## Submission Data File

| General Information | |
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| Form Type* | 20-F |
| Contact Name | Chris Pinilla |
| Contact Phone | 212-596-7747 |
| Filer Accelerated Status* | Large Accelerated Filer |
| **Filer File Number** | |
| Filer CIK* | 0001013131 **[BUENAVENTURA MINING CO INC]** (BUENAVENTURA MINING CO INC) |
| Filer CCC* | ********** |
| Filer is Shell Company* | N |
| Filer is Voluntary Filer* | N |
| Filer is Well Known Seasoned Issuer* | Y |
| Confirming Copy | No |
| Notify via Website only | No |
| Return Copy | No |
| SROS* | NYSE |
| Period* | 12-31-2018 |
| Emerging Growth Company | No |
| Elected not to use extended transition period | No |
| (End General Information) | |

| Document Information | |
|---|---|
| File Count* | 14 |
| Document Name 1* | tv519058_20f.htm |
| Document Type 1* | 20-F |
| Document Description 1 | Form 20-F |
| Document Name 2* | tv519058_ex12-1.htm |
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| Document Type 3* | EX-12.2 |
| Document Description 3 | Exhibit 12.2 |
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| Document Description 4 | Exhibit 13.1 |
| Document Name 5* | tv519058_ex13-2.htm |
| Document Type 5* | EX-13.2 |
| Document Description 5 | Exhibit 13.2 |
| Document Name 8* | cik0001013131 **[BUENAVENTURA MINING CO INC]**-20181231.xml |
| Document Type 8* | EX-101.INS |
| Document Description 8 | XBRL INSTANCE DOCUMENT |
| Document Name 9* | cik0001013131 **[BUENAVENTURA MINING CO INC]**-20181231.xsd |
| Document Type 9* | EX-101.SCH |
| Document Description 9 | XBRL TAXONOMY EXTENSION SCHEMA |
| Document Name 10* | cik0001013131 **[BUENAVENTURA MINING CO INC]**-20181231_cal.xml |
| Document Type 10* | EX-101.CAL |
| Document Description 10 | XBRL TAXONOMY EXTENSION CALCULATION LINKBASE |
| Document Name 11* | cik0001013131 **[BUENAVENTURA MINING CO INC]**-20181231_def.xml |
| Document Type 11* | EX-101.DEF |
| Document Description 11 | XBRL TAXONOMY EXTENSION DEFINITION LINKBASE |
| Document Name 12* | |

| | |
|---|---|
| | cik0001013131 **[BUENAVENTURA MINING CO INC]**-20181231_lab.xml |
| Document Type 12* | EX-101.LAB |
| Document Description 12 | XBRL TAXONOMY EXTENSION LABEL LINKBASE |
| Document Name 13* | cik0001013131 **[BUENAVENTURA MINING CO INC]**-20181231_pre.xml |
| Document Type 13* | EX-101.PRE |
| Document Description 13 | XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE |
| (End Document Information) | |

| Notifications | |
|---|---|
| Notify via Website only | No |
| E-mail 1 | chrispinilla@toppanlf.com |
| (End Notifications) | |

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, 2018

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)

LAS BEGONIAS 415 FLOOR 19,
SAN ISIDRO, LIMA 27, PERU
(Address of principal executive offices)

Leandro Garcia, Vice President and Chief Financial Officer
Telephone: (511) 419-2540
Facsimile: (511) 419-2502
Address: LAS BEGONIAS 415 FLOOR 19,
SAN ISIDRO, LIMA 27, 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:

| Title of each class | Name of each exchange on which registered |
|---|---|
| *Common shares, nominal (par) value of ten Peruvian Soles per share ("Common Shares")* | New York Stock Exchange Inc.*<br>Lima Stock Exchange |
| *American Depositary Shares ("ADSs") representing one Common Share each* | 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 S/.10.00 per share 274,889,924

Investment Shares nominal (par) value of S/.10.00 per share 744,640

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 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.

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# INTRODUCTION

**Presentation of Financial Information**

As used in this Annual Report on Form 20-F, or "Annual Report," unless the context otherwise requires, references to "we," "us," "our," "Company," "BVN" 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, 2018, 45.95% for the year ended December 31, 2017 and 43.65% for the year ended December 31, 2016. As of December 31, 2016, 2017 and 2018, 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;
- environmental risks; 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, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 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, 2014, 2015 and 2016 and for the years ended December 31, 2014 and 2015 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 EY Global) on our Consolidated Financial Statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 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, | | | | |
|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (US$ in thousands)[1] | | | | |
| **Statements of profit or loss data:** | | | | | |
| **Continuing operations:** | | | | | |
| **Operating income:** | | | | | |
| Net sales of goods | 1,122,995 | 1,223,942 | 1,015,670 | 846,269 | 959,286 |
| Net sales of services | 24,001 | 29,697 | 28,782 | 50,839 | 71,159 |
| Royalty income | 20,385 | 20,739 | 24,339 | 32,414 | 36,867 |
| **Total operating income** | 1,167,381 | 1,274,378 | 1,068,791 | 929,522 | 1,067,312 |
| **Operating costs:** | | | | | |
| Cost of sales of goods, excluding depreciation and amortization | (625,484) | (627,433) | (497,812) | (513,490) | (498,714) |
| Cost of services, excluding depreciation and amortization | (4,318) | (12,954) | (10,754) | (59,612) | (77,927) |
| Exploration in operating units | (90,343) | (94,928) | (96,149) | (89,699) | (97,357) |
| Depreciation and amortization | (241,286) | (213,722) | (192,647) | (232,583) | (172,999) |
| Mining royalties | (21,526) | (31,217) | (27,611) | (27,188) | (27,428) |
| **Total operating costs** | (982,957) | (980,254) | (824,973) | (922,572) | (874,425) |
| **Gross profit** | 184,424 | 294,124 | 243,818 | 6,950 | 192,887 |
| **Operating expenses, net:** | | | | | |
| Administrative expenses | (78,760) | (83,597) | (81,692) | (84,372) | (93,753) |
| Exploration in non-operating areas | (36,307) | (18,262) | (26,589) | (30,610) | (50,007) |
| Selling expenses | (27,522) | (24,088) | (21,733) | (19,365) | (16,212) |
| Reversal (provision) for contingences and others | 11,239 | (13,879) | (565) | (395) | - |
| Impairment recovery (loss) of long-lived assets | 5,693 | (21,620) | - | (3,803) | - |
| Write-off of asset stripping activities | - | (13,753) | - | - | - |
| Other, net | (5,012) | (13,589) | 18,957 | (5,340) | 3,169 |
| **Total operating expenses, net** | (130,669) | (188,608) | (111,622) | (143,885) | (156,803) |
| **Operating profit (loss)** | 53,755 | 105,516 | 132,196 | (136,935) | 36,084 |
| **Other income (expenses), net:** | | | | | |
| Share in the results of associates | (1,144) | 13,207 | (365,321) | (173,375) | (74,600) |
| Finance costs | (38,456) | (34,623) | (31,580) | (27,572) | (11,276) |
| Net gain (loss) from currency exchange difference | (1,366) | 2,928 | 2,638 | (13,693) | (8,457) |
| Gain on business combination | - | - | - | - | 59,852 |
| Finance income | 9,686 | 5,517 | 6,830 | 11,026 | 8,408 |
| Total other income (expenses), net | (31,280) | (12,971) | (387,433) | (203,614) | (26,073) |
| Profit (loss) before income tax | 22,475 | 92,545 | (255,237) | (340,549) | 10,011 |
| Current income tax | (16,928) | (23,837) | (39,444) | (14,222) | (18,815) |
| Deferred income tax | (9,998) | 5,825 | (14,060) | (541) | (47,006) |
| **Profit (loss) from continuing operations** | (4,451) | 74,533 | (308,741) | (355,312) | 55,810) |
| **Discontinued operations:** | | | | | |
| Loss from discontinued operations | (7,203) | (10,098) | (19,073) | (5,830) | (5,830) |
| **Net profit (loss)** | (11,654) | 64,435 | (327,814) | (375,545) | (61,640) |
| Attributable to equity owners of the parent | (13,445) | 60,823 | (323,492) | (317,210) | (76,065) |

| | | | | | |
|---|---|---|---|---|---|
| Attributable to non-controlling interest | 1,791 | 3,612 | (4,322) | (58,335) | 14,425 |
| **Net profit (loss)** | (11,654) | 64,435 | (327,814) | (375,545) | (61,640) |
| Basic and diluted profit (loss) per share attributable to equity holders of the parent[2][3] | (0.05) | 0.24 | (1.27) | (1.25) | (0.30) |
| Basic and diluted profit (loss) per ADS attributable to equity holders of the parent [2][3] | (0.05) | 0.24 | (1.27) | (1.25) | (0.30) |
| Basic and diluted profit (loss) per share attributable to equity holders of the parent, from continuing operations | (0.02) | 0.28 | (1.20) | (1.17) | (0.28) |
| Dividends per share | 0.09 | 0.086 | 0.03 | - | 0.03 |
| Average number of common and investment shares outstanding | 253,986,867 | 253,986,867 | 253,986,867 | 254,186,867 | 254,186,867 |
| Statement of financial position data: | | | | | |
| Total assets | 4,217,221 | 4,332,813 | 4,266,415 | 4,547,181 | 4,672,274 |
| Financial obligations | 587,062 | 633,083 | 592,342 | 353,710 | 383,305 |
| Capital stock | 750,497 | 750,497 | 750,497 | 750,497 | 750,497 |
| Total shareholders’ equity | 3,029,565 | 3,063,627 | 3,047,213 | 3,389,236 | 3,762,125 |
| | | | | | |
| Operating data (unaudited): | | | | | |
| | | | | | |
| Production[4] | | | | | |
| Gold (oz.) | 338,508 | 405,646 | 357,570 | 356,367 | 438,426 |
| Silver (oz.) | 26,778,190 | 26,624,431 | 23,035,110 | 24,648,761 | 20,119,162 |
| Proven and probable reserves[5] | | | | | |
| Gold (oz.) | 1,143,418 | 1,246,255 | 1,416,000 | 1,185,000 | 1,119,000 |
| Silver (oz.) | 202,812,212 | 164,220,011 | 160,082,090 | 134,391,000 | 139,699,000 |

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

(2) 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, 2017 and 2018, we had 274,889,924 Common Shares outstanding, including 21,174,734 treasury shares. As of December 31, 2014, 2015, 2016, 2017 and 2018, we had 744,640 of Investment Shares outstanding, including 272,963 treasury shares as of December 31, 2014 and 2015, and 472,963 treasury shares as of December 31, 2016, 2017 and 2018.

(3) 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.

(4) 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, 2018 and 2017, and Minera La Zanja S.R.L., or "La Zanja," in which we owned a 53.06% controlling equity interest as of December 31, 2018. The production data in this table reflect 100% of El Brocal's and La Zanja's production. For the years ended December 31, 2015 to 2018, El Brocal produced 3.7 million, 2.6 million, 4.1 and 3.9 million ounces of silver, respectively, of which our equity share was 2.0 million, 1.5 million, 2.5 million and 2.4 million ounces of silver per year, respectively, and La Zanja produced 141,071, 139,724, 127,118 and 71,630 ounces of gold, respectively, of which our equity share per year was 74,852, 74,137, 67,449 and 38,007 ounces of gold, respectively, and 331,080, 217,292, 280,908 and 217,174 ounces of silver per year, respectively, of which our equity share was 175,671, 115,295, 149,050 and 115,233 ounces of silver per year, respectively. Amounts for 2017 and 2018 exclude production coming from the operating mines classified as discontinued operations.

(5) 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, 2018. SRK Consulting Perú S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Uchucchacua, Tambomayo, Tantahuatay and La Zanja. Geominería S.A.C., an independent consultant, audited the process to estimate proven and probable ore reserves for Orcopampa and Julcani. Mining Plus Pty Ltd audited the process to estimate proven and probable ore reserves for El Brocal.

***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, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018, or the Yanacocha Consolidated Financial Statements. The report of Paredes, Burga & Asociados S. Civil de R.L. (a member firm of EY Global) on the Yanacocha Consolidated Financial Statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 appears elsewhere in this Annual Report. The selected financial information for Yanacocha as of December 31, 2014, 2015 and 2016, and for the years ended December 31, 2014 and 2015 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, 2014, were audited by Gaveglio, Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada, a member firm of PricewaterhouseCoopers Limited. Yanacocha's audited consolidated financial statements as of December 31, 2015, 2016, 2017 and 2018 were audited by Paredes, Burga & Asociados S. Civil de R.L. (a member firm of EY Global). The Yanacocha 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, as indicated in Notes 24 and 25 to the Yanacocha Consolidated Financial Statements. 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, | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| | (US$ in thousands)[1] | | | | |
| **Statement of comprehensive income:** | | | | | |
| **Operating income:** | | | | | |
| Revenue from sales[2] | 635,393 | 645,176 | 761,193 | 1,031,174 | 1,165,299 |
| Other operating income | 21,965 | 21,870 | 17,713 | 10,625 | 30,300 |
| **Total gross income** | 657,358 | 667,046 | 778,906 | 1,041,799 | 1,195,599 |
| | | | | | |
| Costs applicable to sales | (596,164) | (746,918) | (776,394) | (758,033) | (920,300) |
| Other operating costs | (2,217) | (2,062) | (2,951) | (2,524) | (22,422) |
| Total operating costs | (598,381) | (748,980) | (779,345) | (760,557) | (942,722) |
| **Gross profit (loss)** | 58,977 | (81,934) | (439) | 281,242 | 252,877 |
| | | | | | |
| **Operating expenses:** | | | | | |
| Operating expenses, net | (76,155) | (63,514) | (71,496) | (82,846) | (77,781) |
| Administrative expenses | (2,783) | (4,760) | (8,780) | (20,028) | (38,262) |
| Selling Expenses | (2,627) | (3,921) | (3,695) | (3,534) | (4,458) |
| Impairment loss | - | - | (889,499) | - | (541,141) |
| **Operating profit (loss)** | (22,588) | (154,129) | (973,909) | 174,834 | (408,765) |
| | | | | | |
| **Other expenses, net:** | | | | | |
| Finance income | 11,448 | 5,831 | 2,132 | 673 | 298 |
| Finance costs | (39,024) | (23,766) | (15,107) | (22,734) | (23,504) |
| Net gain (loss) from currency exchange difference | (2,056) | 3,636 | (13,741) | (251) | 1,142 |
| Total other expenses, net | (29,632) | (14,299) | (26,716) | (22,312) | (22,064) |
| | | | | | |
| **Income (loss) before income tax** | (52,220) | (168,428) | (1,000,625) | 152,522 | (430,829) |
| Income tax benefit (expense) | (29,297) | (7,026) | (43,127) | (602,717) | 30,491 |
| **Income (loss) for the year** | (81,517) | (175,454) | (1,043,752) | (450,195) | (400,338) |
| | | | | | |
| **Comprehensive income (loss):** | | | | | |
| Income (loss) for the year | (81,517) | (175,454) | (1,043,752) | (450,195) | (400,338) |
| **Other comprehensive income (loss) to be reclassified as profit or loss in subsequent periods** | | | | | |
| Changes in the fair value of available-for-sale financial asset, net of tax effect | (91) | (3,244) | 651 | (757) | (65) |
| | | | | | |
| **Statement of financial position:** | | | | | |
| Total assets | 2,047,472 | 2,019,395 | 2,045,885 | 2,965,430 | 3,483,169 |
| Capital stock | 378,505 | 398,216 | 398,216 | 398,216 | 398,216 |
| Total partners' equity | 583,723 | 659,115 | 885,724 | 2,228,825 | 2,679,777 |
| | | | | | |
| **U.S. GAAP** | | | | | |
| Net income (loss) | (69,068) | (131,243) | (1,198,139) | (260,202) | (36,293) |
| Total equity | 1,661,800 | 1,683,047 | 1,865,445 | 3,394,934 | 3,655,284 |
| | | | | | |
| **Operating data (unaudited)** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Gold produced (oz.) | 514,564 | 534,692 | 654,934 | 917,691 | 969,944 |
| Gold proven and probable reserves (thousands of oz.) | 7,420 | 3,830 | 4,362 | 5,057 | 17,429 |

(1) Except operating data

(2) Royalties netted to sales

***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, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018, or the Cerro Verde Financial Statements. The selected financial information as of December 31, 2014, 2015 and 2016 and for the years ended December 31, 2014 and 2015 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 EY Global) 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, | | | | |
|---|---|---|---|---|---|
| | **2018** | **2017** | **2016** | **2015** | **2014** |
| | | | **(US$ in thousands)(1)** | | |
| **Statement of comprehensive income:** | | | | | |
| Sales of goods | 3,054,026 | 3,202,931 | 2,384,154 | 1,115,617 | 1,467,097 |
| Costs of sales of goods | (2,010,972) | (1,768,238) | (1,553,040) | (862,004) | (797,481) |
| **Gross profit** | 1,043,054 | 1,434,693 | 831,114 | 253,613 | 669,616 |
| **Operating expenses** | | | | | |
| Selling expenses | (137,008) | (141,669) | (131,391) | (56,215) | (54,210) |
| Other operating (expenses), income net | (68,683) | (258,826) | (24,107) | (26,600) | (3,629) |
| | (205,691) | (400,495) | (155,498) | (82,815) | (57,839) |
| **Operating profit** | 837,363 | 1,034,198 | 675,616 | 170,798 | 611,777 |
| **Other income (expenses)** | | | | | |
| Financial income | 28,089 | 5,350 | 954 | 512 | 2,443 |
| Financial expenses | (426,733) | (216,912) | (80,438) | (16,010) | (369) |
| Exchange differences, net | 6,161 | 13,288 | 7,857 | (75,770) | 2,284 |
| | (392,483) | (198,274) | (71,627) | (91,268) | 4,358 |
| **Profit before income tax** | 444,880 | 835,924 | 603,989 | 79,530 | 616,135 |
| Income tax expense | (325,170) | (486,043) | (263,082) | (46,246) | (238,529) |
| **Profit for the year** | 119,710 | 349,881 | 340,907 | 33,284 | 377,606 |
| **Basic and diluted earnings per share** | 0.342 | 1.000 | 0.974 | 0.095 | 1.078 |
| **Dividends per share** | 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 | 7,554,712 | 7,691,007 | 7,635,623 | 7,852,692 | 5,771,984 |
| Total financial obligations | 1,022,810 | 1,268,488 | 1,996,004 | 2,425,164 | 452,849 |
| Capital Stock | 990,659 | 990,659 | 990,659 | 990,659 | 990,659 |
| Total shareholder's equity, net | 5,108,872 | 5,189,162 | 4,839,281 | 4,498,374 | 4,465,090 |
| **U.S. GAAP** | | | | | |
| Profit for the year | 53,280 | 301,431 | 345,461 | 4,097 | 341,617 |
| Total shareholder's equity, net | 4,896,850 | 5,043,570 | 4,742,139 | 4,396,678 | 4,392,581 |
| **Operating data (unaudited):** | | | | | |
| **Production:** | | | | | |
| Copper (in thousands of recoverable pounds) | 1,049,430 | 1,062,210 | 1,107,810 | 544,482 | 500,242 |
| **Proven and probable reserves:** | | | | | |
| Copper Ore (in thousands of tons) | 4,324,461 | 3,577,276 | 3,673,229 | 3,855,939 | 3,953,234 |

(1) Except per share and operating data.

**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

***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. In addition, we may be unable to exert control over strategic decisions made in respect of such properties. 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 the case of El Brocal, we use derivative instruments to manage its exposure to changes in the base metal prices. 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, 2018, see "Item 4. Information on the Company—Buenaventura—B. Business Overview—Sales of Metal Concentrates."

On December 31, 2018 and March 29, 2019, the morning fixing price for gold on the London Bullion Market was US$1,271.10 per ounce and US$1,291.15 per ounce, respectively. On December 31, 2018 and March 29, 2019, the afternoon fixing spot price of silver on the London market, or "London Spot," was US$15.055 per ounce and US$15.100 per ounce, respectively. On December 31, 2018 and March 29, 2019, the London Metal Exchange Settlement Price for copper was US$ 5,964 per ton and US$6,485 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, with the result that our depleted reserves are not replaced. 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.

***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. 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, 2018.

***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.

***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, 2018, unions represented approximately 39% of the employees of our mining companies on a consolidated basis. 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 to focus 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 project economics 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 2018, 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 situations. 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, 2018, 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 March 22, 2016, Moody's Investors Service downgraded our unsecured corporate rating from "Ba1" to "Ba2" due to the deterioration of the commodities markets and a downturn in the precious metals mining sector, as well as concerns about our liquidity. Currently, our unsecured rating from Fitch is "BBB-."

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.

***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.

***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 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 and if they do occur they may affect our business, financial condition and the Peruvian economy.

***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. For example, on January 14, 2018, an earthquake measuring 7.1 on the Richter local magnitude scale hit the southern coast of Peru. 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 had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently played an interventionist role in the nation's economy and social structure. Among other things, past governments have imposed controls on prices, exchange rates and local and foreign investment as well as limitations on imports, restricted the ability of companies to dismiss employees, expropriated private sector assets (including mining companies) and prohibited the remittance of profits to foreign investors.

The administration under President Ollanta Humala largely supported mining as a driver for the continued growth and future development of Peru. However, Peru held its elections for President in April 2016 in which President Ollanta Humala was ineligible to run due to constitutional term limits. With no candidate receiving a 50% majority of the vote, a run-off election was held in June 2016. Pedro Pablo Kuczynski ultimately defeated opponent Keiko Fujimori by less than half of a percentage point and was sworn in as president on July 28, 2016. However, Pedro Pablo Kuczynski resigned as President on March 21, 2018. His resignation was accepted by the Peruvian Congress on March 23, 2018 and on the same date he was replaced by the first Vice-President Mr. Martin Vizcarra, who previously served as the Peruvian ambassador in Canada. We cannot predict future government positions on mining concessions, land tenure, environmental regulation or taxation or assure you that future governments will maintain a generally favorable business climate and economic policies. Furthermore, the regional governor in Cajamarca, who was re-elected in October 2014, actively opposed the Conga project in 2012 and continues to reject the viability of its development. We cannot predict the future positions of either the central government or regional governments 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 us, Yanacocha or the Conga project, which could have a material adverse effect on our business, results of operations and financial position. Regulatory changes may include increased labor regulations, environmental and other regulatory requirements and additional taxes and royalties, and we may experience future protests, community demands and road blockages. Additionally, any inability to continue to develop the Conga project or operate at Yanacocha could have a material adverse impact on our business, results of operations and financial position if Yanacocha is not able to replace its expected production.

***The resignation of former President Kuczynski and the impact to the political landscape in Peru could materially and adversely affect us.***

On March 22, 2018, former President Pedro Pablo Kuczynski resigned in response to allegations of corruption for vote-buying in connection with the impeachment proceedings against him. On March 23, Congress accepted his resignation and his first vice president, Martín Vizcarra, was sworn in as acting president. If President Vizcarra and the current second vice president both resign, the president of Congress would become acting president and Congress would call for new elections, which may include both new presidential and congressional elections. The political instability caused by these events could affect macroeconomic conditions in the country, including currency volatility, as well as have a material adverse effect on our business, prospects, financial condition, results of operations or cash flows. The foregoing political uncertainty and presidential decisions could further increase interest rate and currency volatility, as well as materially and adversely affect the Peruvian economy and, as a consequence, our business and financial condition.

***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 2.2% in 2018. 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, 2018 were US$60.29 billion as compared to US$63.62 billion at December 31, 2017. 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.

***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."

***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.

***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, 2019, three of our directors (and/or their spouses), Roque Benavides, Raul Benavides and Jose Miguel Morales, were members of the immediate and extended family of the late Alberto Benavides de la Quintana, our founder and former Chairman (collectively, the "Benavides Family"), and held an aggregate of 16.49% of Buenaventura's outstanding share capital (including outstanding Common Shares and 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.

***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* (open stock company) 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, 2018.

## BUENAVENTURA

### A. History and Development

***Overview***

We are Peru's largest publicly traded precious metals company and are engaged in the exploration, mining and processing of gold, silver and, to a lesser extent, other metals in Peru. We currently operate the Orcopampa, Uchucchacua, Julcani, Mallay 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, 2018, our consolidated net revenues were US$ 1,167.4 million and our consolidated net loss was US$ 11.7 million.

*Discontinued operations.* In 2014, we publicly announced our decision to sell four of our mining units: Poracota, Recuperada, Antapite and Shila-Paula. As a consequence, these mining units were presented in the Consolidated Financial Statements as mining units held for sale. According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," the related assets and liabilities are presented in the consolidated statement of financial position at the lower of cost and fair value less cost to sale. 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. 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, Mallay, Tambomayo, El Brocal, La Zanja, Tantahuatay, Yanacocha and Cerro Verde mines for the year ended December 31, 2018:

| | | Total Production | | | | | Buenaventura's Equity Share of Production | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| UNIT | Buenaventura's Equity Ownership | Silver (oz.) | Gold (oz.) | Lead (t) | Zinc (t) | Copper (t) | Silver (oz.) | Gold (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Orcopampa | 100% | 312,250 | 115,887 | - | - | - | 312,250 | 115,887 | - | - | - |
| Uchucchacua | 100% | 15,420,102 | - | 19,122 | 21,840 | - | 15,420,102 | - | 19,122 | 21,840 | - |
| Julcani | 100% | 2,482,907 | 71 | 1,048 | - | 169 | 2,482,907 | 71 | 1,048 | - | 169 |
| Mallay | 100% | 514,081 | 319 | 1,768 | 4,151 | - | 514,081 | 319 | 1,768 | 4,151 | - |
| Tambomayo | 100% | 3,929,808 | 129,172 | 4,220 | 8,685 | - | 3,929,808 | 129,172 | 4,220 | 8,685 | - |
| El Brocal | 61.43% | 3,901,869 | 21,429 | 20,582 | 45,593 | 46,231 | 2,396,918 | 13,164 | 12,644 | 28,008 | 28,400 |
| La Zanja | 53.06% | 217,174 | 71,630 | - | - | - | 115,233 | 38,007 | - | - | - |
| Tantahuatay | 40.10% | 791,181 | 173,192 | - | - | - | 317,264 | 69,450 | - | - | - |
| Yanacocha | 43.65% | 1,076,492 | 514,564 | - | - | - | 469,889 | 224,607 | - | - | - |
| Cerro Verde | 19.58% | 4,555,192 | - | - | - | 476,013 | 891,907 | - | - | - | 93,203 |
| **Total Production** | **100%** | **33,201,056** | **1,026,264** | **46,740** | **80,270** | **522,413** | **26,850,357** | **590,677** | **38,801** | **62,685** | **121,772** |

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 *sociedad anónima* (corporation) under the laws of Peru, and currently operates under the laws of Peru. Our registered office is located at Las Begonias 415 – Floor 19, 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.

***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 to diversify our business and reduce our dependence on silver. We expanded our mineral reserves through property acquisition and intensive exploration programs 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 Tantahuatay gold mine that we operate. As a result of these initiatives, the majority of our revenues are now derived from the production of gold.

***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 2018, we spent US$36.3 million on "exploration in non-operating areas" and US$90.3 million on "exploration in operating units." Our "exploration in non-operating areas" investments mainly focused on the following exploration projects: Yumpag, Marcapunta and Emperatriz. Our "exploration in operating units" investments were mainly focused in the Orcopampa, Uchucchacua, and Julcani units.

In 2019, we intend to invest approximately US$50 to US$70 million in exploration in operating units (mainly in Tambomayo, Orcopampa and Uchucchacua) and US$ 10 to US$ 30 million mainly in explorations in non-operating areas at the Trapiche and San Gabriel projects, among others.

***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. Capital expenditures relating to exploration are not included in the table below and are discussed separately in "B. Business Overview— Exploration." Set forth below is information concerning capital expenditures incurred by us in respect of each of our principal operating mines (not including capital expenditures for administrative purposes or other non-mining or non-energy subsidiaries) and by category of expenditure:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| | | (US$ in thousands) | |
| Colquijirca and Marcapunta | 51,289 | 61,060 | 29,572 |
| Tambomayo | 230,233 | 131,119 | 18,858 |
| Uchucchacua | 28,899 | 18,127 | 18,429 |
| La Zanja | 14,995 | 17,326 | 13,159 |
| Molle Verde | 1,861 | 1,656 | 10,722 |
| San Gabriel | 23,476 | 12,221 | 6,419 |
| Orcopampa | 3,451 | 12,674 | 6,225 |
| Julcani | 759 | 1,951 | 2,984 |
| Río Seco | 3,719 | 459 | 1,816 |
| Mallay | 2,729 | 1,796 | 1,810 |
| Conenhua | 3,779 | 177 | 111 |
| Huanza | 457 | 675 | 7 |
| Others | 1,197 | 266 | 1,158 |
| Total | 366,834 | 259,507 | 111,270 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| | | (US$ in thousands) | |
| Fixed assets | 55,423 | 6,280 | 836 |
| Work in progress | 210,915 | 165,610 | 67,096 |
| Development costs | 100,496 | 87,617 | 43,338 |
| Total | 366,834 | 259,507 | 111,270 |

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$120 million for capital expenditures for 2019. 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, Mallay, 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 Tantahuatay are not included in these production figures.

| | Year Ended December 31,(1)(2) | | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| Gold (oz.) | 357,570 | 405,646 | 338,508 |
| Silver (oz.) | 23,035,110 | 26,624,431 | 26,778,191 |
| Zinc (t) | 75,075 | 74,560 | 80,270 |
| Lead (t) | 33,850 | 44,976 | 46,740 |
| Copper (t) | 49,460 | 45,289 | 46,400 |

(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 exploration 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 2018, we spent US$36.3 million on "exploration in non-operating areas" mainly focused in the Yumpag, Marcapunta and Emperatriz exploration projects, and US$90.3 million on "exploration in operating units" mainly focused in the Orcopampa, Uchucchacua and Julcani mining units. During 2019, we expect to invest approximately US$50 to US$70 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., Southern Copper Corporation, Corporación Aceros Arequipa S.A. and Compañía de Minas Caudalosa S.A.C. In this way we have access to financing for exploration of our own mining properties as well as third-party properties without the costs and risks of outright acquisition, increased exposure to new exploration technologies and expansion of knowledge and sharing of experiences of management, geologists and engineers. In these mining exploration agreements, we may be the 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 2017 and 2018.

| Exploration Projects (1)(2) | Buenaventura's Effective Participation | Property Hectares | Observed Mineralization | Total Exploration Expenditures During | |
|---|---|---|---|---|---|
| | | at March 31, 2019 | | 2017 | 2018 |
| | | | | (US$ in millions) | |
| Yumpag | 100.00% | 1,230 | Silver | 2.67 | 18.05 |
| Asuncion | 100.00% | 1,000 | Silver, Gold | 0.48 | - |
| Gaby | 100.00% | 800 | Silver, Gold | 0.88 | - |
| Mayra | 100.00% | 5,000 | Silver, Gold | 0.15 | - |
| Trapiche | 100.00% | 40,898 | Copper, Molybdenum | 0.54 | 0.31 |
| San Gabriel | 100.00% | 57,900 | Gold, Silver and Copper | 0.59 | 0.93 |
| San Gregorio | 61.43% | 4,382 | Zinc | - | - |
| Daniela | 100.00% | 18,500 | Copper and Gold | 0.96 | 0.13 |
| Ccelloccasa | 100.00% | 12,657 | Gold and Silver | 0.18 | 0.33 |
| **Other minor** | | | | **11.85** | **16.56** |
| **Total exploration in non-operating areas** | | | | **18.30** | **36.31** |

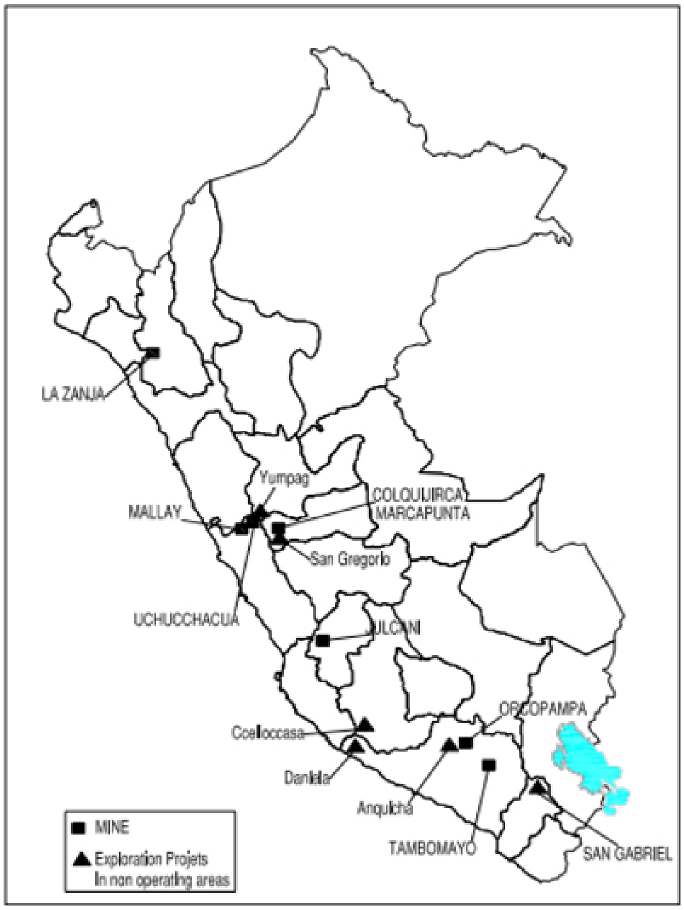
(1) In addition to these projects, we continue to conduct exploration at all of our operating mines and our subsidiaries.

(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 2017 and 2018.

| Operating Units | Observed Mineralization | Total Exploration Expenditures During 2017 | | Total Exploration Expenditures During 2018 | |
|---|---|---|---|---|---|
| | | Total | Buenaventura | Total | Buenaventura |
| | | (US$ in millions) | | (US$ in millions) | |
| Buenaventura's Units: | | | | | |
| Orcopampa | Silver and Gold | 38.82 | 38.82 | 29.56 | 29.56 |
| Uchucchacua | Silver, Lead and Zinc | 27.07 | 27.07 | 20.90 | 20.90 |
| Tambomayo | Gold | 9.54 | 9.54 | 20.55 | 20.55 |
| Colquijirca | Copper, Zinc, Lead and Silver | - | - | 10.0 | 10.0 |
| Julcani | Silver | 13.01 | 13.01 | 8.65 | 8.65 |
| Mallay | Zinc, Lead and Silver | 5.62 | 5.62 | 0.61 | 0.61 |
| La Zanja | Gold | 0.87 | 0.87 | 0.07 | 0.07 |
| **Total** | | 94.93 | 94.93 | 90.34 | 90.34 |

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, 2018.




***Exploration Projects in Non-Operating Areas***

*Yumpag*. The Yumpag Project is located four kilometers northeast of the Uchucchacua mine. This project is an epithermal silver-manganese deposit hosted by cretaceous limestone rocks. Mineralization is structurally influenced by the Cachipampa fault, which also influences significant areas of silver mineralization at the Uchucchacua mine.

During 2018, 1,256 meters of exploration ramps were completed and an additional 300 meters are planned for 2019. The exploration ramp provided access to conduct an underground infill drilling program to the Camila vein. In 2018, we executed 10,927 meters of diamond drilling and plan to execute an additional 21,970 meters during 2019. We plan to update our analysis of available mineral resources during the second half of 2019. In 2019, we plan to invest US$7.76 million to continue exploration of the Yumpag project.

*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. During the last quarter of 2018 we reached an agreement with the local community that will allow us to re-start the necessary fieldwork to reach feasibility status in 2020. Our plans for 2019 will be focused on on-site metallurgic column test confirmation, as well as the completion of the environmental base line and the right of way for the access road and the power line.

*San Gabriel* . The San Gabriel project is wholly-owned by Buenaventura and encompasses 57,282 hectares of mining concessions. The project is located in Moquegua region in southern Peru. This deposit is an intermediate sulfidation deposit hosted by diatreme breccia body at the sediment-intrusive contact. During 2018, the geomechanics model and the mining method were updated, reducing the overall project risk. In 2019, we plan to finish the pre-feasibility study.

*Ccelloccasa*. The Ccelloccasa project is an epithermal vein deposit located in the Ayacucho region and consists of 8,717 hectares of mining concessions wholly-owned by Buenaventura. In 2018, we conducted a geophysical survey and started the process to obtain the necessary environmental and social permits in order to conduct a drilling campaign by the end of 2019.

*San Gregorio*. San Gregorio is located in the Cerro Pasco region. During 2018, we continued our efforts to achieve an understanding with the local community with the aim of re-activating the drilling campaign in 2019.

*Tambomayo*: *Mayra and Gaby*. Despite having obtained approval of the necessary environmental instruments, we were not able to conduct the diamond drilling campaign in the Mayra and Gaby projects during 2018 due to social conflicts. We have been working with local governments to reinitiate exploration in these areas as soon as possible. In 2019, we plan to invest US$3.37 million in these explorations.

***Exploration in Operating Areas***

*Uchucchacua.* During 2018, the exploration activities were focused on the Socorro and Cachipampa mines. The Huantajalla, Carmen and Casualidad mines were explored with relative success, developing known narrow structures with high silver contents. In 2019, we will continue exploring the northeastern and deeper extensions of the Socorro and Cachipampa mines.

*Orcopampa.* In 2018, geological exploration activities were focused on three areas: the Pucará Sur vein area, where high-grade gold reserves were found; the Nazareno, Prosperidad and Lucy Piso vein areas, which were important for providing mineral reserves with high gold and silver grades; and the Prometida area, where the new Alondra vein was explored, which led to discovery of about 10.0 grams per ton of gold with important silver values and vein widths of up to 2.0 meters. In 2019, the exploration of the Pucara Sur vein system will be focused on diamond drilling and mining works.

*Tambomayo.* During 2018, exploration focused on defining the east and west extensions of the Mirtha vein and the Paola vein system at level 4340. These explorations with underground works and diamond drilling, have contributed to the discovery of ore resources with important silver and gold grades, and have also allowed us to locate two new exploration objectives with many possibilities of success, including the Catalina-Gisela area to the west of the Mirtha vein (underground) and the surface area Los Diques. In 2019, we plan to carry out a diamond drilling campaign focused on deepening known veins to levels below 4340.

