																
Results:																
Continuing operations																
Operating income:																
Net sales of goods	17,457	20,014	89,767	147,652	24,339	81,972	-	-	-	-	-	2,437	-	383,638	(3)	383,635
Net sales of services	-	-	-	-	-	-	-	30,102	3,817	-	308	9,602	-	43,829	(36,092)	7,737
Royalty income	-	-	-	-	-	-	-	-	-	10,835	-	-	-	10,835	-	10,835
Total operating income	17,457	20,014	89,767	147,652	24,339	81,972	-	30,102	3,817	10,835	308	12,039	-	438,302	(36,095)	402,207
Operating costs																
Cost of sales of goods, excluding depreciation and amortization	(13,439)	(22,708)	(62,008)	(109,267)	(21,151)	(32,997)	-	-	-	-	-	(3,445)	-	(265,015)	22,674	(242,341)
Cost of sales of services, excluding depreciation and amortization	-	-	-	-	-	-	-	(10,546)	-	-	-	(4,140)	-	(14,686)	13,203	(1,483)
Depreciation and amortization	(3,610)	(3,802)	(11,109)	(39,422)	(5,295)	(34,287)	-	(5,073)	-	-	-	(6,226)	-	(108,824)	306	(108,518)
Exploration in operating units	(2,974)	(6,130)	(5,221)	(3,909)	(1)	(6,475)	-	-	-	-	-	-	-	(24,710)	-	(24,710)
Mining royalties	(198)	(1,754)	(908)	(1,486)	(235)	(821)	-	-	-	-	-	-	-	(5,402)	(2)	(5,404)
Total operating costs	(20,221)	(34,394)	(79,246)	(154,084)	(26,682)	(74,580)	-	(15,619)	-	-	-	(13,811)	-	(418,637)	36,181	(382,456)
Gross profit (loss)	(2,764)	(14,380)	10,521	(6,432)	(2,343)	7,392	-	14,483	3,817	10,835	308	(1,772)	-	19,665	86	19,751
Operating expenses, net																
Administrative expenses	(1,800)	(1,984)	(8,853)	(4,671)	(1,558)	(8,112)	(1,414)	(1,653)	(4,553)	(82)	(203)	(681)	(2,230)	(37,794)	390	(37,404)
Selling expenses	(176)	(87)	(2,537)	(4,867)	(184)	(1,443)	-	(614)	-	-	-	(720)	-	(10,628)	337	(10,291)
Exploration in non-operating areas	-	-	(2,197)	(1,379)	(1,095)	-	(79)	-	-	-	-	-	(2,035)	(6,785)	17	(6,768)
Reversal (provision) of contingents and others	(65)	204	396	(323)	28	150	21	103	-	-	-	-	747	1,261	1	1,262
Other, net	(309)	(6,722)	(1,757)	(2,679)	(847)	(12)	(72)	468	-	93	79	340	3,378	(8,040)	(930)	(8,970)
Total operating expenses	(2,350)	(8,589)	(14,948)	(13,919)	(3,656)	(9,417)	(1,544)	(1,696)	(4,553)	11	(124)	(1,061)	(140)	(61,986)	(185)	(62,171)
Operating profit (loss)	(5,114)	(22,969)	(4,427)	(20,351)	(5,999)	(2,025)	(1,544)	12,787	(736)	10,846	184	(2,833)	(140)	(42,321)	(99)	(42,420)
Other income (expense), net																
Share in the results of associates and joint ventures	-	-	-	(44)	-	-	-	6,280	-	-	9,524	-	67,676	83,436	(11,219)	72,217
Financial costs	(392)	(366)	(228)	(5,416)	(2,545)	(261)	(263)	(3,972)	(1)	(3)	(6)	(506)	(8,348)	(22,307)	622	(21,685)
Net gain (loss) from currency exchange difference	(14)	(72)	(156)	(117)	83	(64)	343	139	(91)	(42)	(8)	272	(489)	(216)	(1)	(217)
Financial income	-	-	-	262	1,066	-	3	134	-	18	5	125	2,954	4,567	(522)	4,045
Total other income (expense), net	(406)	(438)	(384)	(5,315)	(1,396)	(325)	83	2,581	(92)	(27)	9,515	(109)	61,793	65,480	(11,120)	54,360
Profit (loss) before income tax	(5,520)	(23,407)	(4,811)	(25,666)	(7,395)	(2,350)	(1,461)	15,367	(828)	10,819	9,699	(2,942)	61,653	23,158	(11,218)	11,940
Current income tax	-	-	-	(25)	(35)	-	-	(496)	-	(3,167)	(20)	-	-	(3,743)	-	(3,743)
Deferred income tax	-	-	-	12,229	(3,029)	-	-	(1,791)	312	-	-	1,595	16,679	25,995	-	25,995
Profit (loss) from continuing operations	(5,520)	(23,407)	(4,811)	(13,462)	(10,459)	(2,350)	(1,461)	13,080	(516)	7,652	9,679	(1,347)	78,332	45,410	(11,218)	34,192
Loss from discontinued operations																
																(4,514)
Net loss																29,678
Total assets as of December 31, 2019	41,858	46,750	146,486	725,973	138,458	425,297	398,838	382,481	13,822	6,252	458,212	104,335	2,371,464	5,260,226	(1,152,952)	4,107,274
Total liability as of December 31, 2019	35,045	36,945	42,265	329,869	68,100	34,142	23,223	183,426	6,007	2,286	101	20,918	407,153	1,189,480	(50,406)	1,139,074
Investments in associates and joint ventures as of December 31, 2019	-	-	-	-	-	-	-	89,786	-	-	232,154	-	2,073,745	2,395,685	(907,438)	1,488,247
Other disclosures as of June 30, 2019:																
CAPEX	254	1,173	15,664	9,074	1,299	1,242	7,232	1	1	-	-	38	306	36,284	-	36,284