**Competition**

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

**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 prices vary according to formulas that take into account agreed contractual average prices for a quotational period, 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.

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, 2019 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. |
| 2017 | 1,257.13 | 1,267.56 | 15.56 | 16.54 |
| 2018 | 1,268.49 | 1,267.99 | 15.71 | 5.09 |
| 2019 (through March 31, 2019) | 1,303.79 | 1,300.95 | 15.57 | 15.45 |

(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 2019 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:

| | Year ended December 31,(1) | |
|---|---|---|
| Product | 2017 | 2018 |
| | (US$ in thousands) | |
| Gold | 511,434 | 411,926 |
| Silver | 409,775 | 369,167 |
| Lead | 94,955 | 89,059 |
| Zinc | 188,023 | 174,048 |
| Copper | 268,527 | 274,761 |

(1) Does not include refinery charges and penalties incurred in 2018 of US$ 195.9 million and in 2017 of US$253.9 million.

Approximately 51.7% and 52.18% of our concentrate and gold bullion sales in 2017 and 2018 (without considering adjustments to prior periods, 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 2017 to 2018.

| | Percent of Concentrates and Gold Bullion Sales | |
|---|---|---|
| | **2017** | **2018** |
| **Export Sales:** | | |
| Asahi Refining Canada Ltd and Asahi Refining USA Inc. | 38.04 | 32.46 |
| IXM S.A. (formerly Louis Dreyfus Commodities Metal Suisse SA) | 2.70 | 1.66 |
| Mercuria Energy Trading SA | 2.37 | 3.25 |
| Metalor Technologies | 1.66 | 2.32 |
| N.V. Umicore SA | 1.41 | 0.88 |
| MRI Trading AG | 1.66 | 1.09 |
| Others | 3.86 | 10.52 |
| **Total Export Sales** | 51.70% | 52.18% |
| **Domestic Sales:** | | |
| Andina Trade S.A.C. | 0.98 | 1.10 |
| Glencore Peru S.A.C. | 20.26 | 18.34 |
| Trafigura Peru | 11.95 | 12.88 |
| Sudamericana Trading SRL | 2.44 | 3.56 |
| Lois Dreyfus Commodities Peru S.R.L | 7.66 | 9.74 |
| Others | 5.01 | 2.2 |
| **Total Domestic Sales** | 48.30% | 47.82% |
| **Total Sales** | 100% | 100% |

The following table shows our committed sales volumes of silver-lead, gold-silver and zinc concentrates from 2019 to 2021:

| **Concentrate** | **Wet tons 2019** | **Wet tons 2020** | **Wet tons 2021** |
|---|---|---|---|
| Uchucchacua's Silver-Lead | 60,000 | 38,000 | - |
| Uchucchacua's Zinc | 45,500 | 38,000 | - |
| Julcani's Silver-Lead (1) | 2,600 | - | - |
| Mallay's Silver-Lead (2) | - | - | - |
| Mallay's Zinc (2) | - | - | - |
| Tambomayo's Silver-Lead | 9,170 | 4,000 | - |
| Tambomayo's Zinc | 15,850 | 15,000 | - |
| El Brocal's Copper | 219,000 | 395,000 | 285,000 |
| El Brocal's Lead-Silver (1) | 52,000 | 17,000 | - |
| El Brocal's Zinc | 157,000 | 10,000 | - |

Note: The price of the concentrate supplied under the contract is based on specified market quotations minus deductions.
(1) Represents committed sales volumes from 2019 to 2020.
(2) Represents committed sales volumes for 2019.

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 2018, 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 2019, El Brocal had outstanding hedging commitments amounting to 2,000 metric tons of copper at an average fixed price of US$ 7,348.5 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 and/or 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. Applications for mining concessions must be filed with the regional mining directors of each regional government where the mining concession is located or with *Instituto Geológico Minero y Metalúrgico* the Geological, Mining and Metallurgical Institute of Peru (INGEMMET).

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. 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 could result in the loss 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 could result in the loss of the processing concessions.

Our mining rights and processing concessions are in full force and effect under applicable Peruvian laws. We believe that we are in compliance with all material terms and requirements applicable to the mining rights and processing concessions and that we are not subject to any condition, occurrence or event that would cause the revocation, cancellation, lapse, expiration or termination thereof, except that we may, from time to time, allow to lapse, revoke, cancel or terminate mining rights and processing concessions that are not material to the conduct of our business.

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 020-2008-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 35 of Supreme Decree Nº 018-92-EM, as amended, 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 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 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.

**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.

Each mining company that began operations before May 1993 was required to file a Preliminary Environmental Assessment ("EVAP") for each of its mining units to disclose any negative environmental impacts of its operations and, thereafter, to submit a follow-up Programa de Adecuación y Manejo Ambiental ("PAMA") aimed at implementing measures to solve problems identified in the EVAP. Companies must correct the negative environmental impacts relating to their mining activities within five years, while smelters must take corrective measures within ten years. These companies must allocate funds in an amount corresponding to no less than 1% of their annual sales to redress the problems identified in their EVAPs and contemplated in their PAMAs.

In addition, MEM has issued regulations that establish maximum permissible levels ("LMP") of (i) emissions of liquid effluents and (ii) elements and compounds present in gaseous emissions resulting from mining activities. Generally, mining rights holders and processing plants that were in operation before May 1993 were required to comply with LMP within 10 years. In the meantime, mining operators are required to prepare Environmental Adaptation and Management Programs, or PAMAs, that set forth plans to ensure compliance with more stringent LMP.

In May 2008, MINAM was created by Legislative Decree No.1013. MINAM's main functions include formulating and implementing policies and regulations relating to environmental matters and controlling pollution, including regulating air and water quality standards, through supervision and education.

In 2008 and 2010, MINAM enacted new water quality standards and new LMP for liquid effluents. In 2009, all Peruvian mining companies were required to submit updated environmental management plans to MEM that complied with water quality standards and new LMP for liquid effluents. At the end of 2015, Supreme Decree No. 015-2015 - MINAM (the "2015 Decree") was enacted, which modified the water quality standards and established supplementary provisions related to compliance.

Under the 2015 Decree, mining companies must incorporate new water quality standards into affected Environmental Management Plans by (1) where MEM has already approved such plan, submitting an updated plan or (2) where MEM is currently evaluating a plan, submitting a modified plan. The Company plans to submit updated and modified plans to MEM as required by the 2015 Decree. In 2017, Supreme Decree N° 004-2017-MINAM modified the 2015 Decree and modified the water quality standards, including new water categories and new legal provisions.

Regarding soil quality, on March 26, 2013, Supreme Decree No. 002-2013-MINAM became effective. It approved the Environmental Quality Standards (*Estándares de Calidad Ambiental*) ("ECA") 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 ECA for soils were approved by Supreme Decree No. 011-2017-MINAM, derogating the ECA approved by Supreme Decree No. 002-2013-MINAM. The new ECA 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 ECA, Supreme Decree No. 002-2013-MINAM will remain applicable and the new ECA 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 ECA. Buenaventura and its associated companies have taken into consideration all new environmental regulations when executing its mining activities.

Since May 1993, new mining and processing activities have been required to file and obtain approval for a Semi-detailed Environmental Assessment (*Estudio de Impacto Ambiental*) ("EIAsd") before being authorized to commence operations. New mining and plant processing activities are required to comply with the LMP from the initiation of their operations. In 2009, MEM approved the EIAsd for the La Zanja, Mallay, Tantahuatay and Esperanza projects and in 2010, MEM approved the EIAsd for the Angélica Rublo Chico project. In 2011, MEM approved the EIAsd for the Orcopampa and Breampampa projects. MEM approved the modified EIAsd for the Mallay mine and the second modified EIAsd for the Shila cyanidation circuit in 2012. In 2014, MEM approved the modified EIAsd of Uchucchacua and in 2015, the EIAsd of Tambomayo was approved.

In 2012, Peru enacted Supreme Decree No. 020-2012-EM, later modified by Supreme Decree N° 037-2017-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 bringing new regulations for all the activities in Perú, including mining activities. This new Law and regulations 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 derogated by Supreme Decree 042-2017-EM that approved the Environmental Protection Regulation for Exploration Activities in Mining; nevertheless, this new regulation would not be in force until the format and requirements for the new Environmental Technical Report (FTA) were approved. In March 24, 2018, the regulation for the FTA was approved by Ministerial Resolution N° 108-2018-EM/DM, along with other dispositions for environmental assessment. 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, an EIAsd 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 EIAsd is approved. The DIA, the EIAsd and the FTA, as applicable, must be approved before exploration activities begin. Any commitments assumed by mining companies in a DIA, EIAsd 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 EIAsd 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 N° 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 EIAsd provide local communities with an opportunity to engage actively in this process.

The following DIAs and EIAsd were approved in 2018:

**Buenaventura**

| Mine/Project | Type of Study | Approving Resolution | Date of Approval |
|---|---|---|---|
| Tambomayo | EIAsd 2nd Modification | 179-2018-MEM/DGAAM | September 28, 2018 |
| Yumpag | EIAsd 1st Modification | 028-2018-MEM/DGAAM | February 19, 2018 |
| Anamaray | EIAsd 2nd Modification | 088-2018-MEM/DGAAM | April 04, 2018 |

**Coimolache**

| Mine/Project | Type of Study | Approving Resolution | Date of Approval |
|---|---|---|---|
| Tantahuatay (Ciénaga Sur, Mirador Norte, Mirador Sur y Tantahuatay 4) | EIAsd | 070-2018-MEM/DGAAM | April 9, 2018 |

*Investment Promotion Regulations*. 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 (EIAd) and MEM (DIA and EIAsd) will then issue a compliance waiver within no more than 15 working days from the date of submission.

*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. 042-2017-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.

Our Closure Plans were approved by MEM for all of our mines and advanced explorations.

The following mine closure plan modifications were approved in 2018:

**Buenaventura**

| Mine/Project | Type of Study | Approving Resolution | Date of Approval |
|---|---|---|---|
| Orcopampa | Closure Plan 6th Modification | 234-2018-MEM/DGAAM | December 19, 2018 |

**Subsidiaries**

| Mine/Project | Type of Study | Approving Resolution | Date of Approval |
|---|---|---|---|
| Tantahuatay | Closure Plan 3th Modification | 139-2018-MEM-DGAAM | July 25, 2018 |
| La Zanja | Closure Plan (Schedule modification) | 059-2018-MEM-DGAAM | April 3, 2018 |

In 2018 the final closure of the mining units of Shila - Paula and Poracota was concluded, as well as the exploration projects of Angélica - Rublo and Pariguanas.

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.

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

On November 12, 2014, a new Regulation for the Environmental Management and Protection in Mining Activities was enacted (Supreme Decree 040-2014-EM), which regulates mining production, processing, common labor, transport and storage, which sets forth a new set of environmental requirements for these activities. According to the new regulations, social and technical teams from MEM will conduct the gathering of baseline information. Early involvement of the statutory authority throughout the environmental assessments process is expected to bring about shorter approval times.

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 submitted by private, public, or mixed-capital organizations. This development is consistent with the expansion of MINAM's technical and regulatory capacities.

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 applicable environmental regulations of which we are now aware, there is no assurance that future legislation or regulatory developments will not have an adverse effect on our business or results of operations.

In connection to the approval of environmental assessments, the Peruvian government has issued several decrees intended to simplify the issuance of permits, including Supreme Decree No. 054-2013-PCM (effective since June 2, 2013), Supreme Decree No. 060-2013-PCM (effective since May 26, 2013) and Ministerial Resolution No. 092-2014-MEM/DM (effective since May 27, 2014). We believe these provisions 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.

***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.

***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.

***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.

Mining companies that are a party to mining stabilization agreements will not be 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.

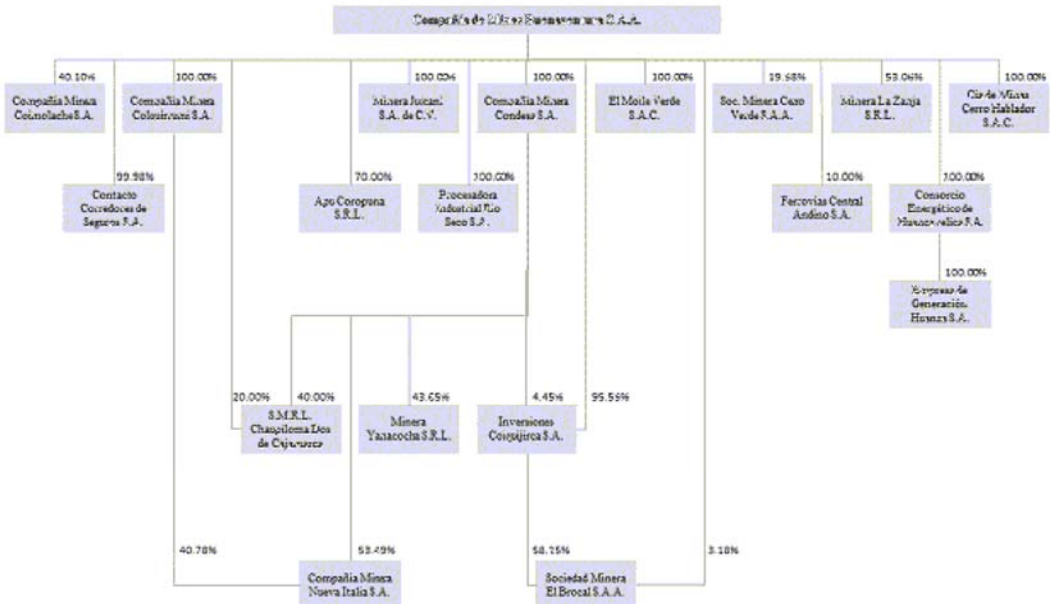
In addition to mining royalties, pursuant to Law No. 29789, effective from October 1, 2011, mining operations in Peru are subject to an extraordinary mining tax. Mining companies that do not have taxation stability agreements with the Peruvian government, such as Buenaventura, will pay the "Special Mining 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 2018, we experienced 465 reportable injuries, which comprised 3 fatal injuries, as compared to 5 total fatal injuries during 2017. 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.

**C. Organizational Structure**

As of March 31, 2019, 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:


40.10%
Compañía Minera Coimolache S.A.
100.00%
Compañía Minera Colquirrumi S.A.
100.00%
Minera Julcani S.A. de C.V.
100.00%
Compañía Minera Condesa S.A.
100.00%
El Molle Verde S.A.C.
19.58%
Soc. Minera Cerro Verde S.A.A.
53.06%
Minera La Zanja S.R.L.
100.00%
Cía de Minas Cerro Hablador S.A.C.
99.98%
Contacto Corredores de Seguros S.A.
70.00%
Apu Coropuna S.R.L.
100.00%
Procesadora Industrial Río Seco S.A.
10.00%
Ferrovías Central Andino S.A.
100.00%
Consorcio Energético de Huancavelica S.A.
100.00%
Empresa de Generación Huanza S.A.
20.00%
40.00%
S.M.R.L. Chaupiloma Dos de Cajamarca
43.65%
Minera Yanacocha S.R.L.
4.45%
95.55%
Inversiones Colquijirca S.A.
40.78%
53.49%
Compañía Minera Nueva Italia S.A.
58.25%
3.18%
Sociedad Minera El Brocal S.A.A.

† All entities in this chart, with the exception of Minera Julcani S.A. de C.V. (which is organized in Mexico) and Compañía de Minas Buenaventura Chile Ltda. (which is organized in Chile), 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 7.69% of our total common shares.

**Intermediate Holding Companies, Subsidiaries and Equity Participations**

***Compañía Minera Condesa S.A.***

Compañía Minera Condesa S.A., or "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.

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

Chaupiloma is a Peruvian limited liability company that holds all of the mining rights for the areas mined by Yanacocha. 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.

***Consorcio Energético Huancavelica S.A. / Empresa de Generación Huanza S.A.***

Consorcio Energético Huancavelica S.A., or "Conenhua," is an electrical transmission company that provides a significant portion of our electrical needs through its transmission facilities. We own 100% of Conenhua and manage its operations. Conenhua obtained its concession for power transmission in the Huancavelica area in 1983 and subsequently obtained concessions in the Cajamarca and Arequipa regions, which enabled us to transmit electric power to certain of our mining units and affiliates, as well as to other mining companies and municipalities in the area, through our own facilities.

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.

***Ferrovías Central Andino S.A.***

We hold 10% of Ferrovías Central Andino S.A. (“Ferrovías”), a railroad company, pursuant to a concession granted to a consortium of several companies in April 2000. Ferrovías provides transportation for concentrates from El Brocal’s mining operations.

***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.

## 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 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).

In 2018, Yanacocha produced 514,564 ounces of gold, compared to 534,692 ounces of gold produced in 2017. Gold production decreased 4% primarily due to lower leach pad production as a result of material with high fines content.

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 is located near Cajamarca, Peru, and currently operates 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 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 Quinua processing plant, followed by Merrill - Crowe zinc precipitation and smelting where a final dore 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 INGEMMET, which grant an exclusive and irrevocable right to carry out exploration and exploitation activities within a specified area. In order to maintain such mining 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 2028. Mining concessions granted in 2008 or later will expire if minimum production is not attained within twenty years from the date of such granting.

In Peru, a revised royalty and special mining tax was introduced in October 2011. This tax is dependent on whether a stabilization agreement is in effect and is based on a sliding scale of 1% to 12%. The Cerro Yanacocha tax stabilization agreement expired on January 1, 2015 and the La Quinua tax stabilization agreement expired on January 1, 2019.

*Quecher Main Project*

This project will add oxide production at Yanacocha, leveraging existing infrastructure and enabling potential future growth at Yanacocha. First production was achieved in late 2018 with commercial production expected in the second half of 2019. The Quecher Main extends the life of the Yanacocha operation to 2027 with average annual gold production of approximately 200,000 ounces per year (on a consolidated basis) between 2020 and 2025. Development capital costs (excluding capitalized interest) since obtaining approval were US$101million, of which $33 million related to the fourth quarter of 2018.

*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 as the project's development and reserve balances reported in 2014 were reclassified to mineralized material in 2015.

***Environmental Matters***

In early 2015, the Peruvian government agency responsible for certain environmental regulations, the MINAM, issued proposed water quality criteria for designated beneficial uses which apply to mining companies, including Yanacocha. These criteria would modify the in-stream water quality criteria pursuant to which Yanacocha has been designing water treatment processes and infrastructure. In December 2015, MINAM issued the final regulation that modified the water quality standards. In response, in February 2017, Yanacocha submitted its proposed modification to the one previously approved by MINEM, which is still under review. After approval, MINEM may allow up to three years to develop and implement the modifications to the water management system. 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 will result in increased costs. These impacts may adversely affect the future cost and financial performance of our operations in Peru.

The Peruvian government agency responsible for environmental evaluation and inspection, OEFA, conducts periodic reviews of the Yanacocha site. In 2011, 2012, 2013, 2015, 2016, 2017 and 2018, OEFA issued notices of alleged violations of OEFA standards to Yanacocha relating to past inspections, which have been resolved with minimal or no findings of violations. In 2015 and 2016, the water authority of Cajamarca issued notices of alleged regulatory violations, and resolved some allegations in 2018 with no findings of violations. Based on our experience with OEFA and the water authority, in the case of a finding of violation, remedial action is often the outcome, rather than a significant fine. The alleged OEFA violations currently range from zero to 40,300 tax units and the water authority alleged violations range from zero to 10 tax units, with each tax unit amounting to approximately US$1,260 based on current exchange rates. Yanacocha is responding to all notices of alleged violations, but cannot reasonably predict the outcome of the agency allegations.

In December 2016, Yanacocha completed a comprehensive study of its long-term mining and closure plans as part of the requirement to submit an updated closure plan to Peruvian regulators every five years. 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.

In addition, Yanacocha is involved in several matters concerning environmental obligations associated with former mining activities. Generally, these matters concern developing and implementing remediation plans at the various sites involved. Yanacocha believes that the related environmental obligations associated with these sites are similar in nature with respect to the development of remediation plans, their risk profile and the compliance required to meet general environmental standards.

*Conga Project Constitutional Claim*. On October 18, 2012, Marco Antonio Arana Zegarra filed a constitutional claim against MINEM and Yanacocha requesting the Court to order the suspension of the Conga project as well as to declare the October 27, 2010 directorial resolution approving the Conga project EIA inapplicable. 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 proof presented by the plaintiff. Yanacocha has answered the claim. Neither the Company nor Yanacocha can reasonably predict the outcome of this litigation.

*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 has been selected to issue a decision and the parties conducted oral argument in April 2019. The potential liability in this matter is in the form of fines and interest in an amount of up to $83 million. 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. Gary J. Goldberg, President and Chief Executive Officer of Newmont Mining Corporation, has been appointed 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 five wholly-owned operating mines (Orcopampa, Uchucchacua, Julcani, Tambomayo and Mallay) and controlling interests in three mining companies which operate the Colquijirca-Marcapunta, Tantahuatay 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." Set forth below is a map of our principal mining operations.


***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 2018, we made lease payments of US$12.1 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, 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 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.

As of December 31, 2018, proven and probable ore reserves were 922,300 tons, with 31.41 grams per ton of silver and 10.30 grams per ton of gold.

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

| | Year Ended December 31,(1) | |
|---|---|---|
| | **2017** | **2018** |
| Mining Operations: | | |
| Ore mined (t) | 500,580 | 353,891 |
| Average gold grade (g/t) | 11.89 | 9.98 |
| Average silver grade (g/t) | 37.95 | 32.04 |
| Production: | | |
| Gold (oz.) | 190,976 | 115,887 |
| Silver (oz.) | 528,449 | 312,250 |
| Recovery rate (gold) (%) | 97.14 | 97.10 |
| Recovery rate (silver) (%) | 85.05 | 81.73 |
| Cost applicable to sales per oz. of gold(2) | US$ 743 | US$ 1,020 |
| Cost applicable to sales per oz. of silver(2) | US$ 10.02 | US$ 12.70 |

(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, 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 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 cut-and-fill stopping, shrinkage stopping and sublevel stopping methods. Ore is processed at a mill located at Uchucchacua. The mill has a rated capacity of 4,000 tons per day and utilizes differential flotation to obtain a lead-silver concentrate and a zinc concentrate, using two circuits of 2,800 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 2018, the manganese sulfate plant of Rio Seco treated 34,840.7 tons of concentrates from the Uchucchacua mine, with 101.8 ounces per ton of silver, 13.6% lead and 26.7% manganese. Following treatment, 21,739.5 tons were obtained, with 163.7 ounces per ton of silver, 21.6% lead and 4.4% manganese. This process also allowed for the production of 17,931 tons of sulfuric acid of 98% purity and 24,623 tons of commercial grade manganese sulfate monohydrated.

As of December 31, 2018, proven and probable ore reserves were 11,940,975 tons, with 239.19 grams per ton of silver, 1.12% lead and 1.79% zinc.

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

| | Year Ended December 31,(1) | |
|---|---|---|
| | 2017 | 2018 |
| Mining Operations: | | |
| Ore mined (t) | 1,364,478 | 1,387,775 |
| Average silver grade (g/t) | 458.15 | 388.17 |
| Average zinc grade (%) | 1.80 | 2.23 |
| Average lead grade (%) | 1.36 | 1.60 |
| Production: | | |
| Silver (oz.) | 16,583,698 | 15,420,102 |
| Zinc (t) | 13,040 | 21,840 |
| Lead (t) | 16,708 | 19,122 |
| Recovery rate (silver) (%) | 82.50 | 87.43 |
| Cost applicable to sales per oz. of silver(2) | US$ 10.61 | US$ 10.41 |
| Cost applicable to sales per ton of zinc(2) | US$ 2,951 | US$ 1,983 |
| Cost applicable to sales per ton of lead(2) | US$ 1,571 | US$ 1,354 |

(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. We acquired Julcani in 1953 as our first operating mine. Julcani is located in the province of Angaraes, department of Huancavelica, approximately 500 kilometers southeast of Lima at an altitude between 4,200 and 5,000 meters above sea level.

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 550 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.

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

As of December 31, 2018, total proven and probable ore reserves were 251,186 tons, with 664.68 grams per ton of silver, 0.186 grams per ton of gold, 2.04% lead and 0.47% copper.

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

| | Year Ended December 31,(1) | | | |
|---|---|---|---|---|
| | 2017(2)(3) | | 2018(2)(3) | |
| Mining Operations: | | | | |
| Ore mined (t) | | 130,854 | | 109,025 |
| Average gold grade (g/t) | | 0.12 | | 0.04 |
| Average silver grade (g/t) | | 552.71 | | 726.27 |
| Average lead grade (%) | | 1.47 | | 1.01 |
| Average copper grade (%) | | 0.15 | | 0.16 |
| Production: | | | | |
| Gold (oz.) | | 200 | | 71 |
| Silver (oz.) | | 2,249,527 | | 2,482,907 |
| Lead (t) | | 1,824 | | 1,048 |
| Copper (t) | | 192 | | 169 |
| Recovery rate (silver) (%) | | 96.77 | | 97.41 |
| Cost applicable to sales per oz. of silver(4) | US$ | 17.12 | US$ | 14.98 |
| Cost applicable to sales per ton of lead(4) | US$ | 2,543 | US$ | 2,191 |
| Cost applicable to sales per ton of copper(4) | US$ | 6,318 | US$ | 7,392 |

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

(2) Includes total Acchilla and Estela mine production.

(3) Reflects total recovery percentage of Acchilla and Estela ore.

(4) 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.

The underground works on the main Mirtha vein and diamond drilling carried out to date show an economic mineralization that deepens up to approximately 650 meters and it expands over 1,200 horizontal meters, increasing the size of the economic mineralization area to explore.

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, 2018, total proven and probable ore reserves were 3,391,052 tons, with 129.63 grams per ton of silver, 3.74 grams per ton of gold, 0.73% lead and 1.06% zinc.

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

| | Year Ended December 31,(1) | |
|---|---|---|
| | **2017** | **2018(1)(2)** |
| Mining Operations: | | |
| Ore mined (t) | 332,193 | 557,364 |
| Average gold grade (g/t) | 6.99 | 7.75 |
| Average silver grade (g/t) | 264.38 | 252.25 |
| Average lead grade (%) | 1.72 | 1.49 |
| Average Zinc grade (%) | 2.35 | 2.16 |
| Production: | | |
| Gold (oz.) | 64,175 | 129,172 |
| Silver (oz.) | 1,788,219 | 3,929,808 |
| Lead (t) | 2,070 | 4,220 |
| Zinc (t) | 2,906 | 8,685 |
| Recovery rate (silver) (%) | 62.12 | 85.11 |
| Recovery rate (gold) (%) | 83.59 | 91.15 |
| Cost applicable to sales per oz. of gold(3) | US$ 671 | US$ 626 |
| Cost applicable to sales per oz. of silver(3) | US$ 9.43 | US$ 7.77 |
| Cost applicable to sales per ton of lead(3) | US$ 1,635 | US$ 1,186 |
| Cost applicable to sales per ton of Zinc(3) | US$ 2,057 | US$ 1,551 |

(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.

***Mallay***

The Mallay mine is wholly-owned and operated by us and is located 21 kilometers southwest of the Uchucchacua mine in the district of Mallay, province of Oyón, department of Lima.

Mallay is considered an epithermal deposit of silver, lead, zinc and limited gold values. We have recognized the following main ore structures: Isguiz body-vein (silver, lead, zinc), Pierina vein (gold), María vein (silver) and Fortuna (skarn type lead, zinc and silver).

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

| | Year Ended December 31, (1)(2) | | | |
|---|---|---|---|---|
| | 2017 | | 2018 | |
| Mining Operations: | | | | |
| Ore mined (t) | | 170,519 | | 92,450 |
| Average silver grade (g/t) | | 223.63 | | 196.89 |
| Average lead grade (%) | | 2.70 | | 2.28 |
| Average zinc grade (%) | | 4.73 | | 5.30 |
| Production: | | | | |
| Silver (oz.) | | 1,109,382 | | 514,081 |
| Lead (t) | | 4,061 | | 1,768 |
| Zinc (t) | | 7,102 | | 4,151 |
| Recovery rate (silver) (%) | | 90.51 | | 87.72 |
| Cost applicable to sales per oz. of silver(3) | US$ | 13.27 | US$ | 11.50 |
| Cost applicable to sales per ton of lead(3) | US$ | 1,889 | US$ | 1,603 |
| Cost applicable to sales per ton of zinc(3) | US$ | 2,416 | US$ | 2,284 |

(1) Incorporates losses for mining dilution and recovery.

(2) Data reflect mining operations at Mallay mine.

(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 silver, ton of lead or ton of zinc consists of cost applicable to sales for silver, lead or zinc sold, divided by the volume of silver, lead or 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.

***La Zanja***

The La Zanja mine is located in the district of Pulan, province of Santa Cruz, department of Cajamarca, 48 kilometers northwest of the Yanacocha gold mine, at an average altitude of 3,500 meters above sea level. We hold a 53.06% interest and Newmont Holdings ULC holds a 46.94% interest in La Zanja.

La Zanja is located within a large area of hydrothermal alteration, mainly related to epithermal gold deposits in high sulfidation environments, in addition to some vein systems of intermediate to low sulfidation. We have two ore deposits in production: San Pedro Sur and Cerro 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 Yanacocha to be processed into doré bars.

In 2018 a total of 12,984 meters of diamond drilling in the Corredor Emperatriz project exploration area were drilled, of which 10,829 meters were made in the sector called Emperatriz Central and 2,155 meters in the Emperatriz Norte sector.

Additionally, a total of 1,232 meters were drilled in the Luciana project, evaluating high-grade structures of gold and silver in oxides, with grades of 10 grams per ton of gold and 5 grams per ton of silver, in widths of 1 to 3 meters.

Total proven and probable ore reserves as of December 31, 2018 were 3,119,845 tons, with 7.07 grams per ton of silver and 0.364 grams per ton of gold.

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

| | Year Ended December 31, | |
|---|---|---|
| | **2017** | **2018** |
| Mining Operations: | | |
| Ore treated (t) | 10,694,942 | 5,702,881 |
| Average gold grade (g/t) | 0.48 | 0.46 |
| Average silver grade (g/t) | 6.22 | 7.46 |
| Production: | | |
| Gold (oz.) | 127,118 | 71,630 |
| Silver (oz.) | 280,908 | 217,174 |
| Cost applicable to sales per oz. of gold(1) | US$ 789 | US$ 891 |
| Cost applicable to sales per oz. of silver(1) | US$ 10.66 | US$ 11.15 |

(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.

***Tantahuatay***

Tantahuatay is a gold-copper mine located in the district and province of Hualgayoc, department of Cajamarca, in northern Peru, at an average altitude of 3,900 meters above sea level. The Tantahuatay mine is operated by Buenaventura and wholly-owned by Coimolache, in which we hold a 40.10 % equity interest.

Geologically, the Tantahuatay ore deposits are located at diatremes or volcanic necks in a sequence volcano-magmatic hydrothermal predominant linked to the regional mineralized sector north of Peru.

Tantahuatay consists of five areas of Au-Ag mineralization, contained in material of supergenic oxidation (Mirador Norte, Mirador Sur, Cienaga Norte, Cienaga Sur and Tantahuatay). Below the oxides level of the Cerro Tantahuatay area, there is a significant resource of copper, gold and silver associated to pyrite-enargite (sulphides), which are present as disseminations and fracture fillings associated with advanced argillic alteration and breccia bodies' multiphase.

During 2018, drilling of oxides reached 9,712 meters of diamond drill holes. The operation was focused on the Tantahuatay 2 and Ciénaga Norte areas. Drilling was also performed at the Tantahuatay 3, Tantahuatay 5 and Azufre projects to convert resources to reserves. Another part of the drilling was aimed at exploring sulfides, which in total reached 23,787 meters. This was conducted in the areas of Tantahuatay 2, 3, 4, 5, Mirador Sur and Ciénaga Norte.

Total proven and probable ore reserves as of December 31, 2018 were 57,715,191 tons, with 9.65 grams per ton of silver and 0.359 grams per ton of gold.

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

| | Year Ended December 31,(1)(2) | |
|---|---|---|
| | **2017** | **2018** |
| Mining Operations: | | |
| Ore treated (t) | 13,117,287 | 13,384,291 |
| Average gold grade (g/t) | 0.46 | 0.58 |
| Average silver grade (g/t) | 12.30 | 7.45 |
| Production: | | |
| Gold (oz.) | 151,454 | 173,192 |
| Silver (oz.) | 800,942 | 791,181 |
| Cost applicable to sales per oz. of gold(3) | US$ 517 | US$ 675 |
| Cost applicable to sales per oz. of silver(3) | US$ 6.98 | US$ 8.39 |

(1) Incorporates losses for mining dilution and recovery.

(2) Data reflect mining operations at the Tantahuatay 2 and Ciénaga Norte deposits.

(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 Colquijirca (also known as Tajo Norte) 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, 2018.

The Tajo Norte and Marcapunta Norte mines are adjacent and are located 285 kilometers east of the city of Lima and 10 kilometers south of the city of Cerro de Pasco. El Brocal produces zinc, lead and silver concentrates from the Tajo Norte mine and copper concentrates from the Marcapunta Norte mine. The Colquijirca mine consists of three important polymetallic deposits: (1) Tajo Norte–Smelter, which contains zinc, silver and lead; (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 Norte mine; and (3) San Gregorio, which contains zinc.

The Huaraucaca concentrator plant processes ore from both mines. In 2018, average treated ore at the plant was 18,175 tons per day.

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

In 2019, El Brocal will continue 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.

Total proven and probable reserves of Tajo Norte (Colquijirca) as of December 31, 2018 were 22,167,000 tons, with 63.14 grams of silver per ton, 2.24% of zinc, 1.07% of lead and 0.11% of copper.

Total proven and probable reserves of Marcapunta Norte as of December 31, 2018 were 24,459,000 tons with 23.02 grams of silver per ton, 0.50 grams of gold per ton and 1.34% of copper.

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

| | Year Ended December 31,(1) | |
|---|---|---|
| | 2017 | 2018 |
| Mining Operations: | | |
| Ore mined (t) | 3,169,908 | 3,429,618 |
| Average silver grade (oz./t) | 1.32 | 1.13 |
| Average zinc grade (%) | 2.74 | 2.30 |
| Average lead grade (%) | 1.13 | 1.11 |
| Production: | | |
| Silver (oz.) | 3,031,796 | 2,518,333 |
| Zinc (t) | 51,511 | 45,593 |
| Lead (t) | 20,313 | 20,582 |
| Recovery rate (silver) (%) | 72.30 | 65.25 |
| Recovery rate (zinc) (%) | 59.33 | 57.78 |
| Recovery rate (lead) (%) | 56.71 | 52.41 |
| Cost applicable to sales per ton of mine(2) | 1,915 | 1,569 |

(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 Norte mine, calculated on the basis of 100% of the mine's production.

| | Year Ended December 31,(1) | |
|---|---|---|
| | 2017 | 2018 |
| Mining Operations: | | |
| Ore mined (t) | 2,517,673 | 3,204,262 |
| Average silver grade (oz./t) | 0.66 | 0.71 |
| Average gold grade (gr/t) | 0.56 | 0.51 |
| Average copper grade (%) | 1.91 | 1.59 |
| Production: | | |
| Silver (oz.) | 1,052,453 | 1,383,536 |
| Gold (oz.) | 22,536 | 21,429 |
| Copper (t) | 45,097 | 46,231 |
| Recovery rate (silver) in copper (%) | 63.12 | 60.95 |
| Recovery rate (gold) in copper (%) | 49.89 | 39.80 |
| Recovery rate copper (%) | 93.56 | 90.63 |
| Cost applicable to sales per ton of mine(2) | 5,119 | 5,487 |

(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.

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, 2018, our total proven and probable 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 4.39 million ounces of gold, representing a 41.61% increase compared to our total proven and probable reserves as of December 31, 2017, which were estimated to be 3.10 million ounces of gold.

As of December 31, 2018, our total proven and probable 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 265.72 million ounces of silver, representing a 35.05% increase over our total proven and probable reserves as of December 31, 2017, which were estimated to be 196.76 million ounces of silver.

The following table lists 100% of proven and probable ore reserves, as of December 31, 2018, for each of our consolidated mining operations and the Tantahuatay 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, 2018 (1)(2)(3)(4)(5)(6)**

| | Orcopampa | Uchucchacua | Julcani | Tambomayo | La Zanja | Tantahuatay | Tajo Norte | Tajo Smelter | Marcapunta | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Ore Reserves (t) | 658,211 | 5,813,428 | 172,370 | 634,340 | 1,924,675 | 44,730,220 | 8,678,000 | 12,937,000 | 8,816,000 | 84,364,244 |
| **Grade:** | | | | | | | | | | |
| Gold (g/t) | 10.54 | | 0.19 | 3.66 | 0.36 | 0.37 | | | 0.52 | |
| Silver (g/t) | 30.48 | 252.87 | 667.17 | 251.32 | 7.71 | 8.63 | 66.25 | 19.28 | 24.57 | |
| Copper (%) | | | 0.49 | | | | 0.14 | 1.70 | 1.40 | |
| Zinc (%) | | 1.77 | | 0.78 | | | 2.24 | 0.13 | | |
| Lead (%) | | 1.14 | 2.15 | 0.47 | | | 1.13 | 0.12 | | |
| **Content:** | | | | | | | | | | |
| Gold (oz.) | 222,942 | | 1,034 | 74,591 | 22,048 | 531,872 | | | 146,255 | 998,743 |
| Silver (oz.) | 645,017 | 47,289,682 | 3,696,846 | 5,125,543 | 477,098 | 12,410,067 | 18,484,140 | 8,020,940 | 6,964,640 | 103,113,973 |
| Copper (t) | | | 845 | | | | 12,149 | 219,929 | 123,424 | 356,347 |
| Zinc (t) | | 102,898 | | 4,948 | | | 194,387 | 16,818 | | 319,051 |
| Lead (t) | | 66,273 | 3,706 | 2,981 | | | 98,061 | 15,524 | | 186,546 |

**Probable Ore Reserves as of December 31, 2018 (1) (2)**

| | Orcopampa | Uchucchacua | Julcani | Tambomayo | La Zanja | Tantahuatay | Tajo Norte | Tajo Smelter | Marcapunta | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Ore Reserves (t) | 264,089 | 6,127,547 | 78,816 | 2,756,712 | 1,195,170 | 12,984,971 | 13,490,000 | 28,084,000 | 15,643,000 | 80,624,305 |
| **Grade:** | | | | | | | | | | |
| Gold (g/t) | 9.72 | | 0.16 | 3.76 | 0.38 | 0.321 | | | 0.49 | |
| Silver (g/t) | 33.90 | 226.12 | 659.39 | 101.63 | 6.03 | 13.17 | 60.96 | 20.84 | 22.08 | |
| Copper (%) | | | 0.42 | | | | 0.09 | 1.69 | 1.30 | |
| Zinc (%) | | 1.8 | | 1.13 | | | 2.24 | 0.13 | | |
| Lead (%) | | 1.1 | 1.8 | 0.79 | | | 1.03 | 0.12 | | |
| **Content:** | | | | | | | | | | |
| Gold (oz.) | 82,571 | | 394 | 333,645 | 14,506 | 133,951 | | | 245,432 | 810,499 |
| Silver (oz.) | 287,857 | 44,547,267 | 1,670,899 | 9,007,496 | 231,578 | 5,499,945 | 26,440,400 | 18,816,280 | 11,106,530 | 117,608,252 |
| Copper (t) | | | 331 | | | | 12,141 | 474,620 | 203,359 | 690,451 |
| Zinc (t) | | 110,296 | | 31,151 | | | 302,176 | 36,509 | | 480,132 |
| Lead (t) | | 67,403 | 1,419 | 21,778 | | | 138,947 | 33,701 | | 263,248 |

(1) 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, 2018. SRK Consulting Perú S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Uchucchacua, Tambomayo, Tantahuatay and La Zanja. Geominería S.A.C., an independent consultant, audited the process to estimate proven and probable ore reserves for Orcopampa and Julcani. Mining Plus Pty Ltd audited the process to estimate proven and probable ore reserves for El Brocal.

(2) For the year ended December 31, 2018, reserves for our wholly-owned and subsidiary mines, were calculated using the following prices: US$1,300 per ounce of gold, US$17 per ounce of silver, US$2,500 per metric ton of zinc, US$2,100 per metric ton of lead and US$6,000 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 projected 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 301,000 acres (121,810 hectares) that are covered by 185 mining concessions. MYSRL holds the mining rights related to 96,338 acres (38,987 hectares), covered by 73 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 2019.

The Yanacocha Complex mines material from the Yanacocha Layback and Yanacocha Pinos, which are scheduled to finish mining operations in 2019 and 2020, respectively. The Yanacocha Complex began operations in 1997 and has had limited mining operations in recent years.

The Carachugo and Maqui Maqui Complexes mined material from multiple mines that are no longer in operation and a de minimis residual leaching of gold continues. In addition, the Carchugo Complex processes material from the Quecher Main project, which is a new open pit within the existing footprint of Yanacocha. This project will add oxide production at Yanacocha and will extend the life of the Yanacocha operation to 2027.

Yanacocha has three processing concessions from MINEM 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.

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 31 240-ton haul trucks.

Brownfield exploration and development for new reserves is ongoing including Sulfides project and the development of the Quecher Main project within the existing footprint of Yanacocha. In addition, Yanacocha continues 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, 2018 was $4,490. Yanacocha produced 515,000 ounces of gold (271,000 attributable ounces of gold) in 2018 and reported 3.8 million attributable ounces of gold reserves and 740 million pounds of copper reserves at December 31, 2018.

Yanacocha also owns the Conga project, which is located approximately 16 miles (25 kilometers) northeast of Yanacocha, which is currently in care and maintenance stages. 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 Yanacocha be unable to develop the Conga project, Yanacocha may have to consider other alternatives for the project, which may result in a future impairment charge for the project. See "Item 3. Key Information—D. Risk Factors" for further information.

***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, 2018, 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 7.4 million ounces of gold, representing an 94% increase over Yanacocha's total proven and probable reserves as of December 31, 2017, which were estimated to be 3.8 million ounces of gold.

The following tables detail proven and probable gold reserves for Yanacocha as of December 31, 2018 and 2017:

**Gold Reserves At December 31, 2018 (1)(2)**

| | Proven Reserves | | | Probable Reserves | | | Proven and Probable Reserves | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Deposits/Districts | Tonnage (in thousands) | Grade (oz/ton) | Ounces (in thousands) | Tonnage (in thousands) | Grade (oz/ton) | Ounces (in thousands) | Tonnage (in thousands) | Grade (oz/ton) | Ounces (in thousands) | Metallurgical Recovery |
| Yanacocha Open Pits (3) | 14,606 | 0.020 | 292 | 217,137 | 0.019 | 4,012 | 231,743 | 0.019 | 4,304 | 64% |
| Yanacocha Leach Pads (4) | 14,021 | 0.022 | 312 | — | | — | 14,021 | 0.022 | 311 | 70% |
| Yanacocha Stockpiles (5) | 4,479 | 0.035 | 156 | 3,116 | 0.056 | 175 | 7,595 | 0.044 | 331 | 80% |
| Yanacocha Underground (6) | — | | — | 12,074 | 0.204 | 2,473 | 12,074 | 0.204 | 2,473 | 97% |
| Total Yanacocha | 33,106 | 0.023 | 760 | 232,327 | 0.029 | 6,660 | 265,433 | 0.028 | 7,420 | 76% |

**Gold Reserves as of December 31, 2017(1)(2)**

| | Proven Reserves | | | Probable Reserves | | | Proven and Probable Reserves | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Deposits/Districts | Tonnage (in thousands) | Grade (oz/ton) | Ounces (in thousands) | Tonnage (in thousands) | Grade (oz/ton) | Ounces (in thousands) | Tonnage (in thousands) | Grade (oz/ton) | Ounces (in thousands) | Metallurgical Recovery |
| Yanacocha Open Pits | 23,127 | 0.022 | 500 | 148,936 | 0.018 | 2,683 | 172,063 | 0.018 | 3,182 | 70% |
| Yanacocha Leach Pad(4) | 11,656 | 0.022 | 241 | - | | - | 11,656 | 0.022 | 241 | 73% |
| Yanacocha Stockpiles(5) | 9,436 | 0.042 | 407 | - | | - | 9,436 | 0.042 | 407 | 56% |
| **Total** | **44,218** | **0.026** | **1,147** | **148,936** | **0.018** | **2,683** | **193,154** | **0.020** | **3,830** | **69%** |

(1) Proven and probable reserves, as of December 31, 2018 and 2017 reserves were calculated at an estimated gold price of $1,200 and $1,600 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) Gold cut-off grades utilized in 2018 reserves were as follows: oxide leach material not less than 0.004 ounce per ton; oxide mill material not less than 0.013 ounce per ton; and refractory mill material not less than 0.040 ounce per ton.

(4) Leach pad material is the material on leach pads at the end of the year from which gold remains to be recovered. In-process reserves are reported separately where they exceed 100,000 ounces and are greater than 5% of the total site-reported reserves.

(5) Stockpiles are comprised primarily of material that has been set aside to allow processing of higher grade material in the mills. Stockpiles increase or decrease depending on current mine plans. Stockpile reserves are reported separately where ounces exceed 100,000 and are greater than 5% of the total site-reported reserves.

(6) Gold cut-off grades utilized in 2018 reserves not less than 0.054 ounce per ton.

## 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.

***Introduction***

The following discussion should be read in conjunction with the Consolidated Financial Statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 and the related Notes thereto included elsewhere in this Annual Report. 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, Mallay, 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. We have a 43.65% equity participation in Yanacocha as of December 31, 2018, which is held 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, 2018, 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.

From January to December 2019, El Brocal has outstanding hedging commitments amounting to 2,000 metric tons of copper at an average fixed price of US$7,345 to US$7,352 per ton.

*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.* In 2014, we publicly announced our decision to sell four of our mining units: Poracota, Recuperada, Antapite and Shila-Paula. As a consequence, these mining units were presented in our consolidated financial statements as of December 31, 2014 and 2015 as mining units held for sale. According to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations," the related assets and liabilities are presented in the consolidated statement of financial position at the lower of cost and fair value less cost to sale. 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. See Note 1(e) and Note 2.4(w) to the Consolidated Financial Statements.

***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:

- mineral reserves and resources;
- unit-of-production depreciation;
- mine rehabilitation provision;
- inventories;
- impairment of non-financial assets;
- taxes; and
- fair value of contingent consideration

Other significant accounting policies include:

- contingencies;
- development start date;
- production start date; and
- revenue from contracts with clients.

We also have certain accounting policies that we consider to be 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.

***Mineral reserves and resources***

Recoverable proven and probable reserves are the part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve 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 requires us to determine the size, shape and depth of our ore bodies by analyzing geological data, such as samplings of drill holes, tunnels and other underground workings. In addition to the geology of our mines, assumptions are required to determine the economic feasibility of mining these reserves, including estimates of future commodity prices and demand, the mining methods we use and the related costs incurred to develop and mine our reserves. For 2016, Geominería S.A.C. audited the process used to estimate proven and probable ore reserves for Orcopampa, Uchucchacua, Julcani, Mallay and Tambomayo, and Hatch Asociados S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Tambomayo as of December 31, 2016. The conceptual framework used to estimate proven and probable reserves for El Brocal's mines as of December 31, 2016 was reviewed by consultant Buenaventura Ingenieros S.A. As of December 31, 2017. SRK Consulting Perú S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Uchucchacua, Tantahuatay and La Zanja, Hatch Asociados S.A., an independent consultant, validated the model used to estimate proven and probable ore reserves for Tambomayo, Mining Plus Pty Ltd validated the model used to estimate proven and probable ore reserves for El Brocal and Geomineria S.A.C. audited the process used to estimate proven and probable ore reserves for Orcopampa, Julcani and Mallay. As of December 31, 2018, SRK Consulting Perú S.A., an independent consultant, audited the process used to estimate proven and probable ore reserves for Uchucchacua, Tambomayo, Tantahuatay and La Zanja. Geominería S.A.C., an independent consultant, audited the process to estimate proven and probable ore reserves for Orcopampa and Julcani. Mining Plus Pty Ltd audited the process to estimate proven and probable ore reserves for El Brocal.

Changes in estimated reserves could affect mainly the depreciation of fixed assets 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 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.

***Mine rehabilitation 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, 2018, we have recorded an accrual for mine closure costs of US$225.9 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 the higher of the asset's fair value less costs to sell and its use value and is determined for an individual asset (cash-generating unit) unless the asset does not generate cash inflows that are 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.

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.

In assessing use value, the estimated future cash flows are discounted to their present value using a pre-tax 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 2016, 2017 and 2018.

In 2017, we recorded an impairment loss related to our La Zanja mining property of US$21.6 million. As a result of the sale of the Breapampa and Recuperada mining units, as well as the sale of the Shila Paula mining unit assets, Buenaventura recorded a reversal of impairment losses in 2017 of US$7.4 million, US$7.1 million and US$2.7 million, respectively.

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.

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, 2016, 2017 and 2018 impairment evaluation was 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, 2016, 2017 and 2018, our valuation allowance totaled US$37.0 million, US$38.9 million and US$40.9 million, respectively.

***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.

***Segment Reporting***

Management has determined its operating segments based on reports that the Company's Chief Operating Decision Maker (the "CODM") uses for making decisions. The Company's operations are organized into business units based on its products and services, activities and geographic locations. The broad categories of the Company'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 (primarily in our associate, Minera Yanacocha S.R.L); and
- 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 Company's consolidated financial statements. Also, the Company'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. See Note 31 to the Consolidated Financial Statements.

***Contingencies***

Contingent liabilities, when identified, are assessed as either remote, possible or probable. Contingent liabilities are recorded in the consolidated financial statements when it is probable that future events will confirm them and when their amount can be reasonably estimated. Contingent liabilities deemed as possible are only disclosed, together with a possible debit range, when determinable, in notes to the 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(f) and (g) 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 | Between 6 and 20 |
| Machinery and equipment | Between 5 and 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***

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.

**Results of Operations for the Years Ended December 31, 2018 and 2017**

*Net sales of goods.* Net sales of goods decreased by 8%, mainly due to a decrease in both volume of metal sold and average realized prices, as set forth in the chart below:

| **Sales of goods** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Gold (a) | 511,434 | 411,926 | (99,508) | (19)% |
| Silver (b) | 409,775 | 369,167 | (40,608) | (10)% |
| Lead (c) | 94,955 | 89,059 | (5,896) | (6)% |
| Zinc (d) | 188,023 | 174,048 | (13,975) | (7)% |
| Copper | 268,527 | 274,761 | 6,234 | 2% |
| Manganese sulfate | 6,317 | 6,655 | 338 | 5% |
| Indium | 66 | - | (66) | (100)% |
| | 1,479,097 | 1,325,616 | (153,481) | (10)% |
| Commercial deductions (e) | (253,939) | (195,865) | 58,074 | (23)% |
| Adjustments to prior period liquidations | 919 | 857 | (62) | (7)% |
| Fair value of accounts receivable | 8,786 | (6,215) | (15,001) | N.A. % |
| Hedge operations | (10,921) | (1,398) | 9,523 | (87)% |
| **Total sales of goods** | 1,223,942 | 1,122,995 | (100,947) | (8)% |

(a) *Gold Sales*. The decrease in gold sales is mainly due to decreases in the volume of gold sales, which was primarily due to decreases in the volume sold. The Orcopampa and the La Zanja mining units, partially offset by an increase in the volume sold in the the Tambomayo mining unit.

(b) *Silver sales*. The decrease in silver sales is mainly due to decreases in both the volume of silver sold and average realized prices. The decrease in volume sold is due to decreases in the volume sold in the Uchucchacua, Mallay, Julcani and Orcopampa mining units, partially offset by an increase in the volume sold in the Tambomayo mining unit.

(c) *Lead sales*. The decrease in lead sales is mainly due to decreases in average realized sale prices of lead sold.

(d) *Zinc sales*. The decrease in zinc sales is primarily due to decreases in average realized sale prices of zinc sold.

(e) *Commercial deductions*. Net sales of goods figures are obtained by deducting the refinery charges and penalties incurred. A total of US$195.9 million of refinery charges and penalties were incurred in 2018, compared to US$253.9 million incurred in 2017.

The following tables reflect the average realized prices and volumes of gold, silver, lead, zinc and copper sold during the years ended December 31, 2017 and 2018, as well as the variation in such average realized prices and volumes recorded for the year ended December 31, 2018 as compared to the year ended December 31, 2017:

| **Average Realized Price** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2017** | **2018** | **Variation** |
| Gold (US$/oz.) | 1,267.56 | 1,267.99 | -% |
| Silver (US$/oz.) | 16.54 | 15.09 | (9)% |
| Lead (US$/t) | 2,372.00 | 2,140.81 | (10)% |
| Zinc (US$/t) | 3,046.19 | 2,686.24 | (12)% |
| Copper (US$/t) | 6,280.47 | 6,277.40 | -% |

| **Volume Sold** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2017** | **2018** | **Variation** |
| Gold (oz.) | 403,480 | 324,864 | (19)% |
| Silver (oz.) | 24,773,278 | 24,464,648 | (1)% |
| Lead (t) | 40,032 | 41,600 | 4% |
| Zinc (t) | 61,724 | 64,792 | 5% |
| Copper (t) | 42,756 | 43,770 | 2% |

*Net sales of services*. Sales of services decreased by 19%, as set forth in the chart below:

| **Sales by services** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | **(US$ in thousands)** | | | |
| Energy generation and transmission | 60,639 | 62,962 | 2,323 | 4% |
| Insurance Brokerage | 14,377 | 14,986 | 609 | 4% |
| Holding of investments in shares | 615 | 615 | - | - |
| Construction and engineering (a) | 10,603 | - | (10,603) | (100)% |
| Industrial Activities | 19,658 | 19,908 | 250 | 1% |
| Adjustments and eliminations intercompany | (76,195) | (74,470) | 1,725 | 2% |
| **Total sales of services** | 29,697 | 24,001 | (5,696) | (19)% |

(a) The construction and engineering segment decrease was a result of our sale of our subsidiary, Buenaventura Ingenieros S.A., during 2018.

*Royalty income*. In 2018, royalty income received by our subsidiary Chaupiloma amounted to US$20.4 million, representing less than a 1% decrease from the US$20.7 million in royalty income received in 2017. This decrease was due to a decrease in sales at Yanacocha. 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 2018 were in line with those of 2017 as indicated in the following table:

| **Operating Costs** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | **(US$ in thousands)** | | | |
| Cost of sales of goods, excluding depreciation and amortization | 627,433 | 625,484 | (1,949) | - |
| Cost of services, excluding depreciation and amortization (a) | 12,954 | 4,318 | (8,636) | (67)% |
| Exploration in operating units | 94,928 | 90,343 | (4,585) | (5)% |
| Depreciation and amortization (b) | 213,722 | 241,286 | 27,564 | 13% |
| Mining royalties (c) | 31,217 | 21,526 | (9,691) | (31)% |
| **Total operating costs** | 980,254 | 982,957 | 2,703 | - |

(a) *Cost of services, excluding depreciation and amortization*. The decrease in cost of services was mainly due to the sale of our subsidiary, Buenaventura Ingenieros S.A., during 2018. During 2017, this subsidiary had a cost of sale of US$9.4 million.

(b) *Depreciation and amortization*. The increase in the cost of depreciation and amortization was mainly due an increase of US$34.2 million corresponding to depreciation and amortization costs of our Tambomayo mining unit (which started operations in the third quarter of 2017).

(c) *Mining royalties*. The decrease in mining royalties is due to a decrease in the cost of royalties paid to the Peruvian State, which in turn has a direct relationship with the decrease in our net sales.

*Total operating expenses*. Operating expenses decreased by 31% due to changes in the following components:

| **Operating Expenses (Income)** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | **(US$ in thousands)** | | | |
| Administrative expenses | 83,597 | 78,760 | (4,837) | (6)% |
| Exploration in non-operating areas (a) | 18,262 | 36,307 | 18,045 | 99% |
| Selling expenses | 24,088 | 27,522 | 3,434 | 14% |
| Impairment loss (reversal) of long-lived assets (b) | 21,620 | (5,693) | n.a. | n.a. |
| Provision (reversal) for contingences and others (c) | 13,879 | (11,239) | n.a. | n.a. |
| Write-off of asset stripping activities (d) | 13,573 | - | (13,573) | (100)% |
| Other, net (e) | 13,589 | 5,012 | (8,577) | (63)% |
| **Total operating expenses** | 188,608 | 130,669 | (57,939) | (31)% |

*(a)* *Exploration in non-operating areas.* The increase in exploration in non-operating areas is mainly due to an increase in expenditures in exploration activities, mainly in the Yumpag project in an amount of US$18.0 million and the Marcapunta Norte project in an amount of US$6.7 million

(b) *Impairment reversal / loss of long-lived assets*. During 2018, an impairment reversal related to our La Zanja mining unit of US$5.7 million was recorded, as a result of the analysis of the recovery amount. In 2017, La Zanja recorded an impairment loss related to its mining property of US$21.6 million, as result of the depletion of its reserves.

(c) *Provision for contingences and others*. During 2018, a reversal of contingences was recorded, mainly caused by the reversal in provisions for obligations with the communities as a result of negotiations with our operating units in an amount of US$10.2 million. These provisions were previously recorded in 2017.

(d) *Write-off of asset stripping activities*. During 2018, no write-off of asset stripping activities was recorded. During 2017, El Brocal decided not to mine the western wall of the Tajo Norte, due to stability and operational design issues. According to the distribution of reserves, this area (Phase 10) contained 5.5 MT of ore and 9.2 MT of waste valued at US$13.5 million, which were written-off and withdrawn from the reserves.

(e) *Other net*. Other net operating expenses decreased from US$13.6 million in 2017 to US$5.0 million in 2018, primarily due to the net effect of higher expenses such as (i) higher provision of impairment of value of inventory in US$7.0 million, (ii) US$6.1 million loss related to write-off of assets in the Tambomayo, Orcopampa, Mallay and Uchucchacua mining units, (iii) a US$4.1 million loss related to the sale of our subsidiary, Buenaventura Ingenieros S.A., and (iv) US$1.3 million loss from allowance for expected credit losses, which were offset by a net gain by El Brocal in an amount of US$33.7 million due to the receipt of recovery income from an insurance claim. Total compensations for lost profits and consequential damages amounted to US$38.8 million, which were partially offset by costs associated with mitigation, repair and cost overruns of US$5.1 million.

*Other income (expense), net.* Other expense, net increased by 141% due to changes in the following components:

| **Other income (expense), net** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Shares in the results of associates (a) | 13,207 | (1,144) | (14,351) | N.A.% |
| Finance costs (b) | (34,623) | (38,456) | (3,833) | 11% |
| Finance income (c) | 5,517 | 9,686 | 4,169 | 76% |
| Net gain (loss) from currency exchange difference (d) | 2,928 | (1,366) | (4,294) | N.A.% |
| **Total operating expenses, net** | (12,971) | (31,280) | (18,309) | 141% |

(a) *Shares in the results of associates*. Shares in the results of associates decreased from a gain of US$13.2 million in 2017 to a loss of US$1.1 million in 2018, primarily due to decreases in the results of our associates Cerro Verde and Coimolache in an amount of 66% and 48%, respectively, which were partially offset by a 96% increase in Yanacocha's results.

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

The decrease in our share of results in Coimolache was due to the decrease in the net income of Coimolache of US$25.2 million, mainly as a result of an increase in the depreciation and amortization costs (as a result of the decrease in the life of the mine) of US$14.0 million and higher costs relating to exploration in operating areas amounting to US$7.5 million.

(b) *Finance costs.* Finance costs increased primarily due to the net effect of higher interest expenses of US$4.5 million, mainly related to a long-term finance contract entered into by Buenaventura which generates higher expenses of US$7.4 million, which was partially offset by a decrease in the interest in loans in US$1.0 million.

(c) *Finance income.* Finance income increased by 76%, from US$5.5 million in 2017 to US$9.7 million in 2018, due to a US$4.1 million increase in income derived from interest on time deposits.

(d) *Gain (loss) from currency exchange difference.* The currency exchange difference decreased from a gain of US$2.9 million in 2017 to a loss of US$1.6 million in 2018 as a result of the variations in exchange rates.

*Income tax*. Provision for income tax increased by 33%, from US$18.0 million in 2017 to US$26.9 million in 2018, due to the net effect of

- an increase of US$15.8 million in the deferred income tax expense, mainly explained by a US$14.1 million increase in the deferred expense of La Zanja (mainly due to the lower deferred asset related to the impairment of long-term assets and provision of closure mining units), and

- a decrease of US$6.9 million in the current income tax expense, primarily due to the lower income tax in La Zanja of US$6.0 million as a result of the decrease in taxable income.

*Non-controlling interest income (loss)*. Non-controlling interest income decreased from a gain of US$3.6 million in 2017 to US$1.8 million in 2018, primarily due to the effect of a decrease in profits derived from El Brocal in US$1.4 million. See Note 18(a) to the Consolidated Financial Statements.

*Net income (loss)*. As a result of the foregoing, net results decreased from an income of US$64.4 million in 2017 to a loss of US$11.7 million in 2018. Net profit was 5% of revenues in 2017 and net loss was 1% of revenues in 2018.

**Results of Operations for the Years Ended December 31, 2018 and 2017 by Segment**

We present the operating results for each of our operating segments for the years ended December 31, 2017 and 2018 in more detail in Note 31 to the Consolidated Financial Statements.

*Sales of goods – Mining Segments*

The following tables set forth the volumes of gold, silver, lead, zinc and copper sold at each of our principal mining segments during the years ended December 31, 2018 and 2017, as well as the variation in such volumes sold for the year ended December 31, 2018 as compared to the year ended December 31, 2017:

| Mining Segment | Volume Sold for the year ended December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | Gold (oz.) | Silver (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Julcani | 11 | 2,368,497 | 915 | - | 17 |
| Mallay | 40 | 458,671 | 1,632 | 3,368 | - |
| Orcopampa | 116,719 | 335,761 | - | - | 42 |
| Uchucchacua | 216 | 14,443,456 | 17,071 | 16,811 | - |
| Tambomayo | 119,211 | 3,570,382 | 3,268 | 7,143 | - |
| La Zanja | 74,370 | 228,894 | - | - | - |
| Colquijirca | 14,297 | 3,058,987 | 18,713 | 37,470 | 43,710 |

| Mining Segment | Volume Sold for the year ended December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Gold (oz.) | Silver (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Julcani | 21 | 2,466,846 | 1,916 | - | 32 |
| Mallay | 346 | 993,040 | 3,804 | 5,926 | - |
| Orcopampa | 195,278 | 574,591 | - | - | 91 |
| Uchucchacua | 201 | 15,583,553 | 13,127 | 10,281 | - |
| Tambomayo | 63,130 | 1,621,611 | 1,769 | 2,398 | - |
| La Zanja | 128,622 | 279,737 | - | - | - |
| Colquijirca | 15,882 | 3,253,900 | 19,416 | 43,119 | 42,633 |

| Mining Segment | 2018 vs 2017 Change (%) | | | | |
|---|---|---|---|---|---|
| | Gold (oz.) | Silver (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Julcani | (48)% | (4)% | (52)% | -% | (47)% |
| Mallay | (89)% | (54)% | (57)% | (43)% | -% |
| Orcopampa | (40)% | (42)% | -% | -% | (54)% |
| Uchucchacua | 7% | (7)% | 30% | 64% | -% |
| Tambomayo | 89% | 120% | 85% | 198% | -% |
| La Zanja | (42)% | (18)% | -% | -% | -% |
| Colquijirca | (10)% | (6)% | (4)% | (13)% | 3% |

The change in sales of goods for the year ended December 31, 2018 as compared to the year ended December 31, 2017 is mainly explained by the changes in volume sold, as presented in the following chart:

| Sales of goods – Mining Segments | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | 2018 | Variation | Variation |
| | (US$ in thousands) | | | |
| Julcani (a) | 42,785 | 34,104 | (8,681) | (20)% |
| Mallay (b) | 36,736 | 16,666 | (20,070) | (55)% |
| Orcopampa (c) | 256,960 | 153,003 | (103,957) | (40)% |
| Ucchuchacua (d) | 272,334 | 257,282 | (15,052) | (6)% |
| Tambomayo (e) | 118,966 | 225,281 | 106,315 | 89% |
| La Zanja (f) | 165,319 | 96,611 | (68,708) | (42)% |
| Colquijirca | 322,653 | 333,560 | 10,907 | 3% |

(a) *Julcani.* Net sales of goods decreased by US$8.7 million in 2018 as compared to 2017 due to a 9% decrease in the average realized price and a 4% decrease in the amount of silver sold at that unit.

(b) *Mallay.* Net sales of goods decreased by US$20.1 million in 2018 as compared to 2017 due to a 7% decrease in the average realized price and a 54% decrease in the amount of silver sold at that unit.

(c) *Orcopampa.* Net sales of goods decreased by US$104.0 million in 2018 as compared to 2017 due to a 7% decrease in the average realized silver price and a 42% and 40% decrease in the amount of silver and gold sold at that unit, mainly explained by our strategy to prioritize Orcopampa's program to reduce bottle-necking over ore extraction.

(d) *Uchucchacua.* Net sales of goods decreased by US$15.0 million in 2018 as compared to 2017 due to an 8% decrease in the average realized price and a 7% decrease in the amount of silver sold at that unit.

(e) *Tambomayo.* Net sales of goods increased by US$106.3 million in 2018 as compared to 2017 due to an 89% and 120% increase in the amount of gold and silver sold at that unit.

(f) *La Zanja.* Net sales of goods decreased by US$68.7 million in 2018 as compared to 2017 due to a 42% decrease in the amount of gold sold.

*Total operating expenses – Mining Segments*. The change in operating expenses for the year ended December 31, 2018 as compared to the year ended December 31, 2017 is mainly explained by:

| **Operating Expenses – Mining Segments** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Julcani | 5,346 | 2,983 | (2,363) | (44)% |
| Mallay | 4,474 | 5,948 | 1,474 | 33% |
| Orcopampa | 20,013 | 19,382 | (631) | (3)% |
| Ucchuchacua (a) | 37,066 | 49,840 | 12,774 | 34% |
| Tambomayo (b) | 14,917 | 25,204 | 10,287 | 69% |
| La Zanja (c) | 30,525 | 4,254 | (26,271) | (86)% |
| Colquijirca (d) | 42,446 | 452 | (41,994) | (99)% |

(a) *Uchucchacua.* The increase in total operating expenses was mainly due to the net effect of (i) higher exploration expenses of US$18.0 million related to the Yumpag project, and (ii) higher administrative expenses of US$4.6 million, which were partially offset by a reversal in the provisions for contingencies of US$13.8 million mainly related to negotiations made by the Company with communities.

(b) *Tambomayo.* The increase in total operating expenses was mainly due to the net effect of (i) higher administrative expenses in US$8.7 million, and (ii) higher other expenses in US$5.4 million mainly due to the write-off of assets in US$2.3 million; which were partially offset by lower exploration in non-operating areas in US$3.2 million as a result of the start-up of production.

(c) *La Zanja.* The decrease in total operating expenses was mainly due to the reversal in the impairment provision during 2018 of US$5.7 million, compared with an increase in the provision during 2017 of US$21.6 million.

(d) *Colquijirca.* The decrease in total operating expenses was mainly due to the recovery income of from the insurance claim by El Brocal. During 2018, El Brocal recorded a recovery income from an insurance claim in connection with an incident that occurred in May 2017. Total compensation, lost profits and consequential damages amounted to US$38.8 million. As a result of the associated cost for mitigation, repair and cost overruns of US$5.1 million, El Brocal recorded a net gain of US$33.7 million.

*Total operating expenses - Other Segments*

| **Operating expenses (income) – Other Segments** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| Insurance brokerage segment | 12,292 | 11,900 | (392) | (3)% |
| Exploration and development mining projects (a) | 9,126 | (242) | (9,368) | (103)% |
| Corporate | 6,410 | 4,060 | (2,350) | (37)% |
| Energy generation and transmission segment | 3,469 | 4,639 | 1,170 | 34% |
| Construction and engineering segment | 2,377 | - | (2,377) | (100)% |
| Industrial activities | 1,762 | 2,355 | 593 | 34% |
| Holding of investment in shares | 413 | (2,261) | (2,674) | (647)% |
| Rental of mining concessions | 91 | 220 | 129 | 142% |

(a) During 2018, the exploration and development mining projects segment recorded a decrease in its operating expenses. During 2018, a gain of US$0.2 million was recorded compared with a loss of US$9.1 million in 2017, as a result of the reversal in the contingent provisions for US$6.1 million in 2018 due to negotiations made by Molle Verde with local communities. During 2017, a loss of US$4.6 million was recorded.

**Results of Operations for the Years Ended December 31, 2017 and 2016**

*Net sales of goods*. Net sales of goods increased by 21%, mainly due to the increase in sales of metal, as set forth in the chart below:

| **Sales by metal** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Gold (a) | 440,603 | 511,434 | 70,831 | 16% |
| Silver (b) | 385,989 | 409,775 | 23,786 | 6% |
| Lead (c) | 58,690 | 94,955 | 36,265 | 62% |
| Zinc (d) | 142,425 | 188,023 | 45,598 | 32% |
| Copper (e) | 224,649 | 268,527 | 43,878 | 20% |
| Manganese sulfate | 5,982 | 6,317 | 335 | 6% |
| Indium | - | 66 | 66 | - |
| | 1,258,338 | 1,479,097 | 220,759 | 18% |
| Commercial deductions (f) | (244,414) | (253,939) | (9,525) | (4)% |
| Adjustments to prior period liquidations | 4,611 | 919 | (3,692) | (80)% |
| Embedded derivatives from sale of concentrate | 880 | 8,786 | 7,906 | 898% |
| Hedge operations | (3,745) | (10,921) | (7,176) | (192)% |
| **Total sales by metal** | 1,015,670 | 1,223,942 | 208,272 | 21% |

(a) *Gold sales*. The increase in gold sales is mainly due to increases in average realized sales prices for gold and the volume of gold sales. The increase in volume sold is due to the net effect of new production at our Tambomayo mining unit and an increase in gold production at the Orcopampa mining unit, partially offset by a decrease in gold production at the La Zanja mining unit.

(b) *Silver sales*. The increase in silver sales is mainly due to the effect of an increase in the volume of silver sales. The increase in volume sold is due to the net effect of an increase in silver production at our Uchucchacua and Colquijirca mining units and new production at our Tambomayo mining unit, partially offset by a decrease at our Mallay and Julcani mining units.

(c) *Lead sales*. The increase in lead sales is mainly due to the effect of increases in the volume of lead sales and average realized sales prices for lead. The increase in volume sold is due to an increase in lead production at our Colqujirca and Uchucchacua mining units.

(d) *Zinc sales*. The increase in zinc sales is primarily due to the net effect of an increase in average realized sales prices for zinc and a decrease in the volume of zinc sales, mainly due to increased zinc production at our Uchucchacua and Tambomayo mining units, partially offset by a decrease in production at our Colquijirca mining unit.

(e) *Copper sales*. The increase in copper sales is primarily due to an increase in average realized sales prices for copper, partially offset by a decrease in the volume of copper sales, mainly due to decreased copper production at our Colquijirca mining unit.

(f) *Commercial deductions*. Net sales of goods figures are obtained by deducting the refinery charges and penalties incurred. A total of US$253.9 million of refinery charges and penalties were incurred in 2017, compared to US$244.4 million incurred in 2016.

The following tables reflect the average realized prices and volumes of gold, silver, lead, zinc and copper sold during the years ended December 31, 2016 and 2017, as well as the variation in such average realized prices and volumes recorded for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

| **Average Realized Price** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2016** | **2017** | **Variation** |
| Gold (US$/oz.) | 1,244.24 | 1,267.56 | 2% |
| Silver (US$/oz.) | 17.65 | 16.54 | (6)% |
| Lead (US$/t) | 1,977.53 | 2,372.00 | 20% |
| Zinc (US$/t) | 2,266.85 | 3,046.19 | 34% |
| Copper (US$/t) | 4,918.52 | 6,280.47 | 28% |

| **Volume Sold** | **Year ended December 31,** | | |
|---|---|---|---|
| | **2016** | **2017** | **Variation*** |
| Gold (oz.) | 354,116 | 403,480 | 14% |
| Silver (oz.) | 21,863,019 | 24,773,278 | 13% |
| Lead (t) | 29,678 | 40,032 | 35% |
| Zinc (t) | 62,829 | 61,724 | (2)% |
| Copper (t) | 45,674 | 42,756 | (6)% |

*Net sales of services.* Sales of services increased by 3%, from US$28.8 million in 2016 to US$29.7 million in 2017, mainly due to an increase in sales in the insurance brokerage segment and a decrease in sales in the engineering segment.

*Royalty income*. In 2017, royalty income received by our subsidiary Chaupiloma amounted to US$20.7 million, representing a 15% decrease from the US$24.3 million in royalty income received in 2016. This decrease was due to a decrease in production at Yanacocha. 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 increased by 19% due to changes in the following components:

| **Operating Costs** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Cost of sales of goods, excluding depreciation and amortization (a) | 497,812 | 627,433 | 129,621 | 26% |
| Cost of services, excluding depreciation and amortization (b) | 10,754 | 12,954 | 2,200 | 20% |
| Exploration in operating units | 96,149 | 94,928 | (1,221) | (1)% |
| Depreciation and amortization (c) | 192,647 | 213,722 | 21,075 | 11% |
| Mining royalties (d) | 27,611 | 31,217 | 3,606 | 13% |
| **Total operating costs** | 824,973 | 980,254 | 155,281 | 19% |

(a) Cost of sales of goods, excluding depreciation and amortization. The increase in the cost of sales is primarily due to (i) an increase of US$53.5 million in the cost of sales at our Tambomayo mining unit, which started operations in August 2017 and (ii) an increase in the cost of sales at our Uchucchacua and Orcopampa mining units (increases of US$24.7 million and US$18.2 million, respectively) as a consequence of an 8% increase in ore milled.

(b) Cost of services, excluding depreciation and amortization. The increase in cost of services was mainly due to increases in industrial activities and the energy generation and transmission segments as a result of higher sales during 2017. The energy generation and transmission segment had an increase in personnel expenses and maintenance costs and an increase in contractor services used in the engineering services segment.

(c) Depreciation and amortization. The increase in the cost of depreciation and amortization was mainly due to the net effect of an increase of US$42.8 million in the cost of sales at our Tambomayo mining unit, which started operations in August 2017, partially offset by a decrease of US$19.2 million in costs at our La Zanja mining unit as a result of an increase in the life of the mine.

(d) *Mining royalties*. The increase in mining royalties is due to an increase in the cost of royalties paid to the Peruvian State, which has a direct relationship with the increase in net sales at our Tambomayo, Orcopampa and Uchucchacua mining units.

*Total operating expenses*. Operating expenses increased by 69% due to changes in the following components:

| Operating Expenses (Income) | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2016 | 2017 | Variation | Variation |
| | (US$ in thousands) | | | |
| Administrative expenses | 81,692 | 83,597 | 1,905 | 2% |
| Exploration in non-operating areas (a) | 26,589 | 18,262 | (8,327) | (31)% |
| Selling expenses (b) | 21,733 | 24,088 | 2,355 | 10% |
| Impairment loss of long-lived assets (c) | - | 21,620 | 21,620 | 100% |
| Provision for contingences and others (d) | 565 | 13,879 | 13,314 | 2,356% |
| Write-off of asset stripping activities (e) | - | 13,573 | 13,573 | 100% |
| Other, net (f) | (18,957) | 13,589 | 32,546 | N.A. |
| **Total operating expenses** | 111,622 | 188,608 | 76,986 | 69% |

(a) *Exploration in non-operating areas*. The decrease in exploration in non-operating areas is mainly due to decreased expenditures in exploration activities, primarily in the Tambomayo project of US$4.3 million and San Gabriel project of US$6.5 million. During 2017, our main efforts were focused on the start-up of the Tambomayo mining unit.

(b) *Selling* expenses. The increase in selling expenses is mainly due to the increase in volume sold in the Tambomayo and Uchucchacua mining units.

(c) *Impairment loss of long-lived assets*. During 2017, La Zanja recorded an impairment loss related to its mining property of US$21.6 million. The principal factor in the impairment loss was the depletion of its reserves. During 2016, no impairment loss was recorded.