Notes to the interim consolidated financial statements (unaudited) (continued)

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	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)	Corporate US\$(000)	Total operating segments US\$(000)	Adjustments and eliminations US\$(000)	Total US\$(000)
Revenues by type of customers:															
As of June 30, 2020															
Sales by customers -															
External	37,650	48,023	22,201	10,479	63,181	2,166	-	-	-	-	13,399	-	197,099	-	197,099
Inter-segment	-	-	-	-	-	11,220	-	-	-	-	7	-	11,227	(11,009)	218
	<u>37,650</u>	<u>48,023</u>	<u>22,201</u>	<u>10,479</u>	<u>63,181</u>	<u>13,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,406</u>	<u>-</u>	<u>208,326</u>	<u>(11,009)</u>	<u>197,317</u>
Services -															
External	-	-	-	-	-	-	2,217	3,468	-	-	-	-	5,685	-	5,685
Inter-segment	-	-	-	-	-	-	19,780	-	-	300	6,385	-	26,465	(26,465)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,997</u>	<u>3,468</u>	<u>-</u>	<u>300</u>	<u>6,385</u>	<u>-</u>	<u>32,150</u>	<u>(26,465)</u>	<u>5,685</u>
Royalties -															
External	-	-	-	-	-	-	-	-	9,285	-	-	-	9,285	-	9,285
	<u>37,650</u>	<u>48,023</u>	<u>22,201</u>	<u>10,479</u>	<u>63,181</u>	<u>13,386</u>	<u>21,997</u>	<u>3,468</u>	<u>9,285</u>	<u>300</u>	<u>19,791</u>	<u>-</u>	<u>249,761</u>	<u>(37,474)</u>	<u>212,287</u>
As of June 30, 2019															
Sales by customers -															
External	89,767	81,972	20,014	17,457	147,652	24,030	-	-	-	-	2,437	-	383,329	-	383,329
Inter-segment	-	-	-	-	-	309	-	-	-	-	-	-	309	(3)	306
	<u>89,767</u>	<u>81,972</u>	<u>20,014</u>	<u>17,457</u>	<u>147,652</u>	<u>24,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,437</u>	<u>-</u>	<u>383,638</u>	<u>(3)</u>	<u>383,635</u>
Services -															
External	-	-	-	-	-	-	3,920	3,817	-	-	-	-	7,737	-	7,737
Inter-segment	-	-	-	-	-	-	26,182	-	-	308	9,602	-	36,092	(36,092)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,102</u>	<u>3,817</u>	<u>-</u>	<u>308</u>	<u>9,602</u>	<u>-</u>	<u>43,829</u>	<u>(36,092)</u>	<u>7,737</u>
Royalties -															
External	-	-	-	-	-	-	-	-	10,835	-	-	-	10,835	-	10,835
	<u>89,767</u>	<u>81,972</u>	<u>20,014</u>	<u>17,457</u>	<u>147,652</u>	<u>24,339</u>	<u>30,102</u>	<u>3,817</u>	<u>10,835</u>	<u>308</u>	<u>12,039</u>	<u>-</u>	<u>438,302</u>	<u>(36,095)</u>	<u>402,207</u>

Notes to the interim consolidated financial statements (unaudited) (continued)

17. Fair value measurement

This note provides an update on the judgements and estimates made by the group in determining the fair values of the financial instruments since the last annual financial report.

(a) *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:			
	Total US\$(000)	Quoted prices in active markets (Level 1) US\$(000)	Observable inputs (Level 2) US\$(000)	Unobservable inputs (Level 3) US\$(000)
As of June 30, 2020 -				
Assets and liabilities measured at fair value:				
Fair value of account receivable	69,581	-	69,581	-
Contingent consideration liability	16,410	-	-	16,410
Hedge derivative financial instruments	19	-	19	-
As of December 31, 2019 -				
Assets and liabilities measured at fair value:				
Fair value of account receivable	165,546	-	165,546	-
Contingent consideration liability	16,410	-	-	16,410

(b) *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).

(c) *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 June 30, 2020 and December 31, 2019.

There were no transfers between Level 1 and Level 2 during 2020.

During 2020 and 2019, the fair value of the investment property amounted to US\$544,000. There is not an independent valuation for investment property.

Notes to the interim consolidated financial statements (unaudited) (continued)

(d) *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 June 30, 2020	Unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Contingent consideration liability	16,410	Rate before tax	10%	A change in the discount rate by 10% (rate of 11%) higher/lower, the fair value would increase/decrease in US\$1.2 million.
		Expected revenues annual average (US\$000)	190,815	If expected sales change by 10% higher/lower, the fair value would increase/decrease in US\$1.6 million.

18. Events after the reporting period

In addition to those events presented in note 8, there were no significant events identified after the balance sheet date until the Board (July 30, 2020) that are required to be disclosed.



COLEGIO DE CONTADORES PUBLICOS DE LIMA

Constancia de Habilitación

El Decano y el Director Secretario del Colegio de Contadores Públicos de Lima, que suscriben, declaran que, en base a los registros de la institución, se ha verificado que:

**PAREDES, BURGA & ASOCIADOS S. CIVIL DE
R.L.
REGISTRO DE SOCIEDAD: SO761**

Se encuentra **HABIL**, para el ejercicio de las funciones profesionales que le faculta la Ley N.º 13253 y su modificación Ley N.º 28951 y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31 de MARZO del 2021.

Lima 07 de Mayo de 2020.


CPC. GUILLERMINA ZAVALA PAUCAR
DECANA


CPC. GLADYS MILAGROS BAZAN ESPINOZA
DIRECTORA SECRETARIA