(d) *Provision for contingences and others*. The increase is primarily due to an increase of US$14.6 million in provision for obligations with the communities, mainly due to the negotiations made by the Company in its operating units.

(e) *Write-off of asset stripping activities.* In mid-2016, a landslide occurred in the west wall of the Tajo Norte. Consequently, we decided not to mine this area due to stability and operational design issues. According to the distribution of reserves, this area (Phase 10) contained 5.5 MT of ore and 9.2 MT of waste valued at US$13.5 million, which were written-off and withdrawn from the reserves.

(f) *Other net.* Other net decreased from an income of US$18.9 million in 2016 to an expense of US$13.6 million in 2017, primarily due to extraordinary incomes recorded in 2016 that did not occur in 2017, including reversal of contingences in La Zanja, the sale of assets in the energy segment and reversal of provision for impairment of inventories and recovery of insurances. In addition, in 2017 the Company recorded expenses of US$3.0 million, which were mainly related to damage of equipment in El Brocal, not recognized by the insurance company, losses in sales in investments of US$1.6 million, administrative sanctions of US$1.2 million and provision for impairment of inventories of US$0.5 million, among others.

*Other income (expense), net.* Other expense, net decreased from an expense of US$387.4 million in 2016 to an expense of US$13.0 million in 2017, mainly due to:

| Other income (expense) | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2016 | 2017 | Variation | Variation |
| | (US$ in thousands) | | | |
| Shares in the results of associates under equity method (a) | (365,321) | 13,207 | 378,528 | N.A. |
| Finance costs (b) | (31,580) | (34,623) | (3,043) | 10% |
| Finance income (c) | 6,830 | 5,517 | (1,313) | (19)% |
| Net gain (loss) from currency exchange difference (d) | 2,638 | 2,928 | 291 | 11% |
| **Total operating expenses** | (387,433) | (12,971) | 374,462 | (2,887)% |

(a) *Shares in the results of associates under equity method*. Shares in the results of associates under the equity method increased from a loss of US$365.3 million in 2016 to a gain of US$13.2 million in 2017, primarily due to (i) net loss from an 83% decrease in our interest in Yanacocha, from US$455.6 million in 2016 to US$76.6 million in 2017, (ii) net income from a 3% increase in our interest in Cerro Verde, from US$66.8 million in 2016 to US$68.5 million in 2017, and (iii) net income from a 10% decrease in our interest in Coimolache, from US$23.5 million in 2016 to US$21.3 million in 2017.

The decrease in our interest in Coimolache is explained by the US$6.1 million decrease in the net income of Coimolache, mainly due to an increase of US$6.8 million in depreciation and amortization costs (as a result of the decrease in the life of the mine) and a US$1.7 million increase in the accrual of the present value for mine closure.

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 costs.* Finance costs increased by 9%, from US$31.6 million in 2016 to US$34.6 million in 2017, primarily due to the net effect of higher interest expenses related to a long-term finance contract entered into by Buenaventura in June 2016. During 2017, this contract generated a US$5.8 million increase in interest, partially offset by a decrease of US$2.4 million in the fair value of the contingent consideration liability due to the fair value resulting in finance income in 2017. See Note 26 to the Consolidated Financial Statements.

(c) *Finance income.* Finance income decreased by 19%, from US$6.8 million in 2016 to US$5.5 million in 2017, due to the net effect of a decrease of US$2.5 million in the income from interest on loans to associates as a result of the advance payment of the long-term loan held with Sociedad Minera Cerro Verde S.A. in the second quarter of 2017, partially offset by an increase of US$1.8 million in the fair value of the contingent consideration liability due to higher projected revenues, which resulted in a lower provision in 2017 and therefore a finance income. See Note 26 to the Consolidated Financial Statements.

(d) *Gain (loss) from currency exchange difference.* The currency exchange difference increased from US$2.6 million in 2016 to US$2.9 million in 2017 as a result of foreign exchange variations.

*Income tax*. Provision for income tax decreased by 66%, from US$53.5 million in 2016 to US$18.0 million in 2017, due to a decrease of US$19.9 million and US$15.6 million in the provision for deferred income tax and current income tax, respectively. The variation in the deferred income tax is primarily due to an increase of US$10.4 million and US$7.8 million in deferred income tax at the La Zanja and Buenaventura mining units, respectively, which is mainly due to the lower deferred liability related to the effect of translation into U.S. dollars.

The variation in the current income tax is primarily due to a decrease of US$14.7 million and US$7.0 million in the provision at the La Zanja and at Buenaventura mining units, respectively, partially offset by an increase of US$7.4 million at El Brocal due to the results of such unit in 2017 as compared to 2016.

*Non-controlling interest income (loss)*. Non-controlling interest income increased from a loss of US$4.3 million in 2016 to a gain of US$3.6 million in 2017, primarily due to the net effect of an increase in the contribution of profits from the El Brocal unit of US$17.7 million, partially offset by a decrease of US$8.3 million and US$1.1 million in the contribution of profits from La Zanja and Chaupiloma, respectively. See Note 18(a) to the Consolidated Financial Statements.

*Net income (loss)*. As a result of the foregoing, net results increased from a loss of US$327.8 million in 2016 to an income of US$64.4 million in 2017. Net loss was 30.7% of revenues in 2016 and net profit was 5% of revenues in 2017.

**Results of Operations for the Years Ended December 31, 2017 and 2016 by Segment**

We present the operating results for each of our operating segments for the years ended December 31, 2016 and 2017 in more detail in Note 30 to the Consolidated Financial Statements.

*Sales of goods – Mining Segments*

The following tables set forth the volumes of gold, silver, lead, zinc and copper sold at each of our principal mining segments during the years ended December 31, 2017 and 2016, as well as the variation in such volumes sold for the year ended December 31, 2017 as compared to the year ended December 31, 2016:

| Mining Segment | Volume Sold for the year ended December 31, 2017 | | | | |
|---|---|---|---|---|---|
| | Gold (oz.) | Silver (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Julcani | 21 | 2,466,846 | 1,916 | - | 32 |
| Mallay | 346 | 993,040 | 3,804 | 5,926 | - |
| Orcopampa | 195,278 | 574,591 | - | - | 91 |
| Uchucchacua | 201 | 15,583,553 | 13,127 | 10,281 | - |
| Tambomayo | 63,130 | 1,621,611 | 1,769 | 2,398 | - |
| La Zanja | 128,622 | 279,737 | - | - | - |
| Colquijirca | 15,882 | 3,253,900 | 19,416 | 43,119 | 42,633 |

| Mining Segment | Volume Sold for the year ended December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Gold (oz.) | Silver (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Julcani | 32 | 3,090,967 | 2,679 | - | 54 |
| Mallay | 1,041 | 1,426,986 | 6,775 | 8,728 | - |
| Orcopampa | 188,511 | 680,708 | - | - | 48 |
| Uchucchacua | 279 | 14,739,128 | 8,349 | 5,295 | - |
| La Zanja | 151,189 | 229,055 | - | - | - |
| Colquijirca | 13,062 | 1,696,175 | 11,874 | 48,806 | 45,572 |

| Mining Segment | 2017 vs 2016 Change (%) | | | | |
|---|---|---|---|---|---|
| | Gold (oz.) | Silver (oz.) | Lead (t) | Zinc (t) | Copper (t) |
| Julcani | (34)% | (20)% | (28)% | - | (41)% |
| Mallay | (67)% | (30)% | (44)% | (32)% | - |
| Orcopampa | 4% | (16)% | - | - | 90% |
| Uchucchacua | (28)% | 6% | 57% | 94% | - |
| Tambomayo | n. a. | n. a. | n. a. | n. a. | n. a. |
| La Zanja | (15)% | 22% | - | - | - |
| Colquijirca | 22% | 92% | 64% | (12)% | (6)% |

The change in sales of goods for the year ended December 31, 2017 as compared to the year ended December 31, 2016 is mainly explained by the changes in volume sold, as presented in the following chart:

| **Sales of goods – Mining Segments** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Julcani (a) | 54,666 | 42,785 | (11,881) | (22)% |
| Mallay (b) | 46,741 | 36,736 | (10,005) | (21)% |
| Orcopampa | 244,745 | 256,960 | 12,215 | 5% |
| Ucchuchacua (c) | 240,470 | 272,334 | 31,864 | 13% |
| Tambomayo (d) | - | 118,966 | 118,966 | n. a. |
| La Zanja (e) | 178,922 | 165,319 | (13,603) | (8)% |
| Colquijirca (f) | 230,611 | 322,653 | 92,042 | 40% |

(a) *Julcani.* Net sales of goods decreased by US$11.9 million in 2017 as compared to 2016 due to a 9% decrease in the average realized price and a 20% decrease in the amount of silver sold at that unit.

(b) *Mallay.* Net sales of goods decreased by US$10.0 million in 2017 as compared to 2016 due to a 6% decrease in the average realized price and a 30% decrease in the amount of silver sold at that unit.

(c) *Uchucchacua.* Net sales of goods increased by US$31.9 million in 2017 as compared to 2016 due to a 7% decrease in the average realized price and a 6% increase in the amount of silver sold at that unit.

(d) *Tambomayo.* This mining unit started commercial operations in August 2017. Net sales of goods amounted to US$119.0 million in 2017 at that unit.

(e) *La Zanja.* Net sales of goods decreased by US$13.6 million in 2017 as compared to 2016 due to the net effect of a 15% decrease in the amount of gold sold and an increase in the average realized gold price at that unit.

(f) *Colquijirca.* Net sales of goods increased by US$92.0 million in 2017 as compared to 2016 due to the net effect of an increase of 28% in the average realized copper price and a decrease of 6% in the amount of copper sold at that unit.

*Sales of services – Other Segments*

*Sales of services - construction and engineering segment.* Net sales for the construction and engineering segment decreased by US$1.2 million in 2017 as compared to 2016 due to a decrease in sales of Buenaventura Ingenieros S.A..

*Sales of services - insurance brokerage segment.* Net sales for the insurance brokerage segment increased by US$2.1 million in 2017 as compared to 2016 due to an increase in sales of agency commissions.

*Total operating expenses – Mining Segments*. The change in operating expenses for the year ended December 31, 2017 as compared to the year ended December 31, 2016 is mainly explained by:

| **Operating Expenses – Mining Segments** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Julcani | 5,983 | 5,346 | (637) | (11)% |
| Mallay | 4,580 | 4,474 | (106) | (2)% |
| Orcopampa (a) | 14,121 | 20,013 | 5,892 | 42% |
| Ucchuchacua (b) | 15,632 | 37,066 | 21,434 | 137% |
| Tambomayo (c) | - | 14,917 | 14,917 | n.a |
| La Zanja (d) | 3,300 | 30,525 | 27,225 | 825% |
| Colquijirca (e) | 24,115 | 42,446 | 18,331 | 76% |

(a) *Orcopampa*. The increase in total operating expenses was mainly due to an increase in administrative expenses of US$4.5 million.

(b) *Uchucchacua.* The increase in total operating expenses was mainly due to an increase of US$8.2 million in provision for contingencies, an increase of US$6.2 million in administrative expenses, an increase of US$2.7 million in explorations in non-operating areas and an increase of US$1.4 million in selling expenses.

(c) *Tambomayo.* This mining unit started commercial operations in August 2017.

(d) *La Zanja.* The increase in total operating expenses was mainly due to an impairment loss of long-lived assets of US$21.6 million. See Note 11(b) of the Consolidated Financial Statements.

(e) *Colquijirca.* The increase in total operating expenses was mainly due to a write-off of asset stripping activities of US$13.6 million. See Note 11(e) of the Consolidated Financial Statements.

*Total operating expenses - Other Segments*

| **Operating expenses – Other Segments** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| Insurance brokerage segment | (12,245) | (12,292) | (47) | - |
| Exploration and development mining projects (a) | (12,554) | (9,126) | 3,428 | 27% |
| Corporate | (7,158) | (6,410) | 748 | 10% |
| Energy generation and transmission segment (b) | 6,953 | (3,469) | (10,422) | n. a. |
| Construction and engineering segment | (2,580) | (2,377) | 203 | 8% |
| Industrial activities | (1,243) | (1,762) | (519) | (42)% |
| Holding of investment in shares | (243) | (413) | (170) | (70)% |
| Rental of mining concessions | (101) | (91) | 10 | 10% |

(a) During 2017, the exploration and development mining projects segment recorded a decrease as a result of the net effect of a US$6.8 million decrease in the explorations in non-operating areas, partially offset by an increase of US$3.3 million in provision in contingences and others.

(b) During 2017, the energy generation and transmission segment recorded a decrease due to US$17.0 million from sales of assets to third parties and intercompany sales recorded in 2016 compared to no sales recorded in 2017.

## B. Liquidity and Capital Resources

As of December 31, 2018 and 2017, we had cash and cash equivalents of US$369.2 million and of US$214.5 million, respectively.

*Cash provided by operating activities for the years ended December 31, 2018 and 2017*. Net cash and cash equivalents provided by operating activities increased by US$133.7 million, primarily due to the changes shown in the chart below:

| **Operating activities cash flows** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | | **(US$ in thousands)** | | |
| Proceeds from sales | 1,197,523 | 1,216,294 | 18,771 | 2% |
| Value-added tax recovered | 102,548 | 106,656 | 4,108 | 4% |
| Dividends received (a) | 9,823 | 46,792 | 36,969 | 376% |
| Proceeds from insurance claim (b) | - | 38,793 | 38,793 | 100% |
| Royalty received | 21,565 | 20,013 | (1,552) | (7)% |
| Interest received | 3,169 | 2,383 | (786) | (25)% |
| Payments to suppliers and third parties | (872,467) | (861,282) | 11,185 | (1)% |
| Payments to employees (c) | (160,891) | (151,602) | 9,289 | (6)% |
| Income tax paid (d) | (38,121) | (30,898) | 7,223 | (19)% |
| Interest paid | (30,402) | (27,699) | 2,703 | (9)% |
| Payments of mining royalties (d) | (20,165) | (13,190) | 6,975 | (35)% |
| **Net cash and cash equivalents provided by operating activities** | **212,582** | **346,260** | **133,678** | **63%** |

(a) The increase in dividends received was mainly due to the US$39.2 million in dividends received from Cerro Verde during 2018, (during 2017, no dividend from Cerro Verde was received) partially offset by the lower dividend received from Coimolache from US$9.8 million in 2017 to US$7.6 million in 2018.

(b) During 2018, El Brocal recorded a recovery income from an insurance claim that occurred in May 2017. Total compensation and lost profits and consequential damages is US$38.8 million. As a result of the associated cost for mitigation, repair and cost overruns of US$5.1 million, El Brocal recorded a net gain of US$33.7 million.

(c) The decrease in payments to employees was mainly explained by the net effect of the new operations at the Tambomayo mining unit and the lower employees expenses in La Zanja mining unit.

(d) The decrease in the income tax and royalties paid was in line with the decrease in the taxable income as a result of lower sales and net income.

*Cash provided by operating activities for the years ended December 31, 2017 and 2016.* Net cash and cash equivalents provided by operating activities decreased by US$178.8 million, primarily due to the changes shown in the chart below:

| **Operating activities cash flows** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| | **(US$ in thousands)** | | | |
| Proceeds from sales (a) | 1,003,422 | 1,197,523 | 194,101 | 19% |
| Value-added tax recovered | 117,661 | 102,548 | (15,113) | (13)% |
| Royalty received | 25,961 | 21,565 | (4,396) | (17)% |
| Dividends received (b) | 142,340 | 9,823 | (132,517) | (93)% |
| Interest received | 2,140 | 3,169 | 1,029 | 48% |
| Payments to suppliers and third parties (c) | (672,419) | (872,467) | (200,048) | 30% |
| Payments to employees (d) | (138,113) | (160,891) | (22,778) | 16% |
| Income tax paid | (35,401) | (38,121) | (2,720) | 8% |
| Interest paid | (34,138) | (30,402) | 3,736 | (11)% |
| Payments of mining royalties | (20,052) | (20,165) | (113) | 1% |
| **Net cash and cash equivalents provided by operating activities** | **391,401** | **212,582** | **(178,819)** | **(46)%** |

(a) The increase in proceeds from sales was mainly due to an increase in net sales of goods during 2017.

(b) The decrease in dividends received was mainly due to the US$130.9 million in dividends received from Yanacocha during 2016. During 2017, no dividend from Yanacocha was received.

(c) The increase in payments to suppliers and third parties was mainly explained by an increase in costs and expenses as a result of the new operation in Tambomayo, and an increase in production costs related to the Uchucchacua and Orcopampa mining units.

(d) The increase in payments to employees was mainly explained by a US$13.0 million increase due to the new operations at the Tambomayo mining unit.

*Cash used in investing activities for the years ended December 31, 2018 and 2017.* Net cash and cash equivalents used in investing activities decreased by US$20.6 million primarily due to the changes shown in the chart below:

| **Investing activities cash flows** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation %** |
| | **(US$ in thousands)** | | | |
| Proceeds from sale of mining concessions, development costs, property, plant and equipment | 1,962 | 2,240 | 278 | 14% |
| Additions to mining concessions, development costs, property, plant and equipment (a) | (259,507) | (111,270) | 148,237 | (57)% |
| Proceeds from collection of loans to an associate (b) | 124,800 | - | (124,800) | (100)% |
| Payments for acquisition of other assets | (5,405) | (8,529) | (3,124) | 58% |
| **Net cash and cash equivalents used in investing activities** | **(138,150)** | **(117,559)** | **20,591** | **(15)%** |

(a) The decrease in additions to mining concessions, development costs, property, plant and equipment was mainly due to the completion of the construction of Tambomayo mining unit in early 2017. During 2017 we invested US$131.1 million compared with US$18.8 million in 2018. See "Item 4: Information on the Company—Buenaventura—A. History and Development—Capital Expenditures."

(b) During 2017, we received an advance payment of the long-term loan owed to us by Sociedad Minera Cerro Verde S.A., representing payment in full, and, accordingly, no collections were made during 2018.

*Cash used in investing activities for the years ended December 31, 2017 and 2016.* Net cash and cash equivalents used in investing activities decreased by US$226.7 million primarily due to the changes shown in the chart below:

| **Investing activities cash flows** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation %** |
| | **(US$ in thousands)** | | | |
| Proceeds from sale of mining concessions, development costs, property, plant and equipment | 7,180 | 1,962 | (5,218) | (73)% |
| Additions to mining concessions, development costs, property, plant and equipment (a) | (366,834) | (259,507) | 107,327 | (29)% |
| Proceeds from collection of loans to an associate (b) | - | 124,800 | 124,800 | n. a. |
| Payments for acquisition of other assets | (5,222) | (5,405) | (183) | 4% |
| **Net cash and cash equivalents used in investing activities** | **(364,876)** | **(138,150)** | **226,726** | **(62)%** |

(a) The increase in additions to mining concessions, development costs, property, plant and equipment was mainly due to the construction of the Tambomayo mining unit in 2016. During 2016, we invested US$230.2 million in Tambomayo's assets as compared to US$131.1 million during 2017. See "Item 4: Information on the Company—Buenaventura—A. History and Development—Capital Expenditures."

(b) During 2017, we received an advanced payment of the long-term loan held with Sociedad Minera Cerro Verde S.A.

*Cash provided by (used in) financing activities for the years ended December 31, 2018 and 2017.* Net cash and cash equivalents provided by (used in) financing activities changed from a positive net amount of US$59.6 million in 2017 to a negative net amount of US$74.0 million in 2018, primarily due to the changes shown in the chart below:

| **Financing activities cash flows** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2017** | **2018** | **Variation** | **Variation** |
| | **(US$ in thousands)** | | | |
| Proceeds from financial obligations | 80,000 | - | (80,000) | (100)% |
| Proceeds from bank loans | 341,215 | 95,000 | (246,215) | (72)% |
| Payments of bank loans | (300,000) | (95,000) | 205,000 | (68)% |
| Payments of financial obligations | (32,599) | (45,222) | (12,623) | 39% |
| Dividends paid to controlling shareholders | (22,099) | (22,860) | (761) | 3% |
| Dividends paid to non-controlling shareholders | (6,036) | (5,560) | 476 | (8)% |
| Acquisition of non-controlling interest | (621) | - | 621 | (100)% |
| Increase of restricted bank accounts | (285) | (410) | (125) | 44% |
| **Net cash and cash equivalents provided by (used in) financing activities** | 59,575 | (74,052) | (133,627) | N.A.% |

*Cash provided by financing activities for the years ended December 31, 2017 and 2016.* Net cash and cash equivalents used in financing activities increased by US$84.0 million, primarily due to the changes shown in the chart below:

| **Financing activities cash flows** | **Year ended December 31,** | | | |
|---|---|---|---|---|
| | **2016** | **2017** | **Variation** | **Variation** |
| | **(US$ in thousands)** | | | |
| Proceeds from financial obligations | 275,210 | 80,000 | (195,210) | (71)% |
| Proceeds from bank loans | 200,500 | 341,215 | 140,715 | 70% |
| Payments of bank loans | (442,957) | (300,000) | 142,957 | (32)% |
| Payments of financial obligations | (33,476) | (32,599) | 877 | (3)% |
| Dividends paid to controlling shareholders | (7,621) | (22,099) | (14,478) | 190% |
| Dividends paid to non-controlling shareholders | (7,400) | (6,036) | 1,364 | (18)% |
| Acquisition of non-controlling interest | (5,459) | (621) | 4,838 | (89)% |
| Increase of restricted bank accounts | (2,087) | (285) | 1,802 | (86)% |
| Purchase of treasury shares | (1,210) | - | 1,210 | (100)% |
| **Net cash and cash equivalents provided by (used in) financing activities** | (24,500) | 59,575 | 84,075 | N.A.% |

**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, 2018 and 2017, the amount outstanding under such short-term loans was US$95.0 million and US$96.2 million, respectively. In 2018, we used the proceeds of such short-term loans for general working capital purposes.

**Long-Term Debt**

On December 2, 2009 Banco de Crédito del Perú executed a financial lease agreement with Huanza in the amount of US$119.0 million for the construction of a hydroelectric power station. The lease was executed in favor of Huanza as lessee. The term of the lease is six years from August 2014 and the interest rate is 2.75% as of December 31, 2018 (4.60% as of December 31, 2017). On June 30, 2014, Banco de Crédito del Perú extended this financial lease agreement with Huanza in the amount of US$103.4 million. The term of the lease is six years from August 2014 and the interest rate is 2.75% as of December 31, 2018 (4.70% as of December 31, 2017). As of December 31, 2018 and 2017, the amount outstanding under this lease was US$147.2 million and US$162.4 million, respectively.

In 2013, El Brocal entered into a financing arrangement with Banco de Crédito del Perú in an aggregate amount of US$180.0 million in the form of a series of sale and leaseback agreements relating to certain specified El Brocal assets, including equipment, machinery and production plants located in the Colquijirca mining unit. The first disbursement of US$116.5 million was received in November 2013, which was used to repay El Brocal's medium term loan with Banco de Crédito del Perú during the fourth quarter of 2013. The second disbursement of US$63.5 million was received in January 2014. The renewable arrangement had a term of five years that commenced on the first lease payment date in March 2014. During the term of the arrangement, El Brocal has the right to repurchase the assets. On June 9, 2015, the board of directors of El Brocal approved the modification of the debt and new payment schedule of the leaseback contract in an aggregate amount of US$166.5 million. The new arrangement has a term of five years that commenced on the payment date in June 2015. During 2017, El Brocal restructured its financial obligations, which resulted in a reduction in the interest rates of its short and long-term loans. The quarterly lease payments have an embedded interest rate of 2.75% as of December 31, 2018. The agreements contain certain covenants, including several financial covenants such as a limitation on the payment of dividends by El Brocal. El Brocal's obligations under the agreements are supported by trust contracts, which, among other things, relate to collection rights, sales contracts and cash flows granting Banco de Crédito del Perú the right to receive all cash flows before any funds are made available to El Brocal. The obligations of El Brocal under these agreements are not recourse to, or guaranteed by, Buenaventura or any of its other subsidiaries. The compliance with certain financial ratios under the agreements is monitored by El Brocal's management. As of December 31, 2018 and 2017, the amount outstanding under this financing arrangement was US$93.5 million and US$118.1 million, respectively.

On October 23, 2017, El Brocal signed a mid-term loan agreement with the Banco de Credito del Peru for US$80.0 million, which accrues interest at an annual rate of 3.6% for a 5-year term. The objective of this financing was the payment of short-term financial obligations maintained with the Banco de Credito del Peru and for working capital. As part of the commitments agreed to, El Brocal must comply with certain financial indicators. Compliance with the financial ratios under the agreement is monitored by El Brocal's management. As of December 31, 2018 and 2017, the amount outstanding was US$75.0 million and US$80.0 million, respectively.

On June 27, 2016, in order to repay short-term contracts held as of December 31, 2015, we entered into a long-term finance contract (the "Syndicated Term Loan"), in the amount of US$275 million among us, as borrower, Condesa, Inversiones Colquijirca S.A. and Conenhua as guarantors, Banco de Credito del Peru, as administrative agent, and the lenders party thereto. Obligations under the Syndicated Term Loan are guaranteed by Condesa and Conenhua, our wholly-owned subsidiaries, and Inversiones Colquijirca S.A., for which we own 100%. 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 March 28, 2018 we entered into an amendment to the Syndicated Term Loan. As a result of the amendment, as of December 31, 2018, borrowings under the Syndicated Term Loan bear interest at a rate per annum equal to LIBOR plus 2.15%. Interest and installments of principal equal to 1/7th of the aggregate principal amount borrowed are payable every six months until maturity in April 2022 (on which date all amounts outstanding shall be payable).

**Exploration Costs and Capital Expenditures**

We have budgeted approximately US$80 to US$120 million for capital expenditures for 2019. These budgeted capital expenditures mainly include sustaining capital expenditures, and the development of the San Gabriel and Trapiche projects.

During 2018, we spent US$36.3 million on "exploration in non-operating areas" and US$90.3 million on "exploration in operating units." Our "exploration in non-operating areas" investments mainly focused on the following exploration projects: Yumpag, Marcapunta Norte, and Emperatriz projects. Our "exploration in operating units" investments were mainly focused in the Orcopampa, Uchucchacua y Tambomayo units.

In 2019, we intend to invest approximately US$50 to US$70 million in exploration in operating 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**

*IFRS*

We prepare and present the Consolidated Financial Statements in accordance with IFRS as issued by the IASB.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of our Consolidated Financial Statements are disclosed below. We intend to adopt these standards, if applicable, when they become effective.

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but the provision of comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group applied IFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39.

There were no adjustments to the financial statements arising from the adoption of IFRS 9.

Adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. Upon adoption of IFRS 9 no additional impairment was recognized.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. Upon the adoption of IFRS 9, the Group had the required or elected reclassifications as of January 1, 2018, as discussed in more detail in Note 2.3 to the Consolidated Financial Statements.

Hedge accounting –

The Group applied hedge accounting prospectively. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Upon adoption of the hedge accounting requirements of IFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognised in OCI and accumulated as a separate component of equity under "Other reserves of equity" caption. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

Under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration agreed with the customer. The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the Group elected to apply the standard only to contracts that are not completed as of January 1, 2018.

The Group concluded that there are no adjustments as a consequence of initially applying IFRS 15, therefore no effects were recognised at the date of initial application. Comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

IFRS 16 Leases –

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. We are evaluating the impact of IFRS 16 to our consolidated financial statements and plan to adopt the new standard on the required effective date. We will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. We will therefore not apply the standard to contracts that were previously identified as containing a lease applying IAS 17 and IFRIC 4. Also, we will elect to use the exemptions proposed by the standard.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment -

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. We are evaluating the impact IFRIC 23 may have on our consolidated financial statements and plan to adopt the new standard on the required effective date.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture -

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. We will apply these amendments when they become effective.

Annual Improvements 2015-2017 Cycle (issued in December 2017) -
These improvements include:

IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments will apply on future business combinations.

IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to us, but may apply to future transactions.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. Since our current practice is in line with these amendments, we do not expect any effect on our consolidated financial statements.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since our current practice is in line with these amendments, we do not expect any effect on our consolidated financial statements.

## 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

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.

## F. Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations as of December 31, 2018:

| | Payments due by Period (US$ in millions) | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
| Bank loans (principal and interest) | 95.6 | 95.6 | - | - | - |
| Mid and Long-Term Debt (*) | 389.6 | 23.5 | 164.6 | 201.5 | - |
| Capital lease obligations (**) | 263.9 | 53.7 | 210.2 | - | - |
| Other Long-Term Obligations | 215.8 | 176.8 | 0.6 | 5.9 | 32.5 |
| Total Contractual Cash Obligations | 964.9 | 349.6 | 375.4 | 207.4 | 32.5 |

(*) Long-Term Debt includes:

(i) US$306.8 million (including US$271.4 million in principal and US$35.4 million interest payments), which relates to long-term debt of Buenaventura.

(ii) US$82.8 million (including US$75.0 million in principal and US$7.8 million in interest payments), which relates to long-term debt of El Brocal.

(**) Capital lease obligations include:

(i) US$161.4 million (including US$147.2 million in principal and US$14.2 million in interest payments), which relates to a financial lease between Banco de Crédito del Perú and Conenhua, Huanza and us for construction of a hydroelectric power station.

(ii) US$102.5 million (including US$94.5 million in principal and US$8.0 million in interest payments), which relates to a sale and leaseback arrangement between Banco de Crédito del Perú and El Brocal.

As of December 31, 2018, 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 stand-alone 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, 2017 and 2018 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, 2017 and 2018 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,** | |
|---|---|---|
| | **2017** | **2018** |
| | **(in thousands of US$)** | |
| Consolidated Cost of sales excluding depreciation and amortization | 640,387 | 629,802] |
| **Add:** | | |
| Consolidated Exploration in operating units | 94,928 | 90,343 |
| Commercial Deductions* | 253,923 | 195,865 |
| Consolidated Selling Expenses | 24,088 | 27,522 |
| **Consolidated Cost applicable to sales** | **1,013,326** | 943,532 |

* 2017 does not consider deductions of indium for US$16,180

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, 2017** | **2018** |
|---|---|---|
| | **(US$ in thousands)** | |
| Julcani, Gold | 0 | 19 |
| Julcani, Silver | 26,413 | 23,608 |
| Julcani, Lead | 3,048 | 1,335 |
| Julcani, Copper | 126 | 86 |
| Mallay, Gold | 225 | 28 |
| Mallay, Silver | 8,204 | 3,968 |
| Mallay, Lead | 4,470 | 1,974 |
| Mallay, Zinc | 8,696 | 5,285 |
| Orcopampa, Gold | 105,848 | 88,942 |
| Orcopampa, Silver | 4,097 | 3,127 |
| Orcopampa, Copper | 255 | 0 |
| Uchucchacua, Gold | 139 | 5 |
| Uchucchacua, Silver | 103,014 | 99,500 |
| Uchucchacua, Lead | 12,942 | 16,554 |
| Uchucchacua, Zinc | 12,769 | 20,646 |
| Tambomayo, Gold | 34,907 | 58,475 |
| Tambomayo, Silver | 11,791 | 20,969 |
| Tambomayo, Lead | 2,046 | 2,597 |
| Tambomayo, Zinc | 3,419 | 7,050 |
| La Zanja, Gold | 99,304 | 65,128 |
| La Zanja, Silver | 2,922 | 2,499 |
| El Brocal, Gold | 7,129 | 7,770 |
| El Brocal, Silver | 19,185 | 19,388 |
| El Brocal, Lead | 15,563 | 17,106 |
| El Brocal, Zinc | 45,929 | 42,651 |
| El Brocal, Copper | 94,021 | 115,752 |
| Non Mining Units | 13,927 | 5,343 |
| **Consolidated Cost of sales, excluding depreciation and amortization** | **640,387** | 629,802 |

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, 2017** | **2018** |
|---|---|---|
| | **(US$ in thousands)** | |
| Julcani, Gold | 0 | 6 |
| Julcani, Silver | 11,614 | 8,149 |
| Julcani, Lead | 1,340 | 461 |
| Julcani, Copper | 55 | 30 |
| Mallay, Gold | 58 | 2 |
| Mallay, Silver | 2,134 | 216 |
| Mallay, Lead | 1,163 | 107 |
| Mallay, Zinc | 2,262 | 288 |
| Orcopampa, Gold | 37,285 | 28,559 |
| Orcopampa, Silver | 1,443 | 1,004 |
| Orcopampa, Copper | 90 | 0 |
| Uchucchacua, Gold | 29 | 1 |
| Uchucchacua, Silver | 21,639 | 15,210 |
| Uchucchacua, Lead | 2,719 | 2,531 |
| Uchucchacua, Zinc | 2,682 | 3,156 |
| Tambomayo, Gold | 6,386 | 13,490 |
| Tambomayo, Silver | 2,157 | 4,838 |
| Tambomayo, Lead | 374 | 599 |
| Tambomayo, Zinc | 626 | 1,626 |
| La Zanja, Gold | 847 | 71 |
| La Zanja, Silver | 25 | 3 |
| El Brocal, Gold | 0 | 383 |
| El Brocal, Silver | 0 | 956 |
| El Brocal, Lead | 0 | 844 |
| El Brocal, Zinc | 0 | 2,104 |
| El Brocal, Copper | 0 | 5,709 |

| | | |
|---|---|---|
| Non Mining Units | 0 | 0 |
| **Consolidated Exploration in operating units** | **94,928** | 90,343 |

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, 2017 | 2018 |
|---|---|---|
| | (US$ in thousands) | |
| Julcani, Gold | 0 | 3 |
| Julcani, Silver | 3,676 | 3,390 |
| Julcani, Lead | 422 | 191 |
| Julcani, Copper | 19 | 12 |
| Mallay, Gold | 70 | 5 |
| Mallay, Silver | 2,441 | 888 |
| Mallay, Lead | 1,336 | 435 |
| Mallay, Zinc | 2,940 | 1,853 |
| Orcopampa, Gold | 918 | 778 |
| Orcopampa, Silver | 181 | 107 |
| Orcopampa, Copper | 46 | (11) |
| Uchucchacua, Gold | 41 | 0 |
| Uchucchacua, Silver | 35,851 | 29,986 |
| Uchucchacua, Lead | 4,350 | 3,092 |
| Uchucchacua, Zinc | 14,286 | 8,367 |
| Tambomayo, Gold | 110 | 644 |
| Tambomayo, Silver | 1,029 | 1,211 |
| Tambomayo, Lead | 419 | 590 |
| Tambomayo, Zinc | 797 | 2,164 |
| La Zanja, Gold | 258 | 319 |
| La Zanja, Silver | 5 | 21 |
| El Brocal, Gold | 9,280 | 7,369 |
| El Brocal, Silver | 14,362 | 9,125 |
| El Brocal, Lead | 8,592 | 2,446 |
| El Brocal, Zinc | 33,905 | 11,459 |
| El Brocal, Copper | 118,590 | 111,419 |
| Non Mining Units | 0 | 0 |
| **Consolidated Commercial Deductions in operating units** | **253,923** | 195,865 |

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, 2017 | 2018 |
|---|---|---|
| | (US$ in thousands) | |
| Julcani, Gold | - | 0 |
| Julcani, Silver | 540 | 336 |
| Julcani, Lead | 62 | 19 |
| Julcani, Copper | 3 | 1 |
| Mallay, Gold | 11 | 1 |
| Mallay, Silver | 397 | 202 |
| Mallay, Lead | 216 | 101 |
| Mallay, Zinc | 421 | 270 |
| Orcopampa, Gold | 976 | 749 |
| Orcopampa, Silver | 38 | 26 |
| Orcopampa, Copper | 2 | 0 |
| Uchucchacua, Gold | 6 | 0 |
| Uchucchacua, Silver | 4,824 | 5,596 |
| Uchucchacua, Lead | 606 | 931 |
| Uchucchacua, Zinc | 598 | 1,161 |
| Tambomayo, Gold | 927 | 1,999 |
| Tambomayo, Silver | 313 | 717 |
| Tambomayo, Lead | 54 | 89 |
| Tambomayo, Zinc | 91 | 241 |
| La Zanja, Gold | 1,018 | 755 |
| La Zanja, Silver | 30 | 29 |
| El Brocal, Gold | 428 | 468 |
| El Brocal, Silver | 1,152 | 1,167 |
| El Brocal, Lead | 934 | 1,030 |
| El Brocal, Zinc | 2,757 | 2,568 |
| El Brocal, Copper | 5,644 | 6,969 |
| Non Mining Units | 2,039 | 2,097 |
| **Consolidated Selling expenses** | **24,088** | 27,522 |

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, | |
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | | | | | |
| Cost of Sales, excluding depreciation and amortization | 126 | 86 | - | 19 | 3,408 | 1,335 | 26,413 | 23,608 |
| **Add:** | | | | | | | | |
| Exploration in units in operation | 55 | 30 | - | 6 | 1,340 | 461 | 11,614 | 8,149 |
| Commercial Deductions | 19 | 12 | - | 3 | 422 | 191 | 3,676 | 3,390 |
| Selling expenses | 3 | 1 | - | 0 | 62 | 19 | 540 | 336 |
| **Cost applicable to sales** | **202** | 128 | **-** | 28 | **4,873** | 2,006 | **42,243** | 35,483 |
| **Divide:** | | | | | | | | |
| Volume Sold | 32 | 17 | 21 | 11 | 1,916 | 915 | 2,466,846 | 2,368,497 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **6,318** | 7,392 | **-** | 2,507 | **2543** | 2,191 | **17.12** | 14.98 |

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 Mallay mine:

| | MALLAY | | | | | |
|---|---|---|---|---|---|---|
| | LEAD (t) | | SILVER (oz.) | | ZINC (t) | |
| | For the year ended December 31, | | For the year ended December 31, | | For the year ended December 31, | |
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | | | |
| Cost of Sales, excluding depreciation and amortization | 4,470 | 1,974 | 8,204 | 3,968 | 8,696 | 5,285 |
| **Add:** | | | | | | |
| Exploration in units in operation | 1,163 | 107 | 2,134 | 216 | 2,262 | 288 |
| Commercial Deductions | 1,336 | 435 | 2,441 | 888 | 2,940 | 1,853 |
| Selling expenses | 216 | 101 | 397 | 202 | 421 | 270 |
| **Cost applicable to sales** | **7,185** | 2,617 | **13,176** | 5,275 | **14,318** | 7,695 |
| **Divide:** | | | | | | |
| Volume Sold | 5,926 | 1,633 | 993,040 | 458,671 | 5,926 | 3,369 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **2,416** | 1,603 | **13.27** | 11.50 | **2,416** | 2,284 |

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, | |
| | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | |
| Cost of Sales, excluding depreciation and amortization | 105,848 | 88,942 | 4,097 | 3,127 |
| **Add:** | | | | |
| Exploration in units in operation | 37,285 | 28,559 | 1,443 | 1,004 |
| Commercial Deductions | 918 | 778 | 181 | 107 |
| Selling expenses | 976 | 749 | 38 | 26 |
| **Cost applicable to sales** | **145,027** | 119,028 | **5,759** | 4,264 |
| **Divide:** | | | | |
| Volume Sold | 195,278 | 116,719 | 574,591 | 335,761 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **743** | 1,020 | **10.02** | 12.70 |

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, | |
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | | | |
| Cost of Sales, excluding depreciation and amortization | 12,942 | 16,554 | 103,014 | 99,500 | 12,769 | 20,646 |
| **Add:** | | | | | | |
| Exploration in units in operation | 2,719 | 2,531 | 21,639 | 15,210 | 2,682 | 3,156 |
| Commercial Deductions | 4,350 | 3,092 | 35,851 | 29,986 | 14,286 | 8,367 |
| Selling expenses | 606 | 931 | 4,824 | 5,596 | 598 | 1,161 |
| **Cost applicable to sales** | **20,617** | 23,108 | **165,329** | 150,293 | **30,336** | 33,330 |
| **Divide:** | | | | | | |
| Volume Sold | 13,127 | 17,071 | 15,583,553 | 14,443,456 | 10,281 | 16,811 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **1,571** | 1,354 | **10.61** | 10.41 | **2,951** | 1,983 |

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, | |
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | | | | | |
| Cost of Sales, excluding depreciation and amortization | 34,907 | 58,475 | 11,791 | 20,969 | 2,046 | 2,597 | 3,419 | 7,050 |
| **Add:** | | | | | | | | |
| Exploration in units in operation | 6,386 | 13,490 | 2,157 | 4,838 | 374 | 599 | 626 | 1,626 |
| Commercial Deductions | 110 | 644 | 1,029 | 1,211 | 419 | 590 | 797 | 2,164 |
| Selling expenses | 927 | 1,999 | 313 | 717 | 54 | 89 | 91 | 241 |
| **Cost applicable to sales** | **42,330** | 74,608 | **15,290** | 27,734 | **2,893** | 3,875 | **4,932** | 11,080 |
| **Divide:** | | | | | | | | |
| Volume Sold | 63,130 | 119,211 | 1,621,611 | 3,570,382 | 1,769 | 3,268 | 2,398 | 7,143 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **671** | 626 | **9.43** | 7.77 | **1,635** | 1,186 | **2,057** | 1,551 |

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, | |
| | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | |
| Cost of Sales, excluding depreciation and amortization | 99,304 | 65,128 | 2,922 | 2,499 |
| **Add:** | | | | |
| Exploration in units in operation | 847 | 71 | 25 | 3 |
| Commercial Deductions | 258 | 319 | 5 | 21 |
| Selling expenses | 1,018 | 755 | 30 | 29 |
| **Cost applicable to sales** | **101,427** | 66,274 | **2,982** | 2,552 |
| **Divide:** | | | | |
| Volume Sold | 128,623 | 74,370 | 279,737 | 228,894 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **789** | 891 | **10.66** | 11.15 |

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, | |
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| | (US$ in thousands except operating and per unit data) | | | | | | | | | |
| Cost of Sales, excluding depreciation and amortization | 94,021 | 115,752 | 7,129 | 7,770 | 15,563 | 17,106 | 19,185 | 19,388 | 45,929 | 42,651 |
| **Add:** | | | | | | | | | | |
| Exploration in units in operation | - | 5,709 | - | 383 | - | 844 | - | 956 | - | 2,104 |
| Commercial Deductions | 118,590 | 111,419 | 9,280 | 7,369 | 8,592 | 2,446 | 14,362 | 9,125 | 33,905 | 11,459 |
| Selling expenses | 5,644 | 6,969 | 428 | 468 | 934 | 1,030 | 1,152 | 1,167 | 2,757 | 2,568 |
| **Cost applicable to sales** | **218,254** | 239,849 | **16,836** | 15,990 | **25,090** | 21,425 | **34,699** | 30,637 | **82,591** | 58,781 |
| **Divide:** | | | | | | | | | | |
| Volume Sold | 42,633 | 43,710 | 15,881 | 14,297 | 19,415 | 18,713 | 3,253,899 | 3,058,987 | 43,120 | 37,470 |
| **Cost applicable to sales per unit of mineral sold (US$)** | **5,119** | 5,487 | **1,060** | 1,118 | **1,292** | 1,145 | **10.66** | 10.02 | **1,915** | 1,569 |

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, | |
| | 2017 | 2018 |
| | (US$ in thousands) | |
| Cost of Sales, excluding depreciation and amortization | 13,927 | 5,343 |
| **Add:** | | |
| Exploration in units in operation | 0 | 0 |
| Commercial Deductions | 0 | 0 |
| Selling expenses | 2,039 | 2,097 |
| **Total Cost applicable to sales** | **15,966** | 7,440 |

## YANACOCHA

### Introduction

The following discussion should be read in conjunction with the Yanacocha Consolidated Financial Statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018 and the related Notes thereto included elsewhere in this Annual Report. The Yanacocha Consolidated Financial Statements are prepared and presented in accordance with IFRS and in U.S. Dollars.

### A. Operating Results

***Overview***

Yanacocha, the largest gold producer in South America, 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, | | |
|---|---|---|---|
| | **2018** | **2017** | **2016** |
| Gold sales (in thousands of US$) | 658,653 | 670,905 | 791,766 |
| Gold sold (oz.) | 522,213 | 537,268 | 636,931 |
| Average gold price received (US$/oz.) | 1,261 | 1,249 | 1,243 |
| Other operating expenses, net (in thousands of US$) | (76,155) | (63,514) | (71,496) |
| Loss for the year (in thousands of US$) | (81,517) | (175,454) | (1,043,752) |

*Gold sales*. Gold sales decreased by 2%, or US$12 million, from 2017 to 2018, due to lower ounces sold. Gold ounces produced decreased 4% due primarily to lower leach pad production as a result of higher fines in the ore material.

*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 20% or US$150 million from 2017 to 2018.

*Other operating expenses, net.* Other operating expenses, net increased by 20% or US$13 million from 2017 to 2018, primarily due to higher advanced project expenses.

*Income tax benefit (expense).* Yanacocha's financial and operating results included an income and mining tax expense of US$29 million in 2018 compared to an expense of US$7 million in 2017. The difference was driven by higher income due to lower operating costs.

*Dividends*. On February 15, 2016, Yanacocha's board of directors unanimously agreed to distribute dividends in the amount of US$300 million, which corresponds to a portion of the accumulated results as of December 31, 2014, which were generated in 2011.

***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, 2018 and 2017**

***Sales***

*Gold sales.* Gold sales decreased by 2%, or US$12 million, from 2017 to 2018, due to a decrease in volume sold. Gold ounces produced decreased 4% due primarily to lower leach pad production. 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, 2018 and 2017 comprised:

| | 2018 | 2017 |
|---|---|---|
| | (US$ in thousands) | |
| Beginning balance of finished goods and in-process | 345,489 | 446,503 |
| Beginning balance of provision for net realizable value | (62,540) | (84,374) |
| Consumption of supplies | 215,863 | 240,881 |
| Personnel expenses | 82,645 | 99,702 |
| Other services | 43,672 | 66,408 |
| Maintenance | 22,585 | 24,033 |
| Power | 24,203 | 23,565 |
| Depreciation and amortization | 156,212 | 87,783 |
| Workers' profit participation | 3,837 | 1,242 |
| Reclamation expenses related to leach pad | 16,284 | 124,124 |
| Ending balance of provisions for net realizable value | 89,127 | 62,540 |
| Ending balance of finished goods and in-process | (341,213) | (345,489) |
| | 596,164 | 746,918 |

*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 20% or US$150 million from 2017 to 2018. Costs applicable to sales per ounce of gold decreased by 18% from US$1,390 per ounce in 2017 to US$1,141 per ounce in 2018.

Operating costs decreased by 15% from US$452 million in 2017 to US$385 million in 2018. Operating costs consist primarily of drilling, blasting, loading, hauling, leaching,milling and metal recovery costs.

Reclamation expenses related to leach pads of US$16 million are due to a non-cash charge to reclamation expenses for the year ended December 31, 2018 related to the areas of Yanacocha's operations no longer in production. The increase to the reclamation obligation of US$44 million in 2018 is mainly due to new disturbance from the Quecher Main development project and changes in the labor cost estimation.

Workers' profit participation increased by 209%, from US$1 million in 2017 to US$3.8 million in 2018. This increase was directly related to lower operating costs. 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 increased from US$21.8 million to US$26.5 million due to lower short-term gold price (which amounted to $1,227 per ounce as opposed to a price of $1,275 per ounce used for purposes of calculating inventory).

Depreciation, depletion and amortization increased by 78% from US$88 million in 2017 to US$156 million in 2018. This increase was attributable principally to higher asset retirement costs due to an increase in the higher average repair orders for the year 2017.

***Administrative expenses***

Administrative expenses for the years ended December 31, 2018 and 2017 were composed of:

| | 2018 | 2017 |
|---|---|---|
| | (US$ in thousands) | |
| Management expenses | 1,317 | 3,395 |
| Other | 1,466 | 1,365 |
| | 2,783 | 4,760 |

***Other operating expenses, net***

Other operating expenses, net for the years ended December 31, 2018 and 2017 were as follows:

| | 2018 | 2017 |
|---|---|---|
| | (US$ in thousands) | |
| Exploration and advance project | 62,643 | 51,694 |
| Severance program | 8,678 | 9,419 |
| Tax fine | 3,954 | - |
| Write-off of fixed assets | - | 1,368 |
| Others, net | 880 | 1,033 |
| | 76,155 | 63,514 |

Exploration and advanced project costs increased from US$52 million in 2017 to US$63 million in 2018. This increase was primarily due to higher advanced project costs relating to feasibility studies for tailing facilities and technical studies.

***Impairment of long-lived assets***

In December 2017 and 2018, Yanacocha performed a formal evaluation of its cash generating units and concluded that there were no impairment indicators at December 31, 2018 and 2017, respectively.

*Income tax provision.*

Yanacocha's financial and operating results included income and mining tax expense of US$29 million in 2018 compared to US$7 million in 2017. This increase was directly related to higher taxable income driven by lower operating costs.

*Net loss*

Net loss decreased by US$93.9 million, from net loss of US$175 million in 2017 to net loss of US$81.5 million in 2018, mainly explained by lower non-cash charge to reclamation expenses for the year ended December 31, 2018 of US$16.8 million, compared to US$109 million as December 31, 2017, related to the areas of Carachugo, Yanacocha, Maqui Maqui and Cerro Negro operations no longer in production.

**Results of Operations for the Years Ended December 31, 2017 and 2016**

***Sales***

*Gold sales.* Gold sales decreased by 15%, or US$121 million, from 2016 to 2017, due to lower production. Gold ounces produced decreased 18% due primarily to lower gold mill production by less throughput, and less gold grade and recovery by mineral with higher soluble copper content as well as lower leach pad production due to lower gold grade and minerals with higher fine content. 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. Production by mine was as follows:

| **Mine** | 2017 | 2016 |
|---|---|---|
| | (ounces) | |
| Cerro Yanacocha | 147,415 | 176,263 |
| Carachugo | 61,747 | 124,886 |
| Maqui Maqui | 16,990 | 28,105 |
| La Quinua | 298,438 | 188,095 |

| | | |
|---|---|---|
| Cerro Negro | 10,102 | 137,584 |
| **Total** | **534,692** | **654,934** |

***Costs applicable to sales***

Costs applicable to sales for the year ending December 31, 2017 and 2016 comprised:

| | 2017 | 2016 |
|---|---|---|
| | (US$ in thousands) | |
| Beginning balance of finished goods and in-process | 446,503 | 544,325 |
| Beginning balance of provision for net realizable value | (84,374) | (90,298) |
| Consumption of supplies | 240,881 | 228,376 |
| Personnel expenses | 99,702 | 87,258 |
| Other services | 66,408 | 73,779 |
| Maintenance | 24,033 | 36,213 |
| Power | 23,565 | 27,270 |
| Depreciation and amortization | 87,783 | 140,712 |
| Workers' profit participation | 1,242 | 12,394 |
| Reclamation expenses related to leach pad | 124,124 | 78,494 |
| Ending balance of provisions for net realizable value | 62,540 | 84,374 |
| Ending balance of finished goods and in-process | (345,489) | (446,503) |
| | 746,918 | 776,394 |

*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$29.5 million from 2016 to 2017. Costs applicable to sales per ounce of gold increased by 18% from US$1,185 in 2016 to US$1,397 in 2017.

Operating costs increased by 1% from US$453 million in 2016 to US$455 million in 2017. Operating costs consist primarily of drilling, blasting, loading, hauling and milling costs.

Reclamation expenses related to leach pads of US$124 million are due to a non-cash charge to reclamation expenses for the year ended December 31, 2017 related to the areas of Yanacocha's operations no longer in production. The increase to the reclamation obligation of US$46 million is mainly due to a decrease in the market-based discount rate compared to last year.

Workers' profit participation decreased by 90%, from US$12 million in 2016 to US$1 million in 2017. This decrease was directly related to the decrease in Yanacocha's taxable income from 2016 to 2017. Workers' profit participation expense is calculated based on taxable net income and in accordance with Peruvian labor legislation.

The portion of leach pad inventory write-downs associated with costs applicable to sales increased from US$5.9 million to US$21.8 million due to the higher future costs.

Depreciation, depletion and amortization decreased by 38% from US$141 million in 2016 to US$88 million in 2017. This decrease was attributable principally to the effect of impairment in the 2017 depreciation.

***Administrative expenses***

Administrative expenses for the years ended December 31, 2017 and 2016 were composed of:

| | 2017 | 2016 |
|---|---|---|
| | (US$ in thousands) | |
| Management expenses | 3,395 | 7,191 |
| Other | 1,365 | 1,589 |
| | 4,760 | 8,780 |

***Other operating expenses, net***

Other operating expenses, net for the years ended December 31, 2017 and 2016 were as follows:

| | 2017 | 2016 |
|---|---|---|
| | (US$ in thousands) | |
| Exploration and advance project | 51,694 | 49,580 |
| Severance program | 9,419 | 9,659 |
| Write-off of fixed assets | 1,368 | 14,036 |
| Others, net | 1,033 | (1,779) |
| | 63,514 | 71,496 |

Exploration and advanced project costs increased from US$50 million in 2016 to US$52 million in 2017. This increase was primarily due to increased drilling activities in 2017.

***Impairment of long-lived assets***

In December 2017, Yanacocha performed a formal evaluation of its cash generating units and concluded that there were no impairment indicators as of December 31, 2017.

In 2016, the Company's management determined that there was objective evidence that its investment in Yanacocha might be impaired. During 2016, compared to prior years, Yanacocha experienced a decrease in the volume of gold produced, an increase in production costs, and a decrease in operating cash flows, all of which resulted from a depletion of Yanacocha's gold reserves. As a result of these indicators, the Company performed an impairment test in December 2016.

The recoverable amount of the Company's investment in Yanacocha was determined to be US$528.9 million as of December 31, 2016, which was based on a value in use calculation using cash flow projections from Yanacocha's financial budgets from 2017 to 2026. As a result of this analysis, the Company concluded that no additional impairment loss on its investment in Yanacocha was required to be recorded as the recoverable amount exceeded the recorded value of the investment.

In performing its impairment testing, the Company determined that the recoverable amount was most sensitive to the following assumptions:

- 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 the 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.

- Commodity prices: Forecasted 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 past experience of the industry and consistent with external sources. Estimated gold prices for the current and long-term periods were as follows: US$1,221/ounce for 2017 and US$1,300/ounce for 2018 and thereafter.

- Discount rate: In calculating the value in use, the Company applied a pre-tax discount rate of 7.1% to the pre-tax cash flows. This discount rate was derived from the Yanacocha's post-tax weighted average cost of capital, with appropriate adjustments made to reflect the risks specific to the investment.

*Income tax provision.*

Yanacocha's financial and operating results included income and mining tax expense of US$7 million in 2017 compared to US$43 million in 2016. This decrease was directly related to lower taxable income.

*Net loss*

Net loss decreased by US$868 million, from net loss of US$1,043.7 million in 2016 to net of US$175 million in 2017, mainly explained by the 2016 impairment of US$889 million.

**B. Liquidity and Capital Resources**

As of December 31, 2018, Yanacocha had cash and cash equivalents of US$723 million, substantially all of which were held in U.S. Dollars, as compared to US$675 million as of December 31, 2017.

***Cash provided by operating activities***

Yanacocha generated net cash flow from operations of US$161 million in 2018 and US$95 million in 2017. The net cash flow from operations in 2018 was 70% or US$66 million higher than in 2017. The increase was primarily driven by lower operating costs.

Yanacocha generated net cash flow from operations of US$95 million in 2017 and US$140 million in 2016. The net cash flow from operations in 2017 was 32% or US$45 million lower than in 2016. The decrease was primarily driven by lower gold sales due to lower gold production.

***Cash used in investing activities***

Net cash used in investing activities was US$161 million in 2018 compared to US$49 million in 2017. The increase in cash used in investing activities was mainly due to increased capital requirements of the Quecher Main project and the availability of cash resulting from the sale of 5% of Yanacocha’s shares to Sumitomo. Under the terms of this participation sale agreement, the cash paid by Sumitomo has been placed in escrow. This balance is included in the caption Restricted Cash in the statement of financial position. The restricted cash is not available to finance our day-to-day operations and, therefore, has been excluded from cash and cash equivalents for the purposes of the statement of cash flows. It has been disclosed as a non-current asset.

Net cash used in investing activities was US$49 million in 2017 compared to US$106 million in 2016. The decrease in cash used in investing activities was mainly due to the completion of the Northern Tailings project and a decrease in investments in major replacements for our assets, predominantly due to improvements in monitoring the condition of our equipment.

***Cash used in financing activities***

Net cash generated in financing activities was US$48 million in 2018, as compared to cash used was US$48 million in 2017. The increase was due to the sale of 63,922,565 shares to Summit Global Management II VB (a wholly-owned subsidiary of Sumitomo Corporation) for US$48 million in June 2018.

Net cash used in financing activities was US$48 million in 2017, as compared to US$300 million in 2016. The decrease was primarily driven by the fact that Yanacocha did not distribute dividends in 2017. In addition, on December 22, 2017, Yanacocha repurchased 63,922,565 shares owned by International Finance Corporation (“IFC”) for US$48 million, which represented 5% of the capital stock of Yanacocha.

**C. Capital Expenditures**

In 2018, Yanacocha’s principal capital expenditures of US$117.6 million were mainly related to the Quecher Main project.

**D. Research and Development**

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

### E. 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.

### F. 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.

### G. Tabular Disclosure of Contractual Obligations

The following table shows Yanacocha's contractual obligations as of December 31, 2018:

| | Payments due by Period (US$ in millions) | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Debt intruments | 42 | - | - | 42 | - |
| Capital Lease Obligations | - | - | - | - | - |
| Reclamation and Remediation Liability | 1,294 | 19 | 86 | 102 | 1,087 |
| Open Purchase Orders receipt | - | - | - | - | - |
| Other Long-Term Obligations | 18 | - | 18 | - | - |
| Total Contractual Cash Obligations | 1,354 | 19 | 104 | 144 | 1,087 |

## CERRO VERDE

***Introduction***

The following discussion should be read in conjunction with the Cerro Verde Financial Statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017, and 2018 and the related Notes thereto included elsewhere in this Annual Report. 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. Chalcopyrite 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.

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, 2016, 2017 and 2018:

| | As of and for the year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2017 | 2018 |
| **Income statement data** [1] | | | |
| Sales of goods (US$ in thousands) | 2,384,154 | 3,202,931 | 3,054,026 |
| Profit for the year (US$ in thousands) | 340,907 | 349,881 | 119,710 |
| | | | |
| **Proven and Probable Reserves** [2] | | | |
| Proven: | | | |
| Leachable ore reserves (tons in thousands) | 43,000 | 45,000 | 44,000 |
| Millable ore reserves (tons in thousands) | 854,000 | 885,000 | 830,000 |
| Probable: | | | |
| Leachable ore reserves (tons in thousands) | 78,000 | 61,000 | 89,000 |
| Millable ore reserves (tons in thousands) | 2,698,000 | 2,586,000 | 3,361,000 |
| Average copper grade of leachable ore reserves (%) | 0.32 | 0.29 | 0.25 |
| Average copper grade of millable ore reserves (%) | 0.37 | 0.37 | 0.36 |
| | | | |
| **Production** [3] | | | |
| Cathodes (in thousands of recoverable pounds) | 107,960 | 82,180 | 87,583 |
| Concentrates (in thousands of recoverable pounds) | 999,850 | 980,030 | 961,846 |
| Average realized price of copper sold (US$ per ton payable) | 4,759 | 6,637 | 6,422 |

(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$2.5 per pound of copper to determine copper as of December 31, 2018. 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. As described in Note 13(d) to the Cerro Verde Financial Statements, prior to January 1, 2014, Cerro Verde 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 Cerro Verde 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 stability agreement, which became effective January 1, 2014. See Note 13(d) to the Cerro Verde Financial Statements for a summary of amounts recognized by the Cerro Verde for special mining tax and mining royalties for the years ended December 31, 2018 and 2017.

SUNAT assessed mining royalties on materials processed by the Cerro Verde 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 2014, based on the Tax Tribunal's decisions for the period December 2006 to December 2008, Cerro Verde is paying the disputed assessments under an installment program equivalent to 66 equal monthly payments. As of December 31, 2018, Cerro Verde has made payments totaling S/596.8 million (US$187.7 million based on the date of payment exchange rate and US$176.6 million based on the December 31, 2018, exchange rate).

With respect to the judiciary appeal related to disputed royalty assessments for the year 2006-2007, on August 9, 2017, Cerro Verde filed a cassation appeal before the Supreme Court against the resolution issued by the Seventh Contentious Administrative Court, which was admitted in December 2017. The oral hearing before the Supreme Court took place on November 20, 2018 and their decision is pending.

In September 2018, the Peruvian Tax Tribunal confirmed SUNAT's resolution that ordered the payment of royalties and denied the Cerro Verde's request to waive penalties and interest for the period January 2009 through September 2011. In December 2018, Cerro Verde elected not to appeal the Tax Tribunal's decision to the Peruvian Judiciary and is assessing alternative mechanisms to defend its rights.

In October 2018, SUNAT served Cerro Verde demands for payments totaling S/928.9 million (approximately US$274.9 million based on the December 31, 2018, exchange rate, including interest and penalties of US$165.7 million) based on the Tax Tribunal's decisions for the period January 2009 to September 2011. Cerro Verde requested, and was granted two installment payment programs, including a six-month deferral and 66 equal monthly payments for each one, for the period January 2009 through September 2011. Total debt as of December 31, 2018 is S/947.2 million (approximately US$280.3 million based on the December 31, 2018, exchange rate, including deferral interest. interest and penalties of US$171.1 million). Payments for these installment programs will start in the second quarter of 2019.

On January 18, 2018, Cerro Verde received assessments from SUNAT related to mining royalties for the fourth quarter of 2011. On February 15, 2018, Cerro Verde appealed these assessments and SUNAT denied it. On November 21, 2018, Cerro Verde appealed SUNAT's resolution to the Tax Court. As of December 31, 2018, the amount of the assessments from SUNAT, including interest and penalties, for the fourth quarter of 2011 is S/53.7 million (approximately US$15.9 million based on the December 31, 2018, exchange rate, including interest and penalties of US$8.7 million). Also on January 18, 2018, Cerro Verde received assessments from SUNAT related to special mining tax from the fourth quarter of 2011 to the fourth quarter of 2012. On February 15, 2018, Cerro Verde appealed these assessments and SUNAT denied it. On November 21, 2018, Cerro Verde appealed the SUNAT's resolution to the Tax Court. As of December 31, 2018, the amount of the assessments from SUNAT, including interest and penalties, is S/234.0 million (approximately US$69.3 million based on the December 31, 2018, exchange rate, including interest and penalties of US$33.3 million).

On April 18, 2018, Cerro Verde received assessments from SUNAT related to mining royalties for the year 2012. On May 17, 2018, Cerro Verde appealed these assessments. On January 23, 2019, Cerro Verde received a resolution issued by SUNAT denying the appeal of assessments for year 2012. As of December 31, 2018, the amount of the assessments from SUNAT, including interest and penalties, for the year 2012 is S/240.9 million (approximately US$71.3 million based on the December 31, 2018, exchange rate, including interest and penalties of US$37.4 million).

On October 10, 2018, Cerro Verde received assessments from SUNAT related to mining royalties and special mining tax for the year 2013. On November 7, 2018, Cerro Verde appealed these assessments. As of December 31, 2018, the amount of these assessments, including interests and penalties, is S/303.8 million (approximately US$89.9 million based on the December 31, 2018, exchange rate including interest and penalties of US$41.4 million).

For the year ended December 31, 2018, Cerro Verde recorded charges related to penalties and interests associated with disputed royalty assessments for the period from January 2009 through December 2013 totaling US$408.9 million in the statements of comprehensive income. For the year ended December 31, 2017, Cerro Verde recorded net charges totaling US$393 million in the statements of comprehensive income, associated with disputed mining royalties assessments for the period from December 2006 through December 2013.

In December 2017, as a result of the unfavorable Supreme Court decision on the 2008 royalty matter, Cerro Verde requested the return of the amounts that would have been paid in excess for the Special Mining Burden (GEM) (October 2012 to December 2013), FONAVI (National Housing Fund) (December 2012 to December 2013) and customs duties (2013). In December 2018, SUNAT refunded the payments in excess for GEM for the periods requested of S/254.7 million (US$76.1 million based on the date of collection and including interest of US$18.6 million).

The Company acted in good faith in applying the provisions of its 1998 Stability Agreement and continues to evaluate alternatives to defend its rights.

***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.

***Estimates of Ore Reserves and Resources***

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.

***UOP 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.

***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.

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.

***Mine Closure Provision***

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(j) 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.

***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.

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, 2018 and 2017***

*Net sales.* Net sales, including mark-to-market adjustments for pounds of copper pending settlement, decreased by 5%, from US$3,202.9 million in 2017 to US$3,054.0 million in 2018, principally due to a decrease in the average realized copper price. The following table reflects the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2017 and 2018:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2017 | 2018 | Variation |
| Average price | | | |
| Copper (US$ per ton) | 6,637 | 6,422 | (3)% |
| | | | |
| Volume sold | | | |
| Copper (in tons) | 482,587 | 475,574 | (1)% |

Average realized copper prices per ton decreased from US$6,637 in 2017 to US$6,422 in 2018. The volume of copper sold decreased from 482,587 tons in 2017 to 475,574 tons in 2018. The combined effect of these changes resulted in a US$148.9 million decrease in income from sales of copper in 2018 compared to 2017.

*Total costs of sales of goods*. Total costs of sales of goods increased from US$1,768.2 million in 2017 to US$2,011.0 million in 2018, due mainly to the net effect of the following:

(a) Material and supplies consumption cost increased by 25%, from US$556.0 million in 2017 to US$693.3 million in 2018 due to the increase of haul trucks and shovels fleet.

(b) Labor costs, including workers' profit sharing, increased by 25%, from US$286.1 million in 2017 to US$357.7 million in 2018, mainly due to a Union Agreement bonus payment as part of the new collective labor agreement.

(c) Energy costs increased by 11%, from US$229.3 million in 2017 to US$254.2 million in 2018 due to higher power unit price and kilowatts consumed.

(d) Repair and maintenance services increased by 10%, from US$144.8 million in 2017 to US$159.5 million in 2018 mainly due to higher maintenance on trucks, shovels and drills as part of the failure prevention and maintenance program.

*Total operating expenses.* Operating expenses decreased by 49%, from US$400.5 million in 2017 to US$205.7 million in 2018 due mainly to the following:

(a) Selling expenses decreased by 3%, from US$141.7 million in 2017 to US$137.0 million in 2018, mainly due to lower concentrate ocean freight rates.

(b) Other expenses decreased by 73%, from US$258.8 million in 2017 to US$68.7 million in 2018, mainly due to lower expenses related to disputed mining royalties.

*Income tax*. Income tax expense, including current and deferred expense, decreased by 33%, from an expense of US$486.0 million in 2017 to an expense of US$325.2 million in 2018 primarily due to lower profit generated during 2018 as a consequence of the recognition of interest and penalties of disputed mining royalties for the January 2009 to December 2013 period.

*Net income*. As a result of the foregoing, net income decreased by 66%, from US$349.9 million in 2017 to US$119.7 million in 2018. As a percentage of net sales, net income was 4% in 2018, compared to 11% in 2017.

***Results of Operations for the Years Ended December 31, 2017 and 2016***

*Net sales.* Net sales, including and mark-to-market adjustments for pounds of copper pending settlement, increased by 34%, from US$2,384.1 million in 2016 to US$3,202.9 million in 2017, principally due to an increase in realized copper price. The following table reflects the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2016 and 2017:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2016 | 2017 | Variation |
| Average price | | | |
| Copper (US$ per ton) | 4,759 | 6,637 | 39% |
| | | | |
| Volume sold | | | |
| Copper (in tons) | 501,000 | 482,587 | (4)% |

Average realized copper prices per ton increased from US$4,759 in 2016 to US$6,637 in 2017. The volume of copper sold decreased from 501,000 tons in 2016 to 482,587 tons in 2017. The combined effect of these changes resulted in a US$0.8 million increase in income from sales of copper in 2017 compared to 2016.

*Total costs of sales of goods*. Total costs of sales of goods increased from US$1,553.0 million in 2016 to US$1,768.2 million in 2017, due mainly to the net effect of the following:

(a) Labor costs, including workers' profit sharing, increased by 33%, from US$215.8 million in 2016 to US$286.1 million in 2017, mainly due to an increase in profit sharing associated with higher income;

(b) Material and supplies consumption cost increased by 12%, from US$496.9 million in 2016 to US$556.0 million in 2017 due to major mine components repair and higher supplies consumption in concentrator plants.

(c) The variation of in process inventories increased from a favorable balance of US$3.8 million in 2016 to an unfavorable US$51.4 million in 2017 as a result of increased quantity of lower concentrate grade material removed during 2017; and

(d) Repair and maintenance services increased by 44%%, from US$100.9 million in 2016 to US$144.8 million in 2017.

*Total operating expenses.* Operating expenses increased by 158%, from US$155.5 million in 2016 to US$400.5 million in 2017 due mainly to the following:

(a) Selling expenses increased by 8%, from US$131.4 million in 2016 to US$141.7 million in 2017, mainly due to higher ocean freight and higher land freight and port facilities; and

(b) Other expenses increased by US$234.7 million in 2017, mainly due to expenses associated with the royalty dispute.

*Income tax*. Income tax expense, including current and deferred expense, increased by 85%, from an expense of US$263.1 million in 2016 to an expense of US$486.0 million in 2017. Net current income tax expense (including mining taxes) increased by US$474.0 million primarily due to the dispute of mining royalties and special mining taxes and an increase in profits in 2017.

*Net income.* As a result of the foregoing, net income increased by 3%, from US$340.9 million in 2016 to US$349.9 million in 2017. As a percentage of net sales, net income was 11% in 2017, compared to 14% in 2016.

**B. Liquidity and Capital Resources**

As of December 31, 2018, Cerro Verde had cash and cash equivalents of US$501.2 million, compared to US$600.0 million as of December 31, 2017.

*Cash provided by operating activities for the years ended December 31, 2018 and 2017.* Net cash and cash equivalents provided by operating activities were US$809 million in 2018, compared to net cash provided by operating activities of US$1,615 million in 2017. This change in net cash flow provided by operating activities in 2018 compared to 2017 was mainly attributable to the following factors:

- an increase in payments to suppliers and other operational expenses from US$1,645 million in 2017 to US$1,912 million;
- an increase in payments of income tax from US$282 million in 2017 to US$431 million in 2018 related to royalty matter; and
- an decrease in proceeds from sales from US$3,198 million in 2017 to US$3,152 million in 2018.

*Cash provided by operating activities for the years ended December 31, 2017 and 2016.* Net cash and cash equivalents provided by operating activities were US$1,615 million in 2017, compared to net cash provided in operating activities of US$946 million in 2016. This change in net cash flow provided by operating activities in 2017 compared to 2016 was mainly attributable to the following factors:

- an increase in proceeds from sales from US$2,158 million in 2016 to US$3,198 million in 2017;
- an increase in payments of income tax from US$69 million in 2016 to US$282 million in 2017;
- an increase in payments to suppliers and other operational expenses from US$1,503 million in 2016 to US$1,645 million; and
- a decrease in value-added tax (“VAT”) refunds from SUNAT from US$360 million in 2016 to US$344.4 million in 2017.

*Cash used in investing activities for the years ended December 31, 2018 and 2017.* Net cash used in investing activities increased from US$306.4 million in 2017 to US$457.4 million in 2018, mainly due to higher payments related to the purchase of property, plant and equipment.

*Cash used in investing activities for the years ended December 31, 2017 and 2016.* Net cash used in investing activities decreased from US$478.8 million in 2016 to US$306.4 million in 2017, mainly due to lower payments related to the purchase of property, plant and equipment of US$270 million, and an increase in stripping asset activity of US$92 million in 2017.

*Cash used in financing activities for the years ended December 31, 2018 and 2017.* Net cash and cash equivalents used in financing activities was US$450 million in 2018, compared to net cash used in financing activities of US$738.3 million in 2017. The decrease in net cash in financing activities was primarily due to a decrease in the payments of loans (including a syndicated loan and loans with affiliates), which was partially set off by a US$200 million dividend payment.

*Cash provided by (used in) financing activities for the years ended December 31, 2017 and 2016.* Net cash and cash equivalents used in financing activities was US$738.3 million in 2017, compared to net cash used in financing activities of US$443.2 million in 2016. The increase in net cash in financing activities was primarily due to a decrease in proceeds from loans under all Cerro Verde credit facilities of US$117 million, and a net increase in the repayment of loans of US$166 million (including total payments to the partners).

**Long-term Debt**

As of December 31, 2018, Cerro Verde had total long-term debt of US$1,023 million in connection with amounts drawn under a a five year US$1,500 million unsecured credit facility.

**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, 2018:

| | Payments due by Period (US$ in millions) | | | |
|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1-5 years** | **More than 5 years** |
| Provision for Remediation and Mine Closure | 132 | 1 | 7 | 125 |
| Other Current and Long-Term Contractual Obligations | 1,577 | 331 | 1,199 | 46 |
| Total Contractual Cash Obligations | 1,709 | 332 | 1,206 | 171 |

**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 obligatory meeting of shareholders (the “Annual Obligatory Meeting”) for a three-year term. The last election took place in March 2017, and the next election is scheduled for March 2020. 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)] | 64 | Chairman of the Board | 1980 | March 2020 |
| Jose Miguel Morales [(1)] | 73 | Director | 2012 | March 2020 |
| Felipe Ortiz-de-Zevallos | 71 | Director | 2003 | March 2020 |
| Germán Suárez | 78 | Director | 2005 | March 2020 |
| William Champion | 65 | Director | 2016 | March 2020 |
| Diego de la Torre | 56 | Director | 2017 | March 2020 |
| Nicole Bernex | 69 | Director | 2018 | March 2020 |
| **Executive Officers** | | | | |
| Victor Gobitz | 54 | President and Chief Executive Officer | 2017 | |
| Leandro Garcia | 51 | Vice President and Chief Financial Officer | 2017 | |
| Raúl Benavides [(1)] | 63 | Vice President Business Development | 1997 | |
| Alejandro Hermoza | 57 | Vice President Community Relations | 2008 | |
| Juan Carlos Ortiz | 48 | Vice President Operations | 2018 | |
| Gulnara la Rosa | 54 | General Counsel | 2012 | |

(1) Roque Benavides is the brother of Raúl Benavides, and José Miguel Morales is the brother-in-law of Roque Benavides and Raúl Benavides.

Set forth below is biographical information concerning members of our 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 also 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 the 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 is currently the President of the Peruvian Confederation of Private Business Institutions (CONFIEP).

*José Miguel Morales, Director and member of the Nominating and Corporate Governance Committees*. Mr. Morales is an attorney at law who graduated from the Pontifical Catholic University of Peru (PUCP) in 1958 and completed the Sloan Program at Stanford University School of Business in 1976. He served as Chief Counsel to the Company from 1973 to 2012 and was elected as a member of the Board of Directors in 2012. He has been a senior partner at the law firm Estudio Aurelio García Sayán since 2007 and has worked for the firm since 1965. He is also a member of the board of directors of some of the Company's related entities and various other businesses. He was President of the Institute of Mining and Oil Law, the Peruvian Mining, Oil, and Energy Association, and CONFIEP. He is currently the President of the Entrepreneurs for Education Association.

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 of Directors 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.

*German Suárez*, *Director and Chairman of the Audit Committee and Compensation Committee*. Mr. Suarez received his bachelor's degree in Economics from the National University of San Marcos (UNMSM) in 1965 and received his Master of Economics degree from Columbia University in 1969. He has been a member of the Board of Directors since March 2015. He spent the majority of his professional career with the BCRP, where he served as chairman of the board of the Peruvian Central Reserve Bank (BCRP) from 1992 to 2001. He has been a member of the board of directors of Bladex, Extebandes, Arlabank, Latin American Reserves Fund, Credicorp Ltd. and Banco de Crédito del Perú. He was the president of the Banco de la Nación, the director of various companies and a governor to the IMF and IDB. He presided over the G-24 for IMF and World Bank affairs.

*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.

*Victor Gobitz, President and Chief Executive Officer*. Mr. Gobitz graduated in 1986 from Pontifical Catholic University of Peru, earned his Master of Business Administration from the ESAN School of Business in 1998. He holds specialized degrees from the Kellogg School of Management (2015) and the Wharton School at the University of Pennsylvania (2005). With over 25 years of experience in managing mining operations and projects, Mr. Gobitz has been the general manager of Buenaventura since January 2017 and a director of Sociedad Minera El Brocal since the same year. He previously served as chief executive officer of Compañía Minera Milpo from 2013 to 2016, general manager and director of Río Alto Mining (now Tahoe Resources) from 2011 to 2013 and Castrovirreyna Compañía Minera from 2008 to 2010, operations manager of Sociedad Minera El Brocal and assistant general manager and director of Volcan Compañía Minera. He is currently the president of the Peruvian Institute of Mining Engineers (IIMP), a director of Gerens Escuela de Negocios and a professor at Pontifical Catholic University of Peru.

*Leandro Garcia*, *Vice President and Chief Financial Officer.* Mr. Garcia earned his bachelor's degree in business administration and bachelor's degree in accounting from Universidad del Pacífico and his Master of Business Administration from the University of Miami in Florida and 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 then worked as the finance manager at Sociedad Minera El Brocal until 2000, as general manager of Boticas BTL until 2005 and as general manager of Boticas Inkafarma until June 2011. Mr. Garcia rejoined Buenaventura as Controller General in July 2011. He has also served as a director of Química Suiza Retail, the business that manages the Mifarma pharmacy chain, since January 2016.

*Juan Carlos Ortiz*, *Vice President of Operations*. Mr. Ortiz earned his degree in mining engineering from the Pontificia Universidad Católica del Perú in 1992. He received his Master in Engineering from Pennsylvania State University, with a specialization in Mining Engineering Management. He served as Technical Central Manager of Volcan Compañia 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 Affairs. Mr. Ortiz has also served as Corporate Operations Manager at Compañia Minera Milpo (currently part of the Nexa Resources Group) and was in charge of the Cerro Lindo, Atacocha and El Porvenir operations. He has served as the Vice President of Operations of Buenaventura since May 2018.

*Raúl Benavides Ganoza*, *Vice President of Business Development.* Mr. Ganoza earned his bachelor's degree in mining engineering from the University of Missouri—Rolla. He received his Master of Mining Administration from Pennsylvania State University and completed the Advanced Management Program at Harvard Business School. He has served as president of the IIMP and was the founder and president of the Mining Safety Institute (ISEM). He is currently the president of CETEMIN, the vocational mining school. He has worked at Buenaventura since 1980, and is the Director of 11 related companies.

*Alejandro Hermoza Maraví, Vice President of Labor, Social and Environmental Affairs*. Mr. Maraví 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, 2018, the aggregate amount of compensation that we paid to all directors and executive officers was approximately US$129 million, including director's fees accrued in 2017 and paid in 2018. 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. Suárez, 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 2018 were Messrs. Ortiz-de-Zevallos, Suárez 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 2018 were Messrs. 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 2018 were Messrs. Benavides, Morales and Ortiz-de-Zevallos.

**D. Employees**

As of December 31, 2018 we, including our subsidiaries and Coimolache, had 3,450 employees. In addition, we have entered into arrangements with independent contractors that employed 12,228 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, 2018, the average tenure of Buenaventura's permanent laborers was approximately 9 years.

Of the 3,241 permanent employees employed by Buenaventura and its subsidiaries directly, approximately 42% are members of 13 different labor unions (including 5 unions for clerical workers, 8 unions for laborers), which represent all clerical workers and laborers in collective bargaining negotiations with us. There are also 7 unions for workers employed by independent contractors that were formed over the last 7 years in our mines at Uchucchacua, Orcopampa, La Zanja, Julcani and El Brocal.

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, including increases as negotiated and certain other employee benefits, such as overtime, bonuses and family benefits.

Between January and June 2017, we did not experience any strikes or stoppages. In July 2017, we recorded one day of stoppage at El Brocal and three days of stoppage at Orcopampa and Uchucchacua, all of which were due to strikes called by the Mining National Workers Federation. In October 2017, we experienced three days of stoppage at Orcopampa related to affairs with the community's labor union. There was also an 11-day work stoppage at Uchucchacua related to affairs with the neighboring community of Oyon that continued through early November. Also in November 2017, we experienced a stoppage in Orcopampa related to affairs with the Chilcaymarca community that lasted four days.

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, 2019, our directors and executive officers, as a group, owned 41,874,206 Common Shares, representing 16.50% 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, 2019 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 | — | — | — | — | — | — |
| José Miguel Morales † | 14,133,836 | 5.57 | | | 14,133,836 | 5.57 |
| Nicole Bernex | — | — | — | — | — | — |
| Felipe Ortiz-de-Zevallos | — | — | — | — | — | — |
| Germán Suárez | — | — | — | — | — | — |
| Raúl Benavides † | 13,813,836 | 5.44 | — | — | 13,813,836 | 5.44 |
| Diego de la Torre | 14,528 | 0.01 | — | — | 14,528 | 0.01 |
| Gonzalo Eyzaguirre | — | — | — | — | — | — |
| Alejandro Hermoza | — | — | — | — | — | — |
| Gulnara la Rosa | — | — | — | — | — | — |
| Leandro Garcia | — | — | — | — | — | — |
| Victor Gobitz | — | — | | — | — | — |
| Directors and Executive Officers as a Group † | 41,874,206 | 16.50 | — | — | 41,874,206 | 16.50 |

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

## ITEM 7. Major Shareholders and Related Party Transactions

### A. Major Shareholders

As of March 31, 2019 we had 274,889,924 Common Shares outstanding, of which 21,174,734 were treasury shares, and 744,640 Investment Shares, of which 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, 2019, 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 | 34,093,586 | 13.44 | — | — | 34,093,586 | 13.44 |
| Blanca Benavides de Morales (5) | 14,133,836 | 5.57 | — | — | 14,133,836 | 5.57 |
| Roque Benavides Ganoza | 13,912,006 | 5.48 | | | 13,912,006 | 5.48 |
| Raul Benavides Ganoza | 13,813,836 | 5.44 | | | 13,813,836 | 5.44 |
| Fidelity Management & Research Company | 12,736,525 | 5.02 | | | 12,736,525 | 5.02 |
| Azvalor Asset Management SGIIC SA | 12,390,369 | 4.88 | — | — | 12,390,369 | 4.88 |
| Templeton Asset management ,LTD (Singapore) | 10,069,414 | 3.97 | — | — | 10,069,414 | 3.97 |
| The Vanguard Group, Inc. | 7,387,933 | 2.91 | — | — | 7,387,933 | 2.91 |
| Blackrock Fund Advisors | 7,305,716 | 2.88 | — | — | 7,305,716 | 2.88 |
| T. Rowe Price Associates, INC | 7,282,732 | 2.87 | — | — | 7,282,732 | 2.87 |

(1) The table above excludes treasury shares. As of March 31, 2019 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) Blanca Benavides de Morales is the spouse of José Miguel Morales.

As of March 31, 2019, we estimate that 211,437,351 Common Shares were held in the U.S., which represented approximately 83.34% 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 62 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) totaled US$10.5 million in 2017 and US$ 12.9 million in 2018. Please refer to Note 30(d) to the Consolidated Financial Statements for further information.

Chaupiloma 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$24.3 million, US$20.7 million and US$ 20.4 million in 2016, 2017 and 2018, respectively, and are presented as royalty income in our consolidated statements of income.

During 2016, in 2014 Yanacocha's board of directors unanimously agreed to distribute to the partners, in proportion to their equity interests, US$300 million, which corresponds to the portion of the retained earnings as of December 31, 2014 that originated in 2011. As a result, Condesa received a cash dividend from Yanacocha of US$130.9 million. During 2017 and 2018, Condesa did not receive cash dividends.

We did not receive cash dividends from Cerro Verde in 2016, 2017. However, in 2018 we received cash dividends in an amount of US$ 39.16 million

We received cash dividends from Coimolache of approximately US$11.4 million in 2016, US$9.8 million in 2017 and US$ 7.6 million in 2018.

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$0.9 million in 2016 and US$0.4 million in 2017 and 2018.

**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*

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

*Dividends and 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. Shares of capital stock that are only partially paid participate in a dividend or distribution in the same proportion that such shares have been paid at the time of the dividend or distribution. No cash dividend may be declared in respect of a given year unless we have earned net distributable income in respect of such year. However, we may declare dividends during the year. We may make interim provisional payments to shareholders in respect of net distributable income for the current fiscal year, which are referred to as "provisional dividends," as explained below.

The Board, following the end of each fiscal year, makes a recommendation at the Annual Obligatory 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 Obligatory 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. 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%. 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.

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 2015 to 2018. Dividends with respect to the years 2015 to 2018 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** |
| 2015 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2016 | 0.030 | 0.057 | 0.087 | 0.030 | 0.057 | 0.087 | 0.030 | 0.057 | 0.087 |
| 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 |

(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 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 Obligatory Meeting, or (2) the expiration of the three-month period after the end of the prior fiscal year in which such Annual Obligatory Meeting is required to be held, the 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$ 1,270 and US$ 31,750 in case the Company fails to comply such provisions for the protection of minority 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 | | | | | | | | | |
| 2015 | 1.31 | 38.8 | 14.35 | 409.75 | 12.37 | 3.88 | 0.00 | 0.00 | 0.00 |
| 2016 | 1.31 | 38.00 | 14.00 | 410.23 | 12.51 | 3.80 | 0.00 | 0.00 | 0.00 |
| 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 |
| Quarterly highs and lows | | | | | | | | | |
| 2017 | | | | | | | | | |
| 1st quarter | 0.14 | 45.50 | 38.05 | 82.17 | 14.59 | 11.29 | 0.00 | 24.50 | 23.99 |
| 2nd quarter | 0.10 | 41.10 | 38.50 | 108.30 | 12.87 | 10.87 | 0.00 | 0.00 | 0.00 |
| 3rd quarter | 0.19 | 45.00 | 38.50 | 76.71 | 14.14 | 11.17 | 0.00 | 23.00 | 22.60 |
| 4th quarter | 0.03 | 48.10 | 41.40 | 83.51 | 14.96 | 12.65 | 0.00 | 23.10 | 22.10 |
| 2018 | | | | | | | | | |
| 1st quarter | 0.18 | 52.00 | 45.25 | 81.81 | 16.53 | 13.99 | 0.00 | 22.15 | 21.99 |
| 2nd quarter | 0.06 | 53.09 | 44.53 | 70.88 | 16.80 | 13.54 | 0.00 | 0.00 | 0.00 |
| 3rd quarter | 0.04 | 44.90 | 39.00 | 66.83 | 13.99 | 11.67 | 0.00 | 19.60 | 19.60 |
| 4th quarter | 0.57 | 54.94 | 44.20 | 106.34 | 16.66 | 12.44 | 0.00 | 0.00 | 0.00 |
| Monthly highs and lows | | | | | | | | | |
| 2018 | | | | | | | | | |
| October | 0.03 | 47.05 | 44.20 | 24.68 | 14.55 | 12.44 | 0.00 | 0.00 | 0.00 |
| November | 0.01 | 47.00 | 46.00 | 24.80 | 14.95 | 13.61 | 0.00 | 0.00 | 0.00 |
| December | 0.54 | 54.94 | 47.90 | 56.86 | 16.66 | 14.24 | 0.00 | 0.00 | 0.00 |
| 2019 | | | | | | | | | |
| January | 0.01 | 55.30 | 50.75 | 29.07 | 16.83 | 14.80 | 0.00 | 17.00 | 16.80 |
| February | 0.05 | 54.15 | 52.60 | 25.41 | 17.31 | 15.42 | 0.00 | 0.00 | 0.00 |
| March | 0.01 | 57.00 | 54.50 | 22.95 | 17.78 | 15.98 | 0.00 | 16.81 | 16.80 |

(1) Source: Lima Stock Exchange

(2) Source: Bloomberg; Yahoo Finance

As of March 31, 2019, 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. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. As of March 31, 2019, there were 1,020 owners of record of the Common Shares and 891 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

Not applicable.

### 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 Obligatory 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 Obligatory Meeting during which elections are held, must choose from among its members a Chairman and a Vice Chairman. The Peruvian Companies Law requires that all companies (*sociedades anónimas*) provide for the representation of 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.

Regarding conflicts of interest, item (c) of Article 51 of the Securities Market Law states that companies whose shares are listed in a stock exchange, such as our case, who wish to enter into any contract or to conduct any action involving an amount greater than 5% of their assets with counterparties who are related to its directors, managers or shareholders that, directly or indirectly, hold more than 10% of the capital stock of the listed company, are required to obtain prior approval of the Board (where the relevant affiliate to the proposed counterparty will not be entitled to vote). In order to determine whether the 5% threshold is met, the latest available financial statements must be used. Likewise, in transactions in which the controlling shareholder of the listed company also controls the entity that is the counterparty of the listed company in the respective act or contract, it is further required that an external entity to the listed company review the terms of the transaction. Audit firms and other legal entities to be determined by the SMV are deemed to be external to the listed company. The reviewing external entity must not be related to any of the parties of the proposed transaction (nor shall it be directly or indirectly involved in the transaction), nor to the directors, managers or shareholders of at least 10% of the capital stock of the proposed parties to the transaction. An auditing firm that has audited the financial statements on the last two years is considered to be a related entity. In case of breach of these regulations, the company will be entitled to obtain reimbursement for any benefits obtained by the intervening parties.

Resolution SMV No. 029-2018-SMV-01, published in October 2018, regulated subsection(c) of Article 51 of the Securities Market Law. Among other aspects, this resolution established: (i) the criteria to determine which persons are to be considered related parties to the company, its shareholders, directors and managers; (ii) the requirements to be considered an external entity; (iii) that banks, stock brokers and valuation companies can also review those transactions between related parties described above; (iv) that directors shall be required to abstain from participating not only in the voting of the applicable matter, but also in the discussion thereof at the Board meeting where such transactions are discussed and in the meeting that selects the external entity for purposes of vetting the transaction terms; (v) that the external entity report shall include the analysis, and methods used to measure or value the assets and liabilities relating to the agreement or action subject to review and if the price constitutes "fair value" (as defined by IFRS 13); (vi) that the report of the external entity shall be available to the directors from the day the applicable meeting is called; and (vii) that the SMV may impose sanctions when a company fails to comply with the rules contained in Article 51 of the Securities Market Law.

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 Obligatory 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 Obligatory Meeting must be held during the three-month period after the end of each fiscal year. Additional General Meetings may be held during the year. Because we are a *sociedad anónima abierta*, we are subject to the special control of 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* 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*, 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 obligatory 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 is required by the Peruvian Companies Law. Furthermore, the Peruvian Companies Law forbids *sociedades anónimas abiertas*, such as us, from including in their By-laws stipulations limiting the transfer of their shares or restraining their trading in other ways. We cannot recognize a shareholders' agreement that contemplates limitations, restrictions or preferential rights on the transfer of shares, even if such agreement is recorded in our share register (*matrícula de acciones*) or in CAVALI ICLV S.A., unless they refer to shares that are nor 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 N° 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 N° 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 N°. 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 N° 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.

***Final Beneficial Owners***

Legislative Decree N° 1372 was published on August 2, 2018 and became effective on August 3, 2018. Its regulations were enacted by Supreme Decree N° 003-2019-EF, published on January 8, 2019. These provisions have established an additional obligation for companies and other legal entities to inform the identity of their final beneficial owners to help fight against tax evasion and elution, money laundering and financing of terrorism. Entities are required to carry out due diligence procedures and to meet criteria to identify the final beneficial owners as contemplated in Law N° 27693 and its regulations, while they must continue to follow the regulations from the SMV and the Bank Superintendence.

A final beneficial owner is defined as the individual that finally and effectively possesses or controls a company or legal entity or the individual that finally and effectively controls a client (as defined in Law N° 27693) on which name a transaction is performed. Companies and legal entities must create an internal procedure to obtain and keep the information about the identity of their final beneficial owners. Likewise, companies are obliged to report to the tax authority the information about their final beneficial owners. The following criteria shall be used to identify the final beneficial owners of a company:

a) Individual that directly or indirectly holds at least 10% of a company. Companies shall inform who are their final beneficial owners and the chain of property.

b) Individual that acting along or jointly with other persons as a decision making unit, or through other individuals or legal entities, has the right, other than because of property, to appoint or remove the majority of the management bodies or has the power to take resolutions on financial, operative and/or commercial matters or to control in any other way the legal entity.

c) When it is not possible to identify an individual following the criteria set forth in items a) and b), the individual that holds the highest administrative position will be deemed to be the final beneficial owner of a company.

Regardless of the above, "final beneficial owner" shall be interpreted consistently with the recommendations of the FATF. Regulations to Legislative Decree N° 1372 have been approved by Supreme Decree N° 003-2019-EF.As of March 1, 2019, the Tax Authority has not issued the ruling establishing when the obliged legal entities shall file the first obligatory report

**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, 2016 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%. 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 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.

***Other Considerations***

No Peruvian estate or gift taxes are imposed on the gratuitous transfer of ADSs or Common Shares. No stamp, transfer or similar tax applies to any transfer of Common Shares, except for commissions payable by seller and buyer to the Lima Stock Exchange (0.15% of value sold), fees payable to the SMV (0.05% 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.

As explained in Item 10. Memorandum and Articles of Association – *Final Beneficial Owners*, on August 2, 2018, Legislative Decree N° 1372 was published. This law entered into effect on August 3, 2018 and its regulations were enacted by Supreme Decree N° 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 includes 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. As of March 1, 2019, the Tax Authority had not issued the ruling or regulation establishing the first deadline for filing this mandatory report.

**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 depositary, 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 an ADS, 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 2018 taxable year. In addition, 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 2019 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, 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.

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 carrying 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 Exchange Act. In accordance with these requirements, we file annual reports and other information to the SEC. These materials, including this Annual Report on Form 20-F and the exhibits hereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and at the SEC's regional offices at 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604, and 3 World Financial Center, Suite 400, New York, New York 10281-1022. Copies of the materials may be obtained from the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549 at prescribed rates. The public may obtain information on the operation of the SEC's Public Reference Room by calling the SEC in the U.S. at 1-800-SEC-0330. The SEC also maintains a web site at http://www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC. Form 20-F reports and some of the other information submitted by us to the SEC may be accessed through this web site.

**I. Subsidiary Information**

Not applicable.

**ITEM 11. Quantitative and Qualitative Disclosures About Market Risk**

The following discussion contains forward-looking statements that are subject to risks and uncertainties, many of which are 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, 2019, we had no silver derivative contracts or gold convertible put option contracts in place.

From January to December 2019, El Brocal had outstanding hedging commitments amounting to 2,000 metric tons of copper at an average fixed price of US$ 7,348.5 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, 2019.

***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: | For: |
|---|---|
| US$5.00 (or less) per 100 ADSs (or portion of 100 ADSs) | • Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property<br>• 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 | • Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders |
| Registration or transfer fees | • Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares |
| Expenses of the Depositary | • Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)<br>• Converting foreign currency to U.S. Dollars |
| Taxes and other governmental charges the Depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes | • As necessary |
| Any charges incurred by the Depositary or its agents for servicing the deposited securities | • As necessary |

***Fees Incurred in Past Annual Period***

From January 1, 2019 to April 30, 2019, we received no fees from the Depositary 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 Depositary has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The Depositary has agreed to reimburse us for our continuing annual stock exchange listing fees. The Depositary 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 Depositary 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 Depositary will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the Depositary collects from investors.

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 deduction 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.

## 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, 2018, 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, 2018. 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, 2018.

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 Compañia de Minas Buenaventura S.A.A. and subsidiaries internal control over financial reporting as of December 31, 2018, 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, 2018, 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, 2018 and 2017, 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, 2018, and the related notes and our report dated April 30, 2019, 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 30, 2019

***Changes in Internal Control Over Financial Reporting***

There has been no change in our internal control over financial reporting during 2018 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. German Suárez is the Audit Committee financial expert as defined in Item 16A of Form 20-F. The Board of Directors has also determined that Mr. Suárez 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 EY Global, be elected as the independent auditor for 2018. 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, 2017 and 2018, 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 2017 and 2018.

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2018 | |
| Audit Fees | US$ | 1,089,169 | US$ | 1,029,235 |
| Tax Fees | US$ | 47,129 | US$ | 35,970 |
| All other fees | US$ | 88,003 | US$ | 86,080 |
| Total | US$ | 1,224,301 | US$ | 1,151,285 |

*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 2017 and 2018.

*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, transfer pricing studies and tax consultations.

*Audit Committee Pre-approval Policies and Procedures*

Our Audit Committee is responsible for the oversight of the independent auditor. The Audit Committee has adopted a policy regarding pre-approval of audit services provided by our independent auditors, or the “Policy.” In accordance with the Policy, the Audit Committee must pre-approve the provision of services by our independent auditor for all audit and non-audit services before commencement of the specified service. The Audit Committee approved all audit and tax fees in 2017 and 2018.

**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, 2018, 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**



(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).

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.† |
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| 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/ LEANDRO GARCIA
Leandro Garcia
Chief Financial Officer

Dated: April 30, 2019

**Exhibit Index**

| Exhibit No. | Document Description |
|---|---|
| 1.1 | By-laws (*Estatutos*) of Compañía de Minas Buenaventura S.A.A., as amended April 30, 2002 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003). |
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**Compañía de Minas Buenaventura S.A.A. and Subsidiaries**

Consolidated Financial Statements for the years 2018, 2017 and 2016, 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 2018, 2017 and 2016, together with the Report of Independent Registered Public Accounting Firm

**Content**

# 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 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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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 30, 2019 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.

Report of Independent Registered Public Accounting Firm (continued)

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.

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 30, 2019

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

## Consolidated statements of financial position

As of December 31, 2018 and 2017

| | Note | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 369,200 | 214,551 |
| Trade and other receivables, net | 7(a) | 211,715 | 314,308 |
| Inventories, net | 8(a) | 135,919 | 132,287 |
| Income tax credit | | 24,396 | 23,165 |
| Prepaid expenses | 9(a) | 17,145 | 17,551 |
| Hedge derivative financial instruments | 32 | 2,759 | - |
| | | 761,134 | 701,862 |
| **Non-current assets** | | | |
| Trade and other receivables, net | 7(a) | 40,593 | 44,191 |
| Inventories, net | 8(a) | 3,812 | 3,238 |
| Income tax credit | | 319 | 3,413 |
| Investments in associates and joint ventures | 10(a) | 1,473,382 | 1,536,887 |
| Mining concessions, development costs, property, plant and equipment, net | 11 | 1,847,615 | 1,949,555 |
| Investment properties, net | | 222 | 222 |
| Deferred income tax asset, net | 28(b) | 38,305 | 43,129 |
| Prepaid expenses | 9(a) | 26,578 | 27,555 |
| Other asset, net | 12 | 25,261 | 22,761 |
| | | 3,456,087 | 3,630,951 |
| **Total assets** | | 4,217,221 | 4,332,813 |
| **Liabilities and shareholders' equity, net** | | | |
| **Current liabilities** | | | |
| Bank loans | 13 | 95,000 | 96,215 |
| Trade and other payables | 14(a) | 188,084 | 233,355 |
| Provisions and contingent liabilities | 15(a) | 68,172 | 76,847 |
| Income tax payable | | 1,760 | 2,081 |
| Financial obligations | 16(a) | 46,166 | 83,991 |
| Hedge derivative financial instruments | 32 | - | 28,705 |
| | | 399,182 | 521,194 |
| **Non-current liabilities** | | | |
| Trade and other payables | 14(a) | 639 | 663 |
| Provisions and contingent liabilities | 15(a) | 199,762 | 164,877 |
| Financial obligations | 16(a) | 540,896 | 549,092 |
| Contingent consideration liability | 27(b) | 15,755 | 17,570 |
| Deferred income tax liabilities, net | 28(b) | 31,422 | 15,790 |
| | | 788,474 | 747,992 |
| **Total liabilities** | | 1,187,656 | 1,269,186 |
| **Shareholders' equity, net** | 17 | | |
| Capital stock | | 750,497 | 750,497 |
| Investment shares | | 791 | 791 |
| Additional paid-in capital | | 218,450 | 218,450 |
| Legal reserve | | 163,115 | 163,071 |
| Other reserves | | 269 | 269 |
| Retained earnings | | 1,675,909 | 1,728,847 |
| Other reserves of equity | | (703) | (13,888) |
| Shareholders 'equity, net attributable to owners of the parent | | 2,808,328 | 2,848,037 |
| Non-controlling interest | 18(a) | 221,237 | 215,590 |
| **Total shareholders' equity, net** | | 3,029,565 | 3,063,627 |
| **Total liabilities and shareholders' equity, net** | | 4,217,221 | 4,332,813 |

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

## Consolidated statements of profit or loss

For the years ended December 31, 2018, 2017 and 2016

| | Note | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| **Operating income:** | | | | |
| Net sales of goods | 20(b) | 1,122,995 | 1,223,942 | 1,015,670 |
| Net sales of services | 20(b) | 24,001 | 29,697 | 28,782 |
| Royalty income | 20(b) | 20,385 | 20,739 | 24,339 |
| **Total operating income** | | 1,167,381 | 1,274,378 | 1,068,791 |
| **Operating costs** | | | | |
| Cost of sales of goods, excluding depreciation and amortization | 21(a) | (625,484) | (627,433) | (497,812) |
| Cost of services, excluding depreciation and amortization | 21(b) | (4,318) | (12,954) | (10,754) |
| Exploration in operating units | 22 | (90,343) | (94,928) | (96,149) |
| Depreciation and amortization | | (241,286) | (213,722) | (192,647) |
| Mining royalties | 23 | (21,526) | (31,217) | (27,611) |
| **Total operating costs** | | (982,957) | (980,254) | (824,973) |
| **Gross profit** | | 184,424 | 294,124 | 243,818 |
| **Operating expenses, net** | | | | |
| Administrative expenses | 24 | (78,760) | (83,597) | (81,692) |
| Exploration in non-operating areas | 25 | (36,307) | (18,262) | (26,589) |
| Selling expenses | | (27,522) | (24,088) | (21,733) |
| Reversal (provision) and contingent liabilities | 15(c) | 11,239 | (13,879) | (565) |
| Impairment recovery (loss) of long-lived assets | 11(b) | 5,693 | (21,620) | - |
| Write – off of stripping activity asset | 11(e) | - | (13,573) | - |
| Other, net | 26 | (5,012) | (13,589) | 18,957 |
| **Total operating expenses** | | (130,669) | (188,608) | (111,622) |
| **Operating profit** | | 53,755 | 105,516 | 132,196 |
| **Other income (expense), net** | | | | |
| Finance costs | 27 | (38,456) | (34,623) | (31,580) |
| Net gain (loss) from currency exchange difference | | (1,366) | 2,928 | 2,638 |
| Share in the results of associates | 10(b) | (1,144) | 13,207 | (365,321) |
| Finance income | 27 | 9,686 | 5,517 | 6,830 |
| **Total other income (expenses), net** | | (31,280) | (12,971) | (387,433) |
| **Profit (loss) before income tax** | | 22,475 | 92,545 | (255,237) |
| Current income tax | 28(c) | (16,928) | (23,837) | (39,444) |
| Deferred income tax | 28(c) | (9,998) | 5,825 | (14,060) |
| **Profit (loss) from continuing operations** | | (4,451) | 74,533 | (308,741) |
| **Discontinued operations** | | | | |
| Net loss from discontinued operations attributable to equity holders of the parent | 1(e) | (7,203) | (10,098) | (19,073) |
| **Profit (loss) for the year** | | (11,654) | 64,435 | (327,814) |
| **Attributable to:** | | | | |
| Equity holders of the parent | | (13,445) | 60,823 | (323,492) |
| Non-controlling interest | 18(a) | 1,791 | 3,612 | (4,322) |
| | | (11,654) | 64,435 | (327,814) |
| Basic and diluted profit (loss) per share attributable to equity holders of the parent, stated in U.S. dollars | 17(e) | (0.05) | 0.24 | (1.27) |
| Profit (loss) for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in US dollars | 17(e) | (0.02) | 0.28 | (1.20) |

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

## Consolidated statements of other comprehensive income

For the years ended December 31, 2018, 2017 and 2016

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Net profit (loss)** | (11,654) | 64,435 | (327,814) |
| **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 | 31,464 | (26,822) | (4,368) |
| Income tax effect | (9,916) | 7,963 | (1,301) |
| Unrealized gain on investments | 1,053 | (427) | 279 |
| | 22,601 | (19,286) | (5,390) |
| **Total other comprehensive profit (loss), net of income tax** | 10,947 | 45,149 | (333,204) |
| **Attributable to:** | | | |
| Equity holders of the parent | (260) | 48,718 | (327,515) |
| Non-controlling interests | 11,207 | (3,569) | (5,689) |
| | 10,947 | 45,149 | (333,204) |

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

## Consolidated statements of changes in equity

For the years ended December 31, 2018, 2017 and 2016

| | 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$(000) | Total equity US$(000) |
| **As of January 1, 2016** | 253,715,190 | 750,497 | 1,396 | 219,055 | 162,714 | 269 | 2,024,895 | 2,240 | 3,161,066 | 228,170 | 3,389,236 |
| Net loss | - | - | - | - | - | - | (323,492) | - | (323,492) | (4,322) | (327,814) |
| Other comprehensive loss | - | - | - | - | - | - | - | (4,023) | (4,023) | (1,367) | (5,390) |
| **Total other comprehensive income (loss)** | - | - | - | - | - | - | (323,492) | (4,023) | (327,515) | (5,689) | (333,204) |
| Dividends declared and paid, note 17(d) | - | - | - | - | - | - | (7,621) | - | (7,621) | (7,400) | (15,021) |
| Expired dividends, note 17(c) | - | - | - | - | 30 | - | - | - | 30 | - | 30 |
| Change in non-controlling interest, note 18 (a) | - | - | - | - | - | - | (3,659) | - | (3,659) | 11,041 | 7,382 |
| Treasury shares, note 17(b) | - | - | (605) | (605) | - | - | - | - | (1,210) | - | (1,210) |
| **As of December 31, 2016** | 253,715,190 | 750,497 | 791 | 218,450 | 162,744 | 269 | 1,690,123 | (1,783) | 2,821,091 | 226,122 | 3,047,213 |
| Net profit | - | - | - | - | - | - | 60,823 | - | 60,823 | 3,612 | 64,435 |
| Other comprehensive loss | - | - | - | - | - | - | - | (12,105) | (12,105) | (7,181) | (19,286) |
| **Total other comprehensive income (loss)** | - | - | - | - | - | - | 60,823 | (12,105) | 48,718 | (3,569) | 45,149 |
| Dividends declared and paid, note 17(d) | - | - | - | - | - | - | (22,099) | - | (22,099) | (6,036) | (28,135) |
| Expired dividends, note 17(c) | - | - | - | - | 327 | - | - | - | 327 | - | 327 |
| Change in non-controlling interest, note 18 (a) | - | - | - | - | - | - | - | - | - | (927) | (927) |
| **As of December 31, 2017** | 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 loss | - | - | - | - | - | - | - | 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 10(b) | - | - | - | - | - | - | (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 |

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

## Consolidated statements of cash flows

For the years ended December 31, 2018, 2017 and 2016

| | Note | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Proceeds from sales | | 1,216,294 | 1,197,523 | 1,003,422 |
| Tax recovery | | 106,656 | 102,548 | 117,661 |
| Dividends received | 30(a) | 46,792 | 9,823 | 142,340 |
| Proceeds from insurance claim | 7(g) | 38,793 | - | - |
| Royalty received | | 20,013 | 21,565 | 25,961 |
| Interest received | | 2,383 | 3,169 | 2,140 |
| Payments to suppliers and third parties | | (861,282) | (872,467) | (672,419) |
| Payments to employees | | (151,602) | (160,891) | (138,113) |
| Income tax paid | | (30,898) | (38,121) | (35,401) |
| Interest paid | | (27,699) | (30,402) | (34,138) |
| Payments of mining royalties | | (13,190) | (20,165) | (20,052) |
| **Net cash and cash equivalents provided by operating activities** | | 346,260 | 212,582 | 391,401 |
| | | | | |
| **Investing activities** | | | | |
| Proceeds from sale of mining concessions, development costs, property, plant and equipment | | 2,240 | 1,962 | 7,180 |
| Additions to mining concessions, development costs, property, plant and equipment | 11(a) | (111,270) | (259,507) | (366,834) |
| Payments for acquisition of other assets | 12 | (8,529) | (5,405) | (5,222) |
| Proceeds from collection of loan to an associate | 30(a) | - | 124,800 | - |
| **Net cash and cash equivalents used in investing activities** | | (117,559) | (138,150) | (364,876) |
| | | | | |
| **Financing activities** | | | | |
| Proceeds from bank loans | 13 | 95,000 | 341,215 | 200,500 |
| Payments of bank loans | 13 | (95,000) | (300,000) | (442,957) |
| Proceeds from financial obligations | 16(f) | - | 80,000 | 275,210 |
| Payments of financial obligations | 16(f) | (45,222) | (32,599) | (33,476) |
| Dividends paid to controlling shareholders | 14(c) | (22,860) | (22,099) | (7,621) |
| Dividends paid to non-controlling shareholders | 17(d) | (5,560) | (6,036) | (7,400) |
| Increase of restricted bank accounts | 7(e) | (410) | (285) | (2,087) |
| Purchase of treasury share | 17(b) | - | - | (1,210) |
| Acquisition of non-controlling interest | 18(a) | - | (621) | (5,459) |
| **Net cash and cash equivalents provided by (used in) financing activities** | | (74,052) | 59,575 | (24,500) |
| | | | | |
| Increase in cash and cash equivalents for the year, net | | 154,649 | 134,007 | 2,025 |
| Cash and cash equivalents at beginning of year | | 214,551 | 80,544 | 78,519 |
| **Cash and cash equivalents at year-end** | | 369,200 | 214,551 | 80,544 |
| | | | | |
| **Financing and investing activities not affecting cash flows:** | | | | |
| Changes in mine closures plans | 15(b) | 42,874 | 10,594 | 34,532 |
| Contingent consideration liability | 27(b) | 1,815 | 1,773 | 2,349 |
| Accounts receivable from sale of assets | 7(a) | 2,715 | 5,371 | 5,204 |

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

Notes to the consolidated financial statements
For the years 2018, 2017 and 2016

## 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 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.

(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 five operating mining units in Peru (Uchucchacua, Orcopampa, Julcani, Mallay 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 Sociedad Minera El Brocal S.A.A. (hereinafter "El Brocal"), which operates the Colquijirca mining unit; in Minera La Zanja S.R.L. (hereinafter "La Zanja"), which operates La Zanja mining unit; in El Molle Verde S.A.C. (hereinafter "Molle Verde") which operates Trapiche, a mining unit at the development stage; and in other entities dedicated to energy generation and transmission services, and other activities. All these activities are developed in Peru.

(c) Approval of consolidated financial statements -
The consolidated financial statements as of December 31, 2018 were approved by the Audit Committee on April 30, 2019.

The consolidated financial statements as of December 31, 2017 were approved by the Audit Committee on April 27, 2018.

(d) The consolidated financial statements include the financial statements of the following subsidiaries:

| | Country of incorporation and business | Ownership as of December 31, 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | Direct % | Indirect % | Direct % | Indirect % |
| **Mining activities:** | | | | | |
| 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. | Peru | - | 94.27 | - | 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 |
| | | | | | |
| **Construction, engineering services and 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 |
| Buenaventura Ingenieros S.A. (**) | Peru | - | - | 100.00 | - |
| BISA Argentina S.A. (***) | Argentina | - | - | 56.42 | 43.58 |
| | | | | | |
| **Industrial activities:** | | | | | |
| Procesadora Industrial Río Seco S.A. | Peru | 100.00 | - | 100.00 | - |

(*) As of December 31, 2018 and 2017, 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, 2018 and 2017), has an interest in El Brocal's capital stock, through which the Company holds an indirect participation in El Brocal of 58.24 as of December 31, 2018 and 2017.

(**) As of 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 generates a net loss of US$4.1 million. See note 26.

(***) As of August 06, 2018, the liquidation of this subsidiary was made.

(****) As of December 31, 2018 and 2017, the Group's financial statements include consolidated assets and liabilities corresponding to the trust assets held as part of the financial leasing and lease back agreements maintained by El Brocal (which operates the Colquijirca mining unit) and Empresa de Generación Huanza S.A., with the Banco de Credito del Peru, see notes 16(a) and 11(c).

(e) Discontinued operations
During 2017, the Group sold the Breapampa and Recuperada mining units for US$2.0 million and US$0.6 million, respectively. As a result of such sales, the Group recorded reversals of the provision of impairment loss of long-lived assets and costs for sales of assets and supplies, which originated a net loss of US$4.0 million.

During 2016, the Group sold the Antapite mining unit for US$1.0 million, which resulted in a net loss of US$3.0 million.

During 2017, as a result of the sales in 2017 and 2016, the Company received the confirmation from the Ministry of Energy and Mines of the transfer of its obligation for closure of mining units, which generated a reversal of US$11.8 million.

The net cash flows used by the mining units with discontinued operations for the years 2018, 2017 and 2016, are presented below:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| Operating activities | (6) | (8) | (7) |
| Net decrease in cash and cash equivalents during the year | (6) | (8) | (7) |

The results of the discontinued operations mining units for the years 2018, 2017 and 2016 are presented below:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Operating income** | | | |
| Net sales | - | - | 1,149 |
| **Total income** | - | - | 1,149 |
| **Operating costs** | | | |
| Cost of sales, excluding depreciation and amortization | - | - | (4,842) |
| Exploration | - | - | (3,777) |
| Depreciation and amortization | - | - | (5,049) |
| Mining royalties | - | - | (11) |
| **Total operating costs** | - | - | (13,679) |
| **Gross loss** | - | - | (12,530) |
| **Operating income (expenses), net** | | | |
| Reversal of Impairment loss of long-lived assets, note 11(b) | 2,837 | 17,197 | - |
| Changes in provision for closure of mining units, note 15(b) | (6,013) | (12,701) | (3,365) |
| Derecognition of long-lived assets | (2,837) | - | - |
| Net loss in sale of mining units | - | (18,550) | (3,014) |
| Administrative expenses | - | (941) | (111) |
| Reversal (provision) for contingencies | - | (423) | 901 |
| Gain (loss) for sale in other assets | - | (162) | 3,200 |
| Reversal of provision for closure of mining units for sale of mining units, note 15(b) | - | 11,700 | - |
| Reversal of provision for impairment of inventories, note 8(c) | - | 1,345 | 706 |
| Impairment loss of long-lived assets, note 11(b) | - | - | (2,043) |
| Others, net | (1,147) | (6,871) | (1,793) |
| **Total operating expenses, net** | (7,160) | (9,406) | (5,519) |
| **Operating loss** | (7,160) | (9,406) | (18,049) |
| **Other income (expense), net** | | | |
| Finance costs, note 15(b) | (54) | (694) | (970) |
| Net gain (loss) from currency exchange difference | 11 | 2 | (50) |
| **Total other expenses, net** | (43) | (692) | (1,020) |
| **Loss before income tax** | (7,203) | (10,098) | (19,069) |
| Income tax | - | - | (4) |
| **Loss from discontinued operations** | (7,203) | (10,098) | (19,073) |
| Loss from the discontinued operations, per basic and diluted share, express in U. S. dollars | (0.03) | (0.04) | (0.07) |

**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.

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.

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.

2.3. Changes in accounting policies and disclosures -

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018; 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.

*IFRS 15 Revenue from Contracts with Customers*

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the Group elected to apply the standard only to contracts that are not completed as of January 1, 2018.

The Group concluded that there are no adjustments as a consequence of initially applying IFRS 15, therefore no effects were recognised at the date of initial application. Comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

*IFRS 9 Financial Instruments*

The Group applied IFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. There were no adjustments to the financial statements arising from the adoption of IFRS 9.

Adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. Upon adoption of IFRS 9 no additional impairment was recognized.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. Upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as of January 1, 2018.

| | | IFRS 9 measurement category | | |
|---|---|---|---|---|
| | **US$(000)** | **Fair value through profit or loss** US$(000) | **Amortized cost** US$(000) | **Fair value through other profit or loss** US$(000) |
| **IAS 39 measurement category** | | | | |
| **Financial Assets -** | | | | |
| Loans and receivables - | | | | |
| Trade receivables (without provisional prices) | 61,188 | - | 61,188 | - |
| Trade receivables (with provisional prices) | 144,844 | 152,268 | - | - |
| Other accounts receivables | 51,808 | - | 51,808 | - |
| | | | | |
| Financial assets at fair value through profit and loss - | | | | |
| Embedded derivatives | 7,424 | - | - | - |
| | | | | |
| **Financial Liabilities -** | | | | |
| Loans and borrowings - | | | | |
| Bank loans | 96,215 | - | 96,215 | - |
| Financial obligations | 633,083 | - | 633,083 | - |
| Trade and other payables | 220,042 | - | 220,042 | - |
| | | | | |
| Financial liability at fair value through profit and loss - | | | | |
| Contingent consideration liability | 17,570 | 17,570 | - | - |
| | | | | |
| **Fair value with changes in profit (loss) -** | | | | |
| Hedge derivative financial instruments | 28,705 | - | - | 28,705 |

Hedge accounting -
The Group applied hedge accounting prospectively. At the date of initial application, all of the Group’s existing hedging relationships were eligible to be treated as continuing hedging relationships. Upon adoption of the hedge accounting requirements of IFRS 9, the Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognised in OCI and accumulated as a separate component of equity under “Other reserves of equity” caption. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

Under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of IFRS 9 and has no impact on the presentation of comparative figures.

2.4. Summary of significant accounting policies -

(a) Foreign currencies -

The consolidated financial statements are presented in US dollars, which is also the Group’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.

*Transactions and balances*
Transactions in foreign currency (a currency other than the functional 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. Gains or losses from exchange differences arising from the settlement or translation of monetary assets and liabilities are recognized in the consolidated statements of profit or loss.

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.

(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 amortised 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 Group's business model for managing them. With the exception of 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.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest¨ 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 time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date.

Subsequent measurement -
For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost.
- Financial assets at fair value through OCI.
- Financial assets at fair value through profit or loss.

*Financial assets at amortised cost -*
The Group measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

This category generally applies to the "Trade and other receivables, net" caption.

*Financial assets at fair value through OCI -*
Financial assets are classified and measured at fair value through other comprehensive income 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 amortised 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 recognised in the consolidated statements of profit or loss.

This category generally applies to the "Trade and other receivables, net" caption.

*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 into 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 of 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 recognises 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 recognised 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 recognises 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.

The Group considers a financial asset in default when contractual payments are 90 days past due. 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 and 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 the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into 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 not designated financial liabilities as at fair value through profit or loss.

*Loans and borrowings* -
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.

*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.

(c) Cash and cash equivalents -
Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand, and short-term deposits with a maturity of three months or less, which are 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.

(d) Inventories -
Finished goods and in process products 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 long-term.

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 (reversal) for losses on the net realizable value are calculated based on a specific analysis conducted annually by the Management and is charged to income in the period in which it determines the need for the provision (reversal).

(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.

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 acquire. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of profit or loss.

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 and 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 acquire, 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 ventures -
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 is 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. 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 other comprehensive income 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.

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. 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.
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. The capitalized value of a finance lease is also included in this caption.

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. Also, 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 | Between 6 and 20 |
| Machinery and equipment | Between 5 and 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.

(i) Leases -
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

*Group as a lessee -*
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risk and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Payment related to operating leases are recognized as operating expenses in the consolidated statement of profit and loss under a straight-line amortization under the period of the lease.

*Group as a lessor* -
Leases in which the Group does not transfer substantially all the risk and rewards of ownership of an asset are classified as operating leases.

Initial direct cost 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 contains ore reserves acquired. Mining concessions are stated at cost and are amortized on units of production method, using as the basis of 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 to be probable of economic extraction at the time of a business combination.

At end of each year, the Group evaluates if there is any indicator of impairment. If any indicator exists, the Group estimates the asset’s recoverable amount.

Mining concessions are presented in the caption of mining concessions, development costs, property, plant and equipment, net.

(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 includes:

- 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 caption mining concessions, development costs and property, plant and equipment, net. 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.

To identify components of 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 a number of 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, property, plant and equipment, net 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 cost is stated at cost less accumulated depreciation and accumulated impairment losses, if any.

(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 either when 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 the 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 an asset’s or cash-generating unit' (CGU) fair value less costs of disposal and its value in use. 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 pre-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 after the fifth year.

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.

For assets in general, 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* -
When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets (property, plant and equipment). Over time, the discounted liability is increased for the change in present value based on discounted rates that reflects current market assessments and the risks specify 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 rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the related asset. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of the asset. If it does, any excess over the carrying amount is taken immediately to the consolidated statements of profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment, in accordance with IAS 36 "Impairment of Assets".

For closed mines, changes to estimated costs are recognized immediately in the consolidated statements of profit or loss.

(p) Treasury shares -
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 disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

*Sales of concentrates and metals* -
Revenue from sale of concentrates and metals is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon 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 consider 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.

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. There 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. Sales of concentrates and metals at provisionally prices include a gain (loss) to be received at the end of the quotation period (QP).

Revenue is recognized at the amount the Group expects to be entitled – being the estimate of the price expected to be received at the end of the quotation period (QP) 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 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, the Group shall present the contract as a contract asset, excluding any amounts presented as a trade receivable.

*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.

*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.

*Royalty income -*
The royalty income is recognized in accordance with the accrual method considering the substance of the relevant agreement.

*Dividends -*
Revenue is recognized when the Group's right to receive the payment is established, which is generally when 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 revenue in the consolidated statement of profit or loss due to its operating nature.

(r) Benefits to employees -
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.

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. A qualifying asset is one whose 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.

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 foreseeable 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 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 other comprehensive income 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.

*Peruvian mining royalties and special mining tax -*
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 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.

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 its foreign exchange 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.

Before January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning January 1, 2018, 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 of 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 actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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 caption other equity reserves, 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(e). All other notes to the consolidated financial statements include amounts for continuing operations, unless otherwise mentioned.

## 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 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 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.

When a mine development /construction project moves into the production phase, the capitalization of certain mine development costs ceases 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) Revenue from contracts with customers -
The Group applied the judgement for determining the timing of satisfaction of services of revenue from contracts with customers. The Group concluded that revenue related to services such as energy generation and transmission, industrial services, and other services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group 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 -
The Group calculates its reserves using methods generally applied by mining and industry according to international guidelines. 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 choices. 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 materially 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 closure of mining units.

(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. The life of each item, which is assessed at least annually, has regard to 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. Changes in estimates are accounted for prospectively.

(c) Mine rehabilitation provision -
The Group assesses its mine rehabilitation provision 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 there are many factors that can affect the final amount of this provision. These factors include estimates of the extent and costs of rehabilitation 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 rehabilitation costs required.

(d) Inventories, net -
Inventories are classified in short and long term in accordance with the time that Management estimates will start the production of the concentrate extracted from the mining unit.

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.

(e) 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 to be the higher of the fair value less costs of disposal and 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.

(f) Taxes -
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**

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*IFRS 16 Leases* -
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Based on contracts outstanding at December 31, 2018, the adoption of the new standard will result in the recognition of right-of-use assets and lease liabilities in January 2019, an amount of approximately 0.4% of consolidated total assets and approximately 1.7% of consolidated total liabilities.

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatment* -
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019, but certain transition reliefs are available. The Group is evaluating the impact of IFRIC 23 in its consolidated financial statements and plans to adopt the new standard on the required effective date.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* -
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

*Annual Improvements 2015-2017 Cycle (issued in December 2017)* -
These improvements include:

IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1,2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

**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, 2018, the exchange rates for U.S. dollars published by this Institution were US$0.2968 for buying and US$0.2959 for selling (US$0.3088 for buying and US$0.3082 for selling as of December 31, 2017), and have been applied by the Group for the assets and liabilities accounts, respectively.

As of December 31, 2018 and 2017, the Group presents the following assets and liabilities originally denominated in Soles by its equivalent in U.S. dollars:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | 11,526 | 6,233 |
| Trade and other receivables | 88,513 | 154,506 |
| Income tax credit | 24,277 | 24,779 |
| Prepaid expenses | - | 1,182 |
| | 124,316 | 186,700 |
| **Liabilities** | | |
| Bank loans | - | (1,215) |
| Trade and other payables | (53,962) | (100,860) |
| Income tax payable | (2,080) | (7,088) |
| Provisions and contingent liability | (31,282) | (35,572) |
| | (87,324) | (144,735) |
| **Net asset position** | 36,992 | 41,965 |

## 6. Cash and cash equivalents

(a) This caption is made up as follows:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| Cash | 347 | 327 |
| Bank accounts (b) | 57,078 | 51,953 |
| Time deposits (c) | 311,775 | 162,271 |
| | 369,200 | 214,551 |

(b) Bank accounts earn interest at floating rates based on market rates.

(c) As of December 31, 2018 and 2017, time deposits were kept in prime financial institutions, which generated interest at annual market rates and had original maturities of less than 90 days, according to the immediate cash needs of the Group.

## 7. Trade and other receivables, net

(a) Trade and other receivables, net

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Trade receivables, net (b)** | | |
| Domestic clients | 105,225 | 109,543 |
| Foreign clients | 56,312 | 119,388 |
| Related entities, note 30(b) | 7,177 | 7,348 |
| | 168,714 | 236,279 |
| Allowance for expected credit losses (f) | (22,013) | (22,823) |
| | 146,701 | 213,456 |
| **Other receivables** | | |
| Value added tax credit | 49,332 | 74,785 |
| Accounts receivables to third parties | 24,625 | 27,859 |
| Advances to suppliers | 7,542 | 1,977 |
| Refund applications of value added tax (c) | 6,574 | 18,450 |
| Tax deposits (d) | 4,769 | 9,733 |
| Account receivables from hedges derivatives | 3,949 | 2,300 |
| Related entities, note 30(b) | 3,705 | 732 |
| Interest receivables | 3,000 | 1,719 |
| Restricted bank accounts (e) | 2,782 | 2,372 |
| Due from for sales of assets | 2,715 | 5,371 |
| Tax claims | 2,573 | 2,300 |
| Loans to personal | 1,392 | 1,179 |
| Insurance claim (g) | - | 3,716 |
| Other minor | 2,738 | 1,911 |
| Allowance for expected credit losses (f) | (10,089) | (9,361) |
| | 105,607 | 145,043 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |
| | | |
| **Classification by maturity:** | | |
| Current portion | 211,715 | 314,308 |
| Non-current portion | 40,593 | 44,191 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |
| | | |
| **Classification by nature:** | | |
| Financial receivables | 196,402 | 265,264 |
| Non-financial receivables | 55,906 | 93,235 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |
| | | |
| **Classification by measurement :** | | |
| Trade receivables (without provisional prices) | 39,152 | 61,188 |
| Trade receivables (with provisional prices) | 107,549 | 152,268 |
| Other accounts receivables | 105,607 | 145,043 |
| **Total trade and other receivables, net** | 252,308 | 358,499 |

(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) This item mainly corresponds current year applications that have been refunded during 2018.

(d) Corresponds to deposits held in the Peruvian State bank which only can be used to offset tax obligations that companies have with the Tax Authorities.

(e) These balances correspond to restricted bank accounts for 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:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Beginning balance** | 2,372 | 2,087 | - |
| Increase in restricted bank accounts | 410 | 285 | 2,087 |
| **Final balance** | 2,782 | 2,372 | 2,087 |

(f) Below is presented the movement in the allowance for expected credit losses:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Beginning balance** | 32,184 | 31,607 | 26,520 |
| Provision for other receivable, note 26 | 1,334 | - | - |
| Provision for trade receivables, note 24 | 18 | 676 | 5,087 |
| Provision of the period | 1,352 | 676 | 5,087 |
| Write off of the period | (410) | - | - |
| Exchange difference | (173) | - | - |
| Reversals of the period, note 26 | (45) | (99) | - |
| Other minor | (806) | - | - |
| **Final balance** | 32,102 | 32,184 | 31,607 |
| Trade receivables | 22,013 | 22,823 | 22,644 |
| Other receivables | 10,089 | 9,361 | 8,963 |
| | 32,102 | 32,184 | 31,607 |

In the opinion of the Group's Management, the balance of the allowance for expected credit lossesis sufficient to cover adequately the risks of failure to date of the consolidated statement of financial position.

(g) 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.

As of December 31, 2017 corresponds to the recovery income of the insurance claim that occurred in the rotor 1 of the 20x30 mill and in the conveyor belt corresponding to the incident that occurred in 2016, for approximately US$4,175,000, and the incurred cost associated amounts to US$2,985,000, resulting in a net effect of US$1,190,000.

**8. Inventory, net**

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Finished goods | 7,715 | 6,151 |
| Products in process (b) | 73,796 | 56,190 |
| Spare parts and supplies | 81,383 | 84,787 |
| | 162,894 | 147,128 |
| Provision for impairment of value of inventory (c) | (23,163) | (11,603) |
| | 139,731 | 135,525 |
| **Classification by use:** | | |
| Current portion | 135,919 | 132,287 |
| Non-current portion | 3,812 | 3,238 |
| | 139,731 | 135,525 |

(b) Products in process include mineral deposits located in the Tajo Norte mining unit (El Brocal). The detail of this mineral as of December 31, 2018 and 2017 is presented below:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | US$(000) | DMT | US$(000) | DMT |
| Mineral in stock piles | 5,297 | 342,411 | 7,173 | 463,746 |
| Fresh mineral in plant | 32,506 | 1,818,008 | 11,983 | 835,613 |
| Tail mineral | - | - | 279 | 30,110 |
| | 37,803 | 2,160,419 | 19,435 | 1,329,469 |
| Provision for impairment of value in mineral classified in process | (1,467) | - | (1,467) | - |
| | 36,336 | 2,160,419 | 17,968 | 1,329,469 |
| **Classification by use:** | | | | |
| Current portion | 33,383 | | 14,730 | |
| Non-current portion | 2,953 | | 3,238 | |
| | 36,336 | | 17,968 | |

El Brocal´ Management estimates to use the non-current mineral during the years 2019 and 2020, according to the new mining plans prepared by El Brocal.

c) The provision for impairment of value of inventory had the following movement during the years 2018, 2017 and 2016:

| | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|
| **Beginning balance** | 11,603 | 8,386 | 20,472 |
| Provision for impairment of finished and in progress goods, note 21(a) | 4,640 | 2,118 | - |
| Reversal for impairment of finished and in progress goods (continuing operations), note 21(a) | (119) | - | (7,581) |
| Provision for impairment of spare parts and supplies, note 26 | 7,039 | 2,444 | - |
| Reversal for impairment of spare parts and supplies (discontinued operations), note 1 (e) | - | (1,345) | (706) |
| Transfer from mining units held for sale | - | - | 1,448 |
| Reversal in provision for impairment of inventories | - | - | (5,137) |
| Reversal for impairment of spare parts and supplies, note 26 | - | - | (110) |
| **Final balance** | 23,163 | 11,603 | 8,386 |

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:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| Prepaid rentals (b) | 27,464 | 28,349 |
| Prepaid insurances | 12,486 | 12,401 |
| Deferred costs of works for taxes | 2,407 | 2,013 |
| Other prepaid expenses | 1,366 | 2,343 |
| | 43,723 | 45,106 |
| **Classification by maturity:** | | |
| Current portion | 17,145 | 17,551 |
| Non-current portion | 26,578 | 27,555 |
| | 43,723 | 45,106 |

(b) This item corresponds to the balance of an original prepayment of US$31 million for the lease of hydraulic installations by the subsidiary Empresa de Generacion 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 ventures

(a) This caption is made up as follows:

| | Share in equity | | | |
|---|---|---|---|---|
| | 2018 % | 2017 % | 2018 US$(000) | 2017 US$(000) |
| **Associates** | | | | |
| Sociedad Minera Cerro Verde S.A.A. | 19.58 | 19.58 | 1,108,284 | 1,124,008 |
| Minera Yanacocha S.R.L. | 43.65 | 45.95 | 271,036 | 324,861 |
| Compañía Minera Coimolache S.A. | 40.10 | 40.10 | 89,554 | 86,183 |
| | | | 1,468,874 | 1,535,052 |
| Other minor investments | | | 1,835 | 1,835 |
| Joint ventures | | | 2,673 | - |
| | | | 1,473,382 | 1,536,887 |

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

| | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|
| Minera Yanacocha S.R.L. | (35,582) | (76,585) | (455,598) |
| Sociedad Minera Cerro Verde S.A.A. | 23,444 | 68,521 | 66,763 |
| Compañía Minera Coimolache S.A. | 10,994 | 21,271 | 23,514 |
| | (1,144) | 13,207 | (365,321) |

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 2018, 2017 and 2016. 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.R.M.L. Chaupiloma Dos de Cajamarca (subsidiary of the Group), with which signed a contract of use of mineral rights.

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.

The table below presents key financial data from the financial statements of Yanacocha under IFRS:

| | **2018**<br>US$(000) | **2017**<br>US$(000) |
|---|---|---|
| **Statements of financial position as of December 31:** | | |
| Current assets | 960,758 | 1,055,135 |
| Non-current assets | 1,086,714 | 964,260 |
| Current liabilities | (128,170) | (123,315) |
| Non-current liabilities | (1,335,579) | (1,236,965) |
| **Shareholders' equity, reported** | 583,723 | 659,115 |
| Groups' interest | 254,795 | 302,863 |
| Goodwill | 16,241 | 21,998 |
| | 271,036 | 324,861 |

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Statements of profit or loss for the years ended December 31:** | | | |
| Net sales | 657,358 | 645,176 | 761,193 |
| **Net loss from continued operations** | (81,517) | (175,454) | (1,043,752) |
| Share in results | (35,582) | (76,585) | (455,598) |

***Evaluation of impairment in investments –***
During 2018 and 2017, 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 might be impaired as of December 31, 2018 and 2017.

In 2016, Yanacocha evaluated the recoverability of its long-lived assets and determined an impairment charge, net of taxes, of US$889.5 million, which reduced Yanacocha's net worth and, therefore, the equity interest of the Company in this associate during the year 2016. As a result, the Company's Management determined that there was objective evidence that its investment in Yanacocha might be impaired as of December 31, 2016. During 2016, compared to prior years, Yanacocha experienced a decrease in the volume of gold produced, an increase in production costs, and a decrease in operating cash flows, all of which resulted from a depletion of Yanacocha's gold reserves. As a result of these indicators, the Company performed an impairment test in December 2016. The recoverable amount of the Company's investment in Yanacocha was determined to be US$528.9 million as of December 31, 2016, which was based on a value in use calculation using cash flow projections from Yanacocha's financial budgets from 2017 to 2026. As a result of this analysis, the Company concluded that no additional impairment loss on its investment in Yanacocha was required to be recorded as the recoverable amount exceeded the recorded value of the investment.

*Key assumptions*
The process of determining the recoverable amount was most sensitive to the following assumptions:

- 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.

- Commodity prices: Forecasted 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 past experience of the industry and consistent with external sources. As of December 31, 2016, estimated gold prices for the current and long-term periods were as follows: US$1,221/ounce for 2017 and US$1,300/ounce for 2018 and thereafter.

- Discount rate: In calculating the value in use, the Company applied a pre-tax discount rate of 7.1% to the pre-tax cash flows as of December 31, 2016. This discount rate was derived from the Yanacocha's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the investment.

**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:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| **Statements of financial position as of December 31:** | | |
| Current assets | 1,485,537 | 1,563,874 |
| Non-current assets | 6,069,175 | 6,127,133 |
| Current liabilities | (408,754) | (510,790) |
| Non-current liabilities | (2,037,086) | (1,991,055) |
| **Shareholders' equity, reported** | 5,108,872 | 5,189,162 |
| Group's interest | 1,000,521 | 1,016,245 |
| Goodwill | 107,763 | 107,763 |
| | 1,108,284 | 1,124,008 |

| | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|
| **Statements of profit or loss for the years ended December 31:** | | | |
| Revenue | 3,054,026 | 3,202,931 | 2,384,154 |
| **Net income from continued operations** | 119,710 | 349,881 | 340,907 |
| Share in results | 23,444 | 68,521 | 66,763 |

*Market capitalization:*
As of December 31, 2018 and 2017, total market capitalization of shares maintained by the Group in Cerro Verde was US$1,426.0 million and US$2,036.0 million, respectively (market capitalization value by each share of US$20.8 and US$29.70, 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:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Statements of financial position as of December 31:** | | |
| Current assets | 99,887 | 101,668 |
| Non-current assets | 261,782 | 278,866 |
| Current liabilities | (39,204) | (44,411) |
| Non-current liabilities | (86,103) | (106,332) |
| **Shareholders' equity, reported** | 236,362 | 229,791 |
| Adjustments to conform to the accounting policies of the Group | (13,003) | (14,843) |
| **Shareholders' equity, adjusted** | 223,359 | 214,948 |
| Group's interest | 89,554 | 86,183 |

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Statements of profit or loss for the years ended December 31:** | | | |
| Revenue | 225,447 | 203,790 | 198,873 |
| **Net income from continued operations** | 25,584 | 50,787 | 56,856 |
| Adjustments to conform to the accounting policies | 1,837 | 2,265 | 1,790 |
| **Net income, adjusted** | 27,421 | 53,052 | 58,646 |
| Share in results | 10,994 | 21,271 | 23,514 |

## 11. Mining concessions, development costs, property, plant and equipment, net

(a) Below is presented the movement:

| | Balance as of January 1, 2017 US$(000) | Additions US$(000) | Disposals US$(000) | Sales US$(000) | Reclassifications and transfers US$(000) | Balance as of December 31, 2017 US$(000) | Additions US$(000) | Disposals US$(000) | Sales US$(000) | Reclassifications and transfers US$(000) | Balance as of December 31, 2018 US$(000) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Lands | 22,958 | - | - | - | (268) | 22,690 | 783 | (462) | - | (1,250) | 21,761 |
| Mining concessions | 198,009 | 2 | - | (15,000) | (31,138) | 151,873 | - | - | - | - | 151,873 |
| Development costs | 652,392 | 69,335 | - | (10,107) | 431 | 712,051 | 32,059 | (2,656) | - | 1,805 | 743,259 |
| Buildings, constructions and other | 1,109,167 | 835 | (387) | (28,751) | 198,387 | 1,279,251 | - | (2,837) | - | 66,207 | 1,342,621 |
| Machinery and equipment | 986,032 | 2,579 | (3,749) | (50,097) | (5,742) | 929,023 | - | (182) | (9,205) | 38,830 | 958,466 |
| Transportation units | 10,416 | 11 | (190) | (1,079) | 788 | 9,946 | 42 | (138) | (510) | 1,545 | 10,885 |
| Furniture and fixtures | 14,047 | 31 | (157) | (487) | 468 | 13,902 | - | - | (193) | (403) | 13,306 |
| Units in transit | 30,051 | 2,822 | - | - | (28,124) | 4,749 | 11 | - | - | (2,078) | 2,682 |
| Work in progress | 105,788 | 173,333 | - | (190) | (177,809) | 101,122 | 67,096 | (3,450) | - | (108,106) | 56,662 |
| Stripping activity asset (e) | 124,467 | 18,282 | (13,573) | - | 1,271 | 130,447 | 11,279 | - | - | - | 141,726 |
| Mine closure costs | 247,889 | 10,594 | - | (17,195) | - | 241,288 | 61,239 | - | - | (18,365) | 284,162 |
| | 3,501,216 | 277,824 | (18,056) | (122,906) | (41,736) | 3,596,342 | 172,509 | (9,725) | (9,908) | (21,815) | 3,727,403 |
| **Accumulated depreciation and amortization:** | | | | | | | | | | | |
| Lands | - | - | - | - | 1,249 | 1,249 | - | - | - | (1,249) | - |
| Mining concessions | 77,466 | 8 | - | (13,845) | (23,390) | 40,239 | 10 | - | - | - | 40,249 |
| Development costs | 241,636 | 30,886 | - | (7,910) | (1,490) | 263,122 | 35,433 | - | - | (2) | 298,553 |
| Buildings, construction and other | 455,678 | 73,314 | (115) | (28,208) | 6,168 | 506,837 | 84,244 | - | - | 562 | 591,643 |
| Machinery and equipment | 558,061 | 74,744 | (2,662) | (41,595) | (6,099) | 582,449 | 93,722 | (177) | (8,659) | (1,978) | 665,357 |
| Transportation units | 8,792 | 837 | (114) | (1,057) | (68) | 8,390 | 745 | (85) | (436) | (15) | 8,599 |
| Furniture and fixtures | 9,172 | 1,109 | (152) | (236) | (13) | 9,880 | 644 | - | (187) | (214) | 10,123 |
| Stripping activity asset | 18,729 | 16,343 | - | - | 6,623 | 41,695 | 28,820 | - | - | 3 | 70,518 |
| Mine closure costs | 141,275 | 25,254 | - | (8,408) | - | 158,121 | 10,350 | - | - | - | 168,471 |
| | 1,510,809 | 222,495 | (3,043) | (101,259) | (17,020) | 1,611,982 | 253,968 | (262) | (9,282) | (2,893) | 1,853,513 |
| **Provision for impairment of long-lived assets:** | | | | | | | | | | | |
| Mine closure costs | 10,990 | 17,916 | - | (8,785) | - | 20,121 | - | (5,693) | - | (1,221) | 13,207 |
| Development costs | 9,487 | 2,864 | - | (2,198) | - | 10,153 | - | - | - | - | 10,153 |
| Mining concessions, development costs, property, plant and other | 9,905 | 840 | - | (6,214) | - | 4,531 | - | (2,837) | - | 1,221 | 2,915 |
| | 30,382 | 21,620 | - | (17,197) | - | 34,805 | - | (8,530) | - | - | 26,275 |
| **Net cost** | 1,960,025 | | | | | 1,949,555 | | | | | 1,847,615 |

(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 the CGU's fair value less costs of disposal (FVLCD) and 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 pre-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 2018, as a result of the derecognition of assets in Shila mining unit, the Company recorded a reversal in the provision for impairment for US$2.8 million. The provision was initially recorded in 2016.

During 2018, La Zanja recorded a reversal for the impairment provision for US$5,693,000 (as of December 31, 2017, the Company recorded a provision for US$21,620,000) 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.

During 2017, as a result of the sale of the mining units of Breapampa and Recuperada, as well as the sale of the assets of the Shila Paula mining unit, the Group recorded a reversal of impairment losses by US$7.4 million, US$7.1 million and US$2.7 million, respectively, see note 1(e).

*Key assumptions*

The determination of value in use is most sensitive to the following key assumptions:

- Production volumes
- Commodity prices
- Discount rate

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 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. 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:

| | **2019** | **2020-2023** |
|---|---|---|
| | US$ | US$ |
| Gold | 1,250 /Oz | 1,300 /Oz |
| Silver | 16 /Oz | 17 /Oz |
| Copper | 6,750 /MT | 7,000 /MT |
| Lead | 2,100 /MT | 2,100 /MT |

Discount rate: In calculating the value in use, pre-tax discount rates of 7.29%, 7.83%, and 13.32% were applied to the pre-tax cash flows of Buenaventura, La Zanja, and El Brocal, 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 (see note 1(d)), amounted to US$337.3 million as of December 31, 2018 (US$522.0 million as of December 31, 2017) and is presented in various items of property, plant and equipment. During the year 2018 and 2017 no acquisitions of assets under lease agreements were made. Leased assets are pledged as security for the related finance lease liabilities.

(d) During 2018, no finance costs were capitalized. During 2017, US$5.8 million were capitalized and is presented under investing activities in the consolidated statements of cash flows, using an average rate of 4.19 percent.

(e) In mid-2016, a landslide occurred in the west wall of the Tajo Norte; consequently, it was decided not to mine this area due to stability and operational design issues. According to the distribution of reserves, this area (Phase 10) contained 5.5 MT of ore and 9.2 MT of waste valued at US$13,573,000, which were withdrawn from the reserves in the year 2017.

## 12. Other assets, net

(a) Below is presented the movement:

| | Balance as of January 1, 2017 US$(000) | Additions US$(000) | Balance as of December 31, 2017 US$(000) | Additions US$(000) | Transfers US$(000) | Balance as of December 31, 2018 US$(000) |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Patents and industrial property (b) | 9,558 | 4,122 | 13,680 | 2,642 | (4,599) | 11,723 |
| Software licenses | 6,457 | 2,359 | 8,816 | 1,448 | (96) | 10,168 |
| Rights of use | 7,331 | 522 | 7,853 | 4,439 | - | 12,292 |
| | 23,346 | 7,003 | 30,349 | 8,529 | (4,695) | 34,183 |
| **Accumulated amortization:** | | | | | | |
| Software licenses | 1,995 | 383 | 2,378 | 596 | - | 2,974 |
| Rights of use | 3,632 | 1,578 | 5,210 | 738 | - | 5,948 |
| | 5,627 | 1,961 | 7,588 | 1,334 | - | 8,922 |
| **Net cost** | 17,719 | | 22,761 | | | 25,261 |

(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.

## 13. Bank loans

The movement is presented below:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 96,215 | 55,000 | 285,302 |
| New loans | 95,000 | 341,215 | 200,500 |
| Disbursements | (95,000) | (300,000) | (442,957) |
| Sale of subsidiary | (1,215) | - | - |
| Exchange difference | - | - | 12,155 |
| **Final balance** | 95,000 | 96,215 | 55,000 |

As of December 31, 2018 and 2017, bank loans were obtained for working capital purposes, have current maturity and accrue interest at market annual rates ranging from 2.00% to 3.13% as of December 31, 2018 (1.15% to 6.85% as of December 31, 2017).

## 14. Trade and other payables

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Trade payables (b)** | | |
| Domestic suppliers | 154,998 | 194,742 |
| Related entities, note 30(b) | 36 | 15 |
| | 155,034 | 194,757 |
| **Other payables** | | |
| Remuneration and similar benefits payable | 10,531 | 11,585 |
| Taxes payable | 9,102 | 9,405 |
| Interest payable | 7,464 | 7,152 |
| Royalties payable to the Peruvian State | 2,171 | 4,571 |
| Dividends payable (c) | 663 | 730 |
| Related entities, note 30(b) | 20 | 62 |
| Other liabilities | 3,738 | 5,756 |
| | 33,689 | 39,261 |
| **Total trade and other payables** | 188,723 | 234,018 |
| **Classification by maturity:** | | |
| Current portion | 188,084 | 233,355 |
| Non-current portion | 639 | 663 |
| **Total trade and other payables** | 188,723 | 234,018 |
| **Classification by nature:** | | |
| Financial payables | 177,450 | 220,042 |
| Non-financial payables | 11,273 | 13,976 |
| **Total trade and other payables** | 188,723 | 234,018 |

(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.

(c) The movement of dividends payable is presented below:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 730 | 1,018 | 1,044 |
| Declared dividends to controlling shareholders, note 17(d) | 22,860 | 22,099 | 7,621 |
| Dividends paid to controlling shareholders | (22,860) | (22,099) | (7,621) |
| Declared dividends to non-controlling shareholders | 5,560 | 6,036 | 7,400 |
| Dividends paid to non-controlling shareholders | (5,560) | (6,036) | (7,400) |
| Expired dividends | (44) | (327) | (30) |
| Other minor | (23) | 39 | 4 |
| **Final balance** | 663 | 730 | 1,018 |

## 15. Provisions and contingent liabilities

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Provision for closure of mining units and exploration projects (b) | 225,877 | 200,183 |
| Provision for bonus to employees and officers | 18,620 | 2,331 |
| Provision for obligations with communities (c) | 5,878 | 19,376 |
| Provision for safety contingencies | 4,877 | 3,898 |
| Provision for labor contingencies | 4,042 | 2,963 |
| Provision for environmental liabilities | 3,768 | 5,534 |
| Board of Directors' participation | 2,108 | 1,273 |
| Workers' profit sharing payable | 1,772 | 3,569 |
| Provision for environmental contingencies | 234 | 1,233 |
| Other provisions | 758 | 1,364 |
| | 267,934 | 241,724 |
| **Classification by maturity:** | | |
| Current portion | 68,172 | 76,847 |
| Non-current portion | 199,762 | 164,877 |
| | 267,934 | 241,724 |

(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:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Beginning balance** | 200,183 | 206,462 |
| | | |
| Changes (additions and deductions) in estimates | | |
| Continuing mining units, note 11(a) | 42,874 | 10,594 |
| Discontinued mining units, note 1(e) | 6,013 | 12,701 |
| Exploration projects, note 26(a) | (2,433) | 891 |
| | | |
| Accretion expense: | | |
| Continuing mining units, note 27(a) | 4,911 | 4,360 |
| Exploration projects, note 27(a) | 71 | 22 |
| Discontinued mining units, note 1(e) | 54 | 215 |
| | | |
| Disbursements | (25,796) | (23,292) |
| Sale of mining units, note 1(e) | - | (11,770) |
| | | |
| **Final balance** | 225,877 | 200,183 |
| | | |
| **Classification by maturity:** | | |
| Current portion | 30,524 | 39,826 |
| Non-current portion | 195,353 | 160,357 |
| | | |
| | 225,877 | 200,183 |

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 2019 and 2041. These estimates are based on studies prepared by independent advisers that meet the environmental regulations in effect.

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.

As of December 31, 2018, the future value of the provision for closure of mining units and exploration projects was US$280.3 million, which has been discounted using annual risk-free rates from minimums of 1.98 and 4.74 to a maximum of 4.74 percent in periods of 1 to 23 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, 2018, the Group has constituted letters of credit in favor of the Ministry of Energy and Mines for US$119.7 million (US$109.6 million as of December 31, 2017) to secure current mine closure plans of its mining units and exploration projects up to date.

(c) The provisions for obligations with the communities decrease mainly due to the negotiations made by the Company in its operating units, which begin and were recorded in 2017.

## 16. Financial obligations

(a) This caption is made up as follow:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| **Compañía de Minas Buenaventura S.A.A.(c)** | | |
| 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 | 15,000 | 15,000 |
| | 275,000 | 275,000 |
| Debt issuance costs | (3,618) | (2,425) |
| | 271,382 | 272,575 |
| **Sociedad Minera El Brocal S.A.A.** | | |
| Banco de Crédito del Perú – Finance leaseback | 94,490 | 119,464 |
| Debt issuance costs | (976) | (1,377) |
| | 93,514 | 118,087 |
| Mid-term financial obligation | 75,000 | 80,000 |
| | 168,514 | 198,087 |
| **Empresa de Generación Huanza S.A.** | | |
| Banco de Crédito del Perú – Finance lease | 147,166 | 162,411 |
| **Contacto Corredores de Seguros S.A.** | | |
| BBVA Banco Continental S.A. – Finance lease | - | 10 |
| **Total financial obligations** | 587,062 | 633,083 |
| **Classification by maturity:** | | |
| Current portion | 46,166 | 83,991 |
| Non-current portion (e) | 540,896 | 549,092 |
| **Total financial obligations** | 587,062 | 633,083 |

(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: 6 semiannual installments of US$39,285,714 since 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.

As part of the commitments, the Group must meet certain consolidated financial ratios. The main ratios are the following:
(i) Debt service coverage ratio: Higher than 4.
(ii) Leverage ratio: Less than 3 times since June 30, 2017.
(iii) Net consolidated equity value: Higher than US$2,711,388,800.

For the calculation of (i) and (ii), the financial obligations and EBITDA of Empresa de Generación Huanza S.A. are excluded.

Additionally, there is a requirement related to the distribution of dividends (until December 31, 2018: up to 20% of the available net income for the previous period; since January 1, 2019: up to the total of net income for the previous period), according to the execution of the dividend policy of the Company.

On March 28, 2018, Buenaventura restructured its financial obligation by modifying some of the clauses as follows:

- Annual interest rate: Libor of three months plus 2.15% (3% as of December 31, 2017).
- Term: 4 years from April 2018, due in April 2022 (as of December 31, 2017, they were 5 years as of June 30, 2016, with final maturity on June 30, 2021).
- Amortization of credit: 5 semi-annual installments of US$55 million each since as of April 2020 (as of December 31, 2017 were 6 semi-annual installments of US$39,285,714 as of July 2018 and a final installment of US$39,285,716 in June of 2021).

The compliance of the terms described above is overseen by the Company´s Management. As of December 31, 2018 and 2017, the Company complies with the above financial ratios.

(c) Finance leaseback -
On June 9, 2015, the Board of Directors of El Brocal approved the modification of the debt and new payment schedule of the leaseback through sale contracts through the sale of assets with the same value including equipment, machinery and processing plant located in the Colquijirca mining unit. During 2017, El Brocal negotiate a reduction in the fixed rate of the finance leaseback, and agreed the modification of the payment schedule under the following terms and conditions:

- Principal: US$166,500,000.
- Annual interest rate: Nine-month Libor plus 2.75 percent.
- Term: 5.5 years since June 23, 2015, with final maturity in December 2021.
- Amortization: Through 22 quarterly variable installments.

In connection with the above financing, El Brocal must comply the following financial ratios:

(i) Debt service coverage ratio: Higher than 1.3.
(ii) Leverage ratio: Less than 1.0 times.
(iii) Debt ratio: Less than 2.0 times.

These sales agreements with a subsequent financial lease are guaranteed by a trust agreement related to collection rights, sales contracts, cash flows for sales contracts and one related to the assets indicated in the contract.

Mid-term loan contract –
On October 23, 2017, El Brocal signed a mid-term loan agreement with the Banco de Credito del Peru for US$80,000,000, which accrues interest at an annual rate of 3.65 percent, for a 5-year term. The objective of this financing was the payment of short-term financial obligations maintained with the Banco de Credito del Peru and for working capital.

As part of the commitments agreed, El Brocal must comply with the following financial indicators as of December 31, 2018 and 2017:

(i) Debt service coverage ratio: Higher than 1.3.
(ii) Leverage ratio: Less than 1.0 times.
(iii) Debt ratio: Less than a 2.25 times.

(d) On December 2, 2009, Empresa de Generación Huanza S.A. entered into a finance lease contract with Banco de Crédito del Perú. In the year 2017, Huanza negotiate a reduction of the fixed rate of interest and agreed a modification of the following terms and conditions:

- Principal: US$119,000,000.
- Annual interest rate: Three-month Libor plus 2.75 percent. (Three-month Libor plus 4.60 percent as of December 31, 2017).
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.
- Amortization: Through 26 quarterly variable installments and a final payment 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. In the year 2017, Huanza negotiate a reduction of the fixed rate of interest and agreed a modification of the following terms and conditions:

- Principal: US$103,373,000.
- Annual interest rate: Three-month Libor plus 2.75 percent. (Three-month Libor plus 4.70 percent as of December 31, 2017).
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipment.
- Amortization: Through an initial installment of US$18,373,000, 26 quarterly variable installments and 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 greater than 1.1.
- Minimum Net Worth of US$30,000,000.

(e) The long-term portion of the financial obligations held by the Group matures as follows:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| Between 1 and 2 years | 278,397 | 125,215 |
| Between 2 and 5 years | 266,625 | 427,680 |
| | 545,022 | 552,895 |
| Debt issuance costs | (4,126) | (3,803) |
| | 540,896 | 549,092 |

(f) Below is presented the movement:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Beginning balance** | 633,083 | 592,342 | 353,710 |
| Accrual of debt issuance costs in results, note 27(a) | 1,024 | 909 | - |
| Payments | (45,222) | (32,599) | (33,476) |
| Increase in interest for debt restructuring | (2,207) | - | - |
| Exchange difference | 384 | (165) | 17 |
| New obligations | - | 80,000 | 275,210 |
| Accrual of debt issuance costs capitalized | - | 272 | (3,119) |
| Sale of asset under lease agreement | - | (7,196) | - |
| Increase of debt issuance costs, note 27(a) | - | (480) | - |
| **Final balance** | 587,062 | 633,083 | 592,342 |

## 17. Shareholders' equity, net

(a) Capital stock -

The Group's share capital is stated in Soles and consists 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, 2018 and 2017:

| | **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) |
| | 253,715,190 | 2,537,152 | 750,497 |

The market value of the common shares amounted to S/53.60 per share as of December 31, 2018 (S/45.00 per share as of December 31, 2017). These shares present trading frequencies of 35 and 25 percent in the years 2018 and 2017, 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 dividends distribution. The table below presents the composition of the investment shares as of December 31, 2018 and 2017:

| | **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) |
| | 271,677 | 2,717 | 791 |

The market value of the investment shares amounted to S/19.60 per share as of December 31, 2018 (S/22.10 per share as of December 31, 2017). These shares did not present a trading frequency in 2018 and 2017.

During 2016, the Group purchased 200,000 treasury shares at a market value of US$1,210,000, recording a purchase loss of US$605,000, presented as part of the additional paid-in capital.

(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$44,000 in the year 2018 (US$327,000 and US$30,000 in the years 2017 and 2016, respectively) as a result of the expired dividends.

(d) Dividends declared and paid -
The table below presents the dividends declared and paid in 2018, 2017 and 2016:

| **Meetings** | **Date** | **Dividends declared and paid** US$(000) | **Dividend per share** US$ |
|---|---|---|---|
| **2018 Dividends** | | | |
| Mandatory Annual Shareholders' Meeting | March 27 | 8,269 | 0.03 |
| Less - Dividends of treasury shares | | (648) | |
| | | 7,621 | |
| | | | |
| Board of Directors' Meeting | October 25 | 16,538 | 0.06 |
| Less - Dividends of treasury shares | | (1,299) | |
| | | 15,239 | |
| | | 22,860 | |
| **2017 Dividends** | | | |
| Mandatory Annual Shareholders' Meeting | March 28 | 15,711 | 0.056 |
| Less - Dividends of treasury shares | | (1,232) | |
| | | 14,479 | |
| | | | |
| Board of Directors' Meeting | October 27 | 8,269 | 0.030 |
| Less - Dividends of treasury shares | | (649) | |
| | | 7,620 | |
| | | 22,099 | |
| **2016 Dividends** | | | |
| Board of Directors' Meeting | October 27 | 8,269 | 0.03 |
| Less - Dividends of treasury shares | | (648) | |
| | | 7,621 | |

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$5,560,000, US$6,036,000 and US$7,400,000 for the years 2018, 2017 and 2016, respectively.

(e) Basic and diluted profit (loss) per share -
Profit (loss) per share is calculated by dividing net profit (loss) for the period by the weighted average number of shares outstanding during the year.

The calculation of profit (loss) per share attributable to the equity holders of the parent is presented below:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Profit (loss) net (numerator) - US$ | (13,445,000) | 60,823,000 | (323,492,000) |
| Total common and investment shares (denominator) | 253,986,867 | 253,986,867 | 253,986,867 |
| Profit (loss) net per basic share and diluted - US$ | (0.05) | 0.24 | (1.27) |

The calculation of profit (loss) per share from continuing operations attributable to the equity holders of the Parent is presented below:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Profit (loss) net (numerator) - US$ | (6,242,000) | 70,921,000 | (304,419,000) |
| Total common and investment shares (denominator) | 253,986,867 | 253,986,867 | 253,986,867 |
| Profit (loss) net per basic share and diluted - US$ | (0.02) | 0.28 | (1.20) |

The common and investment shares outstanding at the close of 2018, 2017 and 2016 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 | 2018 % | 2017 % | 2016 % |
|---|---|---|---|---|
| **Equity interest held by non-controlling interests:** | | | | |
| Sociedad Minera El Brocal S.A.A. | Peru | 38.57 | 38.57 | 38.67 |
| S.M.R.L. Chaupiloma Dos de Cajamarca | Peru | 40.00 | 40.00 | 40.00 |
| Minera La Zanja S.R.L. | Peru | 46.94 | 46.94 | 46.94 |
| Apu Coropuna S.R.L. | Peru | 30.00 | 30.00 | 30.00 |

| | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|
| **Accumulated balances of material non-controlling interest:** | | | |
| Sociedad Minera El Brocal S.A.A. | 176,978 | 165,032 | 167,986 |
| Minera La Zanja S.R.L. | 42,295 | 48,642 | 55,613 |
| S.M.R.L. Chaupiloma Dos de Cajamarca | 1,800 | 1,693 | 1,906 |
| Apu Coropuna S.R.L. | 164 | 223 | 678 |
| Other minor | - | - | (61) |
| | 221,237 | 215,590 | 226,122 |
| **Profit (loss) allocated to material non-controlling interest:** | | | |
| S.M.R.L. Chaupiloma Dos de Cajamarca | 5,667 | 5,827 | 6,950 |
| Sociedad Minera El Brocal S.A.A. | 2,880 | 4,246 | (13,426) |
| Minera La Zanja S.R.L. | (6,346) | (6,006) | 2,342 |
| Apu Coropuna S.R.L. | (410) | (454) | (157) |
| Other minor | - | (1) | (31) |
| | 1,791 | 3,612 | (4,322) |

During 2017, purchases of shares in the subsidiary Sociedad Minera El Brocal S.A.A. were made for US$621,000, which resulted in an increase in its shares and a dilution of non-controlling shareholders of 0.09%. During 2016, the Company, through the Lima Stock Exchange, made capital contributions to its subsidiary Sociedad Minera El Brocal S.A.A. for S/63.9 million (equivalent to US$18.6 million) and US$45.2 million, which resulted in an increase in its shares and a dilution of non-controlling shareholders for US$5.4 million equivalents to 7.26%.

(b) The summarized financial information of these subsidiaries, before inter-company eliminations, is presented below:

Statements of financial position as of December 31, 2018:

| | **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) | **Other minor** US$(000) |
|---|---|---|---|---|---|
| Current assets | 170,274 | 126,878 | 7,154 | 2,263 | - |
| Non-current assets | 603,280 | 31,841 | - | 182 | - |
| Current liabilities | (123,052) | (25,834) | (2,653) | (1,165) | - |
| Non-current liabilities | (217,683) | (42,781) | - | (740) | - |
| **Total shareholders' equity, net** | 432,819 | 90,104 | 4,501 | 540 | - |
| Attributable to: | | | | | |
| Shareholders of the Group | 255,841 | 47,808 | 2,701 | 377 | - |
| Non-controlling interests | 176,978 | 42,296 | 1,800 | 163 | - |
| | 432,819 | 90,104 | 4,501 | 540 | - |

Statements of financial position as of December 31, 2017:

| | **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) | **Other minor** US$(000) |
|---|---|---|---|---|---|
| Current assets | 146,865 | 134,758 | 6,640 | 1,440 | 665 |
| Non-current assets | 645,729 | 55,873 | - | 189 | 30 |
| Current liabilities | (159,190) | (38,807) | (2,407) | (143) | (29) |
| Non-current liabilities | (229,709) | (48,201) | - | (740) | (2) |
| | | | | | |
| **Total shareholders' equity, net** | 403,695 | 103,623 | 4,233 | 746 | 664 |
| Attributable to: | | | | | |
| Shareholders of the parent | 239,925 | 54,981 | 2,540 | 523 | 664 |
| Non-controlling interests | 165,032 | 48,642 | 1,693 | 223 | - |
| | | | | | |
| | 404,957 | 103,623 | 4,233 | 746 | 664 |

Statements of profit or loss for the years 2018, 2017 and 2016:

| | **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) | **Other minor** US$(000) |
|---|---|---|---|---|---|
| **Year 2018 -** | | | | | |
| Revenues | 332,298 | 96,611 | 20,385 | - | - |
| Net profit (loss) | 6,305 | (13,519) | 14,168 | (1,369) | - |
| Attributable to non-controlling interests | 2,880 | (6,346) | 5,667 | (410) | - |
| | | | | | |
| **Year 2017 -** | | | | | |
| Revenues | 322,653 | 165,319 | 20,739 | - | - |
| Net profit (loss) | 10,386 | (12,795) | 14,568 | (1,515) | 386 |
| Attributable to non-controlling interests | 4,246 | (6,006) | 5,827 | (454) | (1) |
| | | | | | |
| **Year 2016 -** | | | | | |
| Revenues | 230,611 | 178,922 | 24,339 | - | - |
| Net profit (loss) | (32,782) | 4,865 | 17,366 | (523) | (410) |
| Attributable to non-controlling interests | (13,426) | 2,342 | 6,950 | (157) | (31) |

Statements of cash flow for the years 2018, 2017 and 2016:

| | **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) |
|---|---|---|---|---|
| **Year 2018 -** | | | | |
| Operating activities | 74,985 | 10,323 | 14,066 | (572) |
| Investing activities | (29,546) | (13,160) | - | - |
| Financing activities | (29,974) | - | (13,900) | - |
| | 15,465 | (2,837) | 166 | (572) |
| **Year 2017 -** | | | | |
| Operating activities | 60,525 | 139,155 | 15,093 | (185) |
| Investing activities | (64,343) | (17,326) | - | - |
| Financing activities | 18,096 | (32,077) | (15,090) | 1,477 |
| | 14,278 | 89,752 | 3 | 1,292 |
| **Year 2016 -** | | | | |
| Operating activities | (9,151) | 11,839 | 18,178 | (1,895) |
| Investing activities | (37,935) | (14,994) | - | - |
| Financing activities | 48,021 | - | (18,500) | 2,717 |
| | 935 | (3,155) | (322) | 822 |

## 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, 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.

The main tax regulations issued during 2018 are the following:

- 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 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) 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. | 2015-2018 |
| Compañía Minera Condesa S.A. | 2014-2018 |
| Compañía Minera Colquirrumi S.A. | 2014-2018 |
| Consorcio Energético de Huancavelica S.A. | 2014-2018 |
| Contacto Corredores de Seguros S.A. | 2014-2018 |
| El Molle Verde S.A.C. | 2014-2018 |
| Empresa de Generación Huanza S.A. | 2015-2018 |
| Inversiones Colquijirca S.A. | 2014-2018 |
| Minera La Zanja S.R.L. | 2014,2016-2018 |
| Sociedad Minera El Brocal S.A.A. | 2014-2018 |
| S.M.R.L. Chaupiloma Dos de Cajamarca | 2014-2018 |
| Procesadora Industrial Río Seco S. A. | 2014-2018 |
| Apu Coropuna S.R.L. | 2014-2018 |
| Cerro Hablador S. A. C. | 2014-2018 |
| Minera Azola S. R. L. | 2014-2018 |

As of the date of issuance of this report, Compañía de Minas Buenaventura S.A.A. is been audited by the Tax Administration for the income tax of the year 2013 and the VAT for the period January to December 2014, and the subsidiary El Brocal is been audited for the year 2015.

Due to the possible interpretations that the Tax Authorities may give to legislation in effect, it is not possible to determine whether or not any of the tax audits 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, 2018 and 2017.

The open tax process of the Group and its associates are presented in note 29(g).

(c) Tax-loss carryforwards -
As of December 2018 and 2017, the tax-loss carryforward determined by the Group amounts to approximately S/1,550,156,000 and S/1,346,118,000, respectively (equivalent to US$458,762,000 and US$398,378,000 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 has decided to recognize a deferred income tax asset related to the tax-loss carryforward of those companies where is more likely than not that the tax-loss carryforward can be used to compensate future taxable net income.

(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 2018 and 2017.

## 20. Net 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:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Revenues by geographic region:** | | | |
| **Metal and concentrates sales -** | | | |
| Peru | 537,816 | 551,243 | 396,733 |
| America | 370,624 | 471,863 | 397,795 |
| Asia | 120,519 | 120,719 | 97,467 |
| Europe | 100,792 | 81,333 | 121,929 |
| | 1,129,751 | 1,225,158 | 1,013,924 |
| **Services -** | | | |
| Peru | 23,712 | 14,903 | 28,782 |
| America | 289 | 14,794 | - |
| | 24,001 | 29,697 | 28,782 |
| **Royalties -** | | | |
| Peru | 20,385 | 20,739 | 24,339 |
| | 1,174,137 | 1,275,594 | 1,067,045 |

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Revenues by type of good or services:** | | | |
| **Sales by metal -** | | | |
| Gold | 411,926 | 511,434 | 440,603 |
| Silver | 369,167 | 409,775 | 385,989 |
| Copper | 274,761 | 268,527 | 224,649 |
| Zinc | 174,048 | 188,023 | 142,425 |
| Lead | 89,059 | 94,955 | 58,690 |
| Manganese sulfate | 6,655 | 6,317 | 5,982 |
| Indium | - | 66 | - |
| | 1,325,616 | 1,479,097 | 1,258,338 |
| Commercial deductions | (195,865) | (253,939) | (244,414) |
| | 1,129,751 | 1,225,158 | 1,013,924 |
| **Sales by services -** | 24,001 | 29,697 | 28,782 |
| **Royalties income -** | 20,385 | 20,739 | 24,339 |
| **Total revenue from contracts with customers** | 1,174,137 | 1,275,594 | 1,067,045 |
| **Revenues by timing of revenue recognition:** | | | |
| Goods transferred at a point in time | 1,129,751 | 1,225,158 | 1,013,924 |
| Services transferred over time | 24,001 | 29,697 | 28,782 |
| Royalties at a point of time | 20,385 | 20,739 | 24,339 |
| | 1,174,137 | 1,275,594 | 1,067,045 |

(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:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| Contracts with customers for sale of goods | 1,129,751 | 1,225,158 | 1,013,924 |
| Adjustments to prior period liquidations | 857 | 919 | 4,611 |
| Fair value of accounts receivables | (6,215) | 8,786 | 880 |
| Hedge operations | (1,398) | (10,921) | (3,745) |
| **Net sale of goods** | 1,122,995 | 1,223,942 | 1,015,670 |
| | | | |
| Contracts with customers for sale of services | 24,001 | 29,697 | 28,782 |
| **Net sale of services** | 24,001 | 29,697 | 28,782 |
| | | | |
| Contracts with customers for royalty income | 20,385 | 20,739 | 24,339 |
| **Royalty income** | 20,385 | 20,739 | 24,339 |
| | | | |
| | 1,167,381 | 1,274,378 | 1,068,791 |

(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 2018, the three customers with sales of more than 10 percent of total net sales represented 32, 13 and 11 percent from the total net sales of the Group (three customers by 28, 15 and 10 percent during 2017; three customers by 28, 22 and 22 percent during 2016). As of December 31, 2018, 43 percent of the accounts receivable correspond to these customers (49 percent as of December 31, 2017). These customers are related to the mining business.

The Group's sales of gold and concentrates are delivered to investment banks and national and international well-known companies. Some of these clients have long-term sales contracts that guarantee supplying them the production from the Group’s mines.

**21. Cost of sales, without considering depreciation and amortization**

(a) The cost of sales of goods is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance of finished goods and products in process, net of depreciation and amortization** | 37,640 | 58,633 | 69,932 |
| **Cost of production** | | | |
| Services provided by third parties | 245,705 | 262,195 | 211,325 |
| Consumption of materials and supplies | 136,991 | 134,070 | 100,401 |
| Direct labor | 96,612 | 87,886 | 72,344 |
| Electricity and water | 51,226 | 44,345 | 41,989 |
| Transport | 24,805 | 16,254 | 10,880 |
| Maintenance and repair | 24,459 | 22,839 | 17,792 |
| Rentals | 31,156 | 26,591 | 10,852 |
| Insurances | 11,550 | 6,637 | 4,347 |
| Provision (reversal) for impairment of finished goods and product in progress, note 8 (c) | 4,521 | 2,118 | (7,581) |
| Cost of concentrate purchased to third parties | - | 439 | 2,958 |
| Other production expenses | 10,025 | 10,464 | 9,789 |
| **Total cost of production of the period** | 637,050 | 613,838 | 475,096 |
| **Final balance of products in process and finished goods, net of depreciation and amortization** | (49,206) | (45,038) | (47,216) |
| **Cost of sales of goods, without considering depreciation and amortization** | 625,484 | 627,433 | 497,812 |

(b) The cost of services is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Direct labor | 2,128 | 7,398 | 5,983 |
| Consumption of materials and supplies | 675 | 1,026 | 868 |
| Maintenance and repair | 543 | 946 | 217 |
| Services provided by third parties | 382 | 1,782 | 1,689 |
| Electricity and water | 249 | 586 | 633 |
| Rentals | 92 | 423 | 480 |
| Insurances | 86 | 246 | 212 |
| Transport | 50 | 98 | 213 |
| Other | 113 | 449 | 459 |
| | 4,318 | 12,954 | 10,754 |

## 22. Exploration in operating units

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Beginning balance of finished goods and products in process, net of depreciation and amortization** | 5,157 | 5,309 | 3,106 |
| **Exploration in operating units** | | | |
| Services provided by third parties | 71,927 | 79,837 | 81,464 |
| Consumption of materials and supplies | 8,605 | 8,236 | 12,685 |
| Direct labor | 2,446 | 2,373 | 1,974 |
| Rentals | 2,072 | 1,527 | 1,608 |
| Electricity and water | 1,524 | 1,328 | 21 |
| Maintenance and repair | 450 | 100 | 62 |
| Transport | 192 | 587 | 317 |
| Depreciation and amortization | 23 | - | - |
| Other | 784 | 109 | 379 |
| **Total exploration in operating units** | 88,023 | 94,097 | 98,510 |
| **Final balance of products in process and finished goods, net of depreciation and amortization** | (2,837) | (4,478) | (5,467) |
| **Exploration in operating units** | 90,343 | 94,928 | 96,149 |

## 23. Mining royalties

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Sindicato minero de Orcopampa S.A., note 29(b) | 12,122 | 20,165 | 19,824 |
| Royalties paid to the Peruvian State | 9,404 | 11,052 | 7,787 |
| | 21,526 | 31,217 | 27,611 |

## 24. Administrative expenses

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Personnel expenses | 34,656 | 36,265 | 29,617 |
| Professional fees | 15,324 | 12,663 | 11,696 |
| Sundry charges | 7,450 | 10,375 | 15,295 |
| Rentals | 5,818 | 5,412 | 4,870 |
| Board of Directors' participation | 3,252 | 1,422 | 1,140 |
| Maintenance and repairs | 2,732 | 2,657 | 1,076 |
| Subscriptions and quotes | 1,938 | 1,428 | 697 |
| Donations | 1,617 | 3,006 | 4,280 |
| Communications | 1,512 | 1,376 | 1,557 |
| Depreciation and amortization | 1,295 | 1,146 | 254 |
| Transport | 1,212 | 989 | 310 |
| Insurance | 645 | 3,911 | 3,023 |
| Travel and mobility | 467 | 1,053 | 914 |
| Consumption of materials and supplies | 436 | 616 | 416 |
| Canons and tributes | 388 | 602 | 1,460 |
| Allowance for expected credit losses, note 7(f) | 18 | 676 | 5,087 |
| | 78,760 | 83,597 | 81,692 |

## 25. Exploration in non-operating areas

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Services provided by third parties | 22,764 | 5,401 | 13,629 |
| Personnel expenses | 4,830 | 4,064 | 3,908 |
| Lands | 1,867 | 1,781 | - |
| Rentals | 1,524 | 1,171 | 578 |
| Consumption of materials and supplies | 1,420 | 582 | 768 |
| Other expenses | 3,902 | 5,263 | 7,706 |
| | 36,307 | 18,262 | 26,589 |

## 26. Other, net

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Other income** | | | |
| Insurance claim recovery, note 7(g) | 33,735 | 1,190 | 2,936 |
| Sale of supplies and merchandise to third parties | 46,136 | 54,505 | 50,973 |
| Sale of investment in subsidiary, note 1(d) | 7,097 | - | - |
| Changes in provisions for exploration projects, note 15(b) | 2,433 | - | - |
| Sale of assets to third parties | 3,863 | 369 | 21,730 |
| Sale of services to third parties | 3,512 | 2,566 | 1,840 |
| Income from previous years | 1,517 | 2,737 | 1,086 |
| Recovery of expenses from previous years | 81 | 68 | 3,171 |
| Income from rental of investment properties | 45 | 235 | 1,821 |
| Expiration of allowance for expected credit losses, note 7(f) | 45 | 99 | - |
| Sale of assets to related parties, note 30(a) | 30 | 336 | - |
| Sale of supplies related parties, note 30(a) | 27 | 4 | 1 |
| Sale of investment properties (b) | - | 11,250 | - |
| Recovery of provision for depreciation of supplies, note 8(c) | - | - | 110 |
| Other minor income | 4,099 | 14,469 | 11,639 |
| | 102,620 | 87,828 | 95,307 |
| **Other expenses** | | | |
| Disposal cost of sale of supplies and merchandise to third parties | (57,897) | (60,242) | (49,890) |
| Net cost of transfer of investments, note 1(d) | (11,178) | (1,706) | - |
| Direct expenses | (11,000) | (5,998) | (4,350) |
| Provision for loss of value of supplies, note 8(c) | (7,039) | (2,444) | - |
| Withdrawals and disposals of property, machinery and equipment, note 11(a) | (6,626) | (15,013) | (1,635) |
| Allowance for expected credit losses, note 7(f) | (1,334) | - | - |
| Net cost of property, machinery and equipment to third parties | (626) | - | (2,131) |
| Net cost of investment properties (b) | - | (9,575) | - |
| Changes in provision for exploration projects, note 15(b) | - | (891) | - |
| Other minor expenses | (11,932) | (5,548) | (18,344) |
| | (107,632) | (101,417) | (76,350) |
| | (5,012) | (13,589) | 18,957 |

(b) During 2017 the subsidiary Buenaventura Ingenieros S.A. (hereinafter "BISA") sold to a third party its investment properties located in the El Derby Capital Building, district of Surco.

27. **Finance costs and finance revenues**

(a) Finance costs and finance revenues:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Finance revenues:** | | | |
| Interest on time deposits | 5,176 | 1,050 | 358 |
| Interests on tax claims | 1,701 | 153 | 487 |
| Interests on third parties loans | 561 | 813 | 489 |
| Interests on loans to associates, note 30(a) | 92 | 1,685 | 4,164 |
| Dividends income | - | - | 589 |
| Income from financial instruments | - | - | 743 |
| Other finance revenues | 341 | 43 | - |
| | 7,871 | 3,744 | 6,830 |
| Unrealized variation of the fair value related to contingent consideration liability (b) | 1,815 | 1,773 | - |
| **Total finance revenues** | 9,686 | 5,517 | 6,830 |
| **Finance costs:** | | | |
| Interest on borrowings | 31,538 | 27,052 | 18,668 |
| Banking expenses | 729 | 552 | 319 |
| Tax on financial transactions | 173 | 180 | 159 |
| Interest on loans | 2 | 1,056 | 4,643 |
| Increase in debt issuance costs, note 16(f) | - | 480 | - |
| Interest on commercial obligations | - | 5 | 496 |
| Other finance costs | 8 | 7 | 830 |
| | 32,450 | 29,332 | 25,115 |
| Accrual of the present value for mine closure, note 15(b) | 4,982 | 4,382 | 4,116 |
| Accrual of debt issuance costs, note 16(f) | 1,024 | 909 | - |
| Unrealized variation of the fair value related to contingent consideration liability (b) | - | - | 2,349 |
| **Total finance costs** | 38,456 | 34,623 | 31,580 |

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 Company 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 has been 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, 2018, it is highly probable that the Group reaches the projected future sales. The fair value of the contingent consideration determined as of December 31, 2018 reflects this assumption and changes in metal prices.

A reconciliation of fair value measurement of the contingent consideration liability is provided below:

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Beginning balance** | 17,570 | 19,343 | 16,994 |
| Variation of the fair value in results, note 27(a) | (1,815) | (1,773) | 2,349 |
| **Final balance** | 15,755 | 17,570 | 19,343 |

Significant unobservable valuation inputs are provided below:

| | **2018** | **2017** |
|---|---|---|
| Annual average of future sales of mineral (US$000) | 196,801 | 193,588 |
| Useful life of mining properties | 13 | 13 |
| Pre-tax discount rate (%) | 10 | 10 |

The Group has the preferential right of acquisition of the royalty in case Gold Fields decides to sell it.

## 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, 2017 US$(000) | Credit (debit) to the Consolidated statement of profit or loss US$(000) | Credit (debit) to consolidated statements of other comprehensive income US$(000) | As of December 31, 2017 US$(000) | Credit (debit) to the Consolidated statement of profit or loss US$(000) | Credit (debit) to consolidated statements of other comprehensive income US$(000) | Others movements US$(000) | As of December 31, 2018 US$(000) |
|---|---|---|---|---|---|---|---|---|
| **Deferred asset for income tax included in results** | | | | | | | | |
| Tax - loss carryforward | 93,050 | 1,889 | - | 94,939 | 11,680 | - | (396) | 106,223 |
| Difference in depreciation and amortization rates | 60,883 | 734 | - | 61,617 | 6,497 | - | - | 68,114 |
| Provision for closure of mining units, net | 39,538 | 5,030 | - | 44,568 | 3,291 | - | - | 47,859 |
| Impairment loss of long-lived assets | 7,592 | 2,328 | - | 9,920 | (2,448) | - | - | 7,472 |
| Other minor | 14,650 | 809 | - | 15,459 | 5,369 | - | (146) | 20,682 |
| | 215,713 | 10,790 | - | 226,503 | 24,389 | - | (542) | 250,350 |
| Less - Allowance for deferred asset | (37,012) | (1,898) | - | (38,910) | (2,038) | - | - | (40,948) |
| | 178,701 | 8,892 | - | 187,593 | 22,351 | - | (542) | 209,402 |
| **Deferred asset included in retained earnings** | | | | | | | | |
| Derivative financial instruments | 1,140 | - | 7,963 | 9,103 | - | (9,103) | - | - |
| | 179,841 | 8,892 | 7,963 | 196,696 | 22,351 | (9,103) | (542) | 209,401 |
| **Deferred assets for mining royalties and special mining tax included in results** | | | | | | | | |
| Other minors | 43 | 80 | - | 123 | (87) | - | - | 36 |
| | 43 | 80 | - | 123 | (87) | - | - | 36 |
| **Total deferred asset** | 179,884 | 8,972 | 7,963 | 196,819 | 22,264 | (9,103) | (542) | 209,438 |
| **Deferred liability for income tax included in results** | | | | | | | | |
| Differences in amortization rates for development costs | (51,788) | 6,095 | - | (45,693) | (20,295) | - | - | (65,988) |
| Effect of translation into U.S. dollars | (70,525) | 24,502 | - | (46,023) | (15,248) | - | - | (61,271) |
| Other minors | (43,985) | (33,618) | - | (77,603) | 3,123 | - | - | (74,480) |
| | (166,298) | (3,021) | - | (169,319) | (32,420) | - | - | (201,739) |
| **Deferred liability for mining royalties and special mining tax included in results** | | | | | | | | |
| Derivative financial instruments | - | - | - | - | - | (813) | - | (813) |
| | - | - | - | - | - | (813) | - | (813) |
| **Deferred assets for mining royalties and special mining tax** | | | | | | | | |
| Other minors | (35) | (126) | - | (161) | 158 | - | - | (2) |
| | (35) | (126) | - | (161) | 158 | - | - | (2) |
| **Total deferred liability** | (166,333) | (3,147) | - | (169,480) | (32,262) | (813) | - | (202,554) |
| **Deferred income tax asset, net** | 13,551 | 5,825 | 7,963 | 27,339 | (9,998) | (9,916) | (542) | 6,883 |

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

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Deferred income tax asset, net | 38,305 | 43,129 |
| Deferred income tax liability, net | (31,422) | (15,790) |
| | 6,883 | 27,339 |

(c) The following is the composition of the provision for income taxes shown in the consolidated statement of income for the years 2018, 2017 and 2016:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Income tax expense** | | | |
| Current | 12,433 | 18,781 | 32,902 |
| Deferred | 10,069 | (5,984) | 13,808 |
| | 22,502 | 12,797 | 46,710 |
| **Mining Royalties and Special Mining Tax** | | | |
| Current | 4,495 | 5,056 | 6,542 |
| Deferred | (71) | 159 | 252 |
| | 4,424 | 5,215 | 6,794 |
| **Total income tax** | 26,926 | 18,012 | 53,504 |

(d) Below is a reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate for the years 2018, 2017 and 2016:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Profit (loss) before income tax** | 22,475 | 92,545 | (255,327) |
| Loss for discontinued operations | (7,203) | (10,098) | (19,073) |
| **Profit (loss) before income tax** | 15,272 | 82,447 | (274,400) |
| Theoretical loss (gain) for income tax | 4,505 | 24,322 | (76,807) |
| **Permanent items and others:** | | | |
| Effect of translation into U.S. dollars | 15,248 | (24,502) | (3,012) |
| Permanent items | 3,492 | 16,513 | 6,577 |
| Allowance of deferred tax asset | 2,038 | 1,898 | 18,846 |
| Share in the results of associates | 337 | (3,896) | 102,290 |
| Mining royalties and special mining tax | (3,118) | (1,538) | 247 |
| Effect of change in income tax rate net | - | - | (1,431) |
| **Income tax expense** | 22,502 | 12,797 | 46,710 |
| **Mining Royalties and Special Mining Tax** | 4,424 | 5,215 | 6,794 |
| | 26,926 | 18,012 | 53,504 |

(e) Related to the investment in associates, the Group has not recognized a deferred income tax asset by US$277.0 million as of December 31, 2018, originated by the difference between the financial and taxable basis of these investments (US$257.3 million as of December 31, 2017). 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. See note 23.

(c) Letter of guarantee granted by Buenaventura -
*Letter of guarantee - Huanza*
On December 2, 2009, Banco de Credito del Perú signed a finance lease contract for US$119 million with Consorcio Energético de Huancavelica S.A., Empresa de Generación Huanza S.A. and Buenaventura. This financing is in favor of Empresa de Generación Huanza S.A., and is guaranteed by Buenaventura. On February 8, 2016, the bank released the guarantee granted by Buenaventura.

(d) Operating lease commitments (the Group as a lessee) -
The Group has entered into operating leases 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. The Group has the option to lease the assets for two additional term of 5 years each.

Future minimum rentals payable as of December 31 are the following:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| Within one year | 1,543 | 1,543 |
| After one year but not more than five years | 5,787 | 6,173 |
| More than five years | - | 1,157 |
| | 7,330 | 8,873 |

(e) Operating lease commitments (the Group as a lessee) -
The Group leases for several of its assets. These leases have purchase options. Below is a table showing future minimum lease payments and the present value of these payments:

| | **2018** | | **2017** | |
|---|---|---|---|---|
| | **Minimum payments** US$(000) | **Present value of payments** US$(000) | **Minimum payments** US$(000) | **Present value of payments** US$(000) |
| Within a year | 53,607 | 41,634 | 56,915 | 40,224 |
| After one year but not more than five years | 210,252 | 200,019 | 267,962 | 241,652 |
| Total minimum lease payments | 263,859 | 241,653 | 324,877 | 281,876 |
| Less - amounts representing finance charges | (22,206) | - | (43,001) | - |
| **Present value of minimum lease payments** | 241,653 | 241,653 | 281,876 | 281,876 |

Contingencies
(f) Legal procedures -
*Buenaventura -*
Buenaventura is a party in legal procedures that have arisen in the normal course of its activities. Nevertheless, in the opinion of Buenaventura's Management, none of these procedures, individually or as a whole, could result in material contingencies for the consolidated financial statements.

The possible contingencies amount to US$2.9 million and US$1.1 million as of December 31, 2018 and 2017, respectively.

*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.

Environmental contingences -
The Peruvian government agency responsible for environmental evaluation and inspection, Organismo Evaluacion y Fiscalizacion Ambiental ("OEFA"), conducts periodic reviews of the Yanacocha site. In 2011, 2012, 2013, 2015, 2016, 2017 and 2018, OEFA issued notices of alleged violations of OEFA standards to the Company relating to past inspections. OEFA has resolved with minimal or no findings.

In 2015 and 2016, the Autoridad Nacional del Agua of Cajamarca issued notices of alleged regulatory violations, and resolved some allegations in 2018 with no findings. The experience with OEFA and the Autoridad Nacional del Agua is that in the case of a finding of violation, remedial action is often the outcome rather than a significant fine.

The alleged OEFA violations currently range from zero to 40,300 tax units and the Autoridad Nacional del Agua alleged violations range from zero to 10 tax units, being each tax unit equivalent to approximately US$1,260 based on current exchange rates. Yanacocha is responding to all notices of alleged violations, but cannot reasonably predict the outcome of the agency allegations.

(g) Open tax procedures –

*Buenaventura –*

- During 2012 and 2014, 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$312,610,000) in the year 2007 and S/1,530,985,000 (equivalent to US$453,088,000) 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.

  These disputes would be resolved in judicial instances in the Judicial Power. As of December 31, 2018, the total possible contingencies related to these audits amount to S/1,436 million (equivalent to US$425 million).

- 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$22,499,000). 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.

  In December 2018, the Tax Court resolved the appeal files confirming reparations for S/58,307,000 (equivalent to US$17,256,000) basically 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. These disputes would be resolved in judicial instances in the Judicial Power. As of December 31, 2018, the total possible contingencies related to these audits amount to S/621 million (equivalent to US$184 million).

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.

- During the year 2018, the Tax Administration 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$28,085,000). The main repairs are related to the non-deductibility of bonus paid to contractors, the ignorance of 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.

*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. 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$2,466,000) so it can have access to a discount benefit of the fine. This payment is recorded as an account receivable.

- 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$1,193,000). El Brocal has filed an appeal to the Tax Court, which is pending resolution.

The possible contingencies held by El Brocal amount to S/7,641,000 (equivalent to US$2,261,000) as of December 31, 2018.

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.

*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 declared for La Zanja. The main challenge is related to the deduction of development costs incurred for S/2,692,000 (equivalent to US$797,000) as of December 31, 2018 (S/9,344,000 equivalent to US$2,765,000 as of December 31, 2017). In Management´s opinion and its legal advisors, this interpretation is not supported and the subsidiary would obtain a favorable result in the claim process that has started.

*Empresa de Generación Huanza S.A.* -
During 2015, SUNAT audited the 2014 income tax of the subsidiary Empresa de Generación Huanza S.A. (Huanza). As a consequence, a portion of the depreciation of its fixed assets is not recognized for S/27,532,000 (equivalent to US$8,148,000). The possible contingency amounts to S/6,396,000 (equivalent to US$1,893,000) as of December 31, 2018 (S/5,790,000 equivalent to US$1,714,000 as of December 31, 2017). In the opinion of Huanza´ 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.

*Other subsidiaries* -
In addition, SUNAT has issued tax assessments as a result of the audit of income taxes of other subsidiaries for S/16,768,000 (equivalent to US$4,963,000). 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

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%.

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 2014, based on the decision of Peruvian Tax Tribunal, Cerro Verde has been paying the disputed assessments for the period from December 2006 to December 2008, under an installment program of 66 equal monthly payments. As of December 31, 2018, Cerro Verde has paid under the installment program S/596.8 million (approximately US$187.7 million at the year-end exchange rate as of the payment date and US$176.6 million at the year-end exchange rate as of December 31, 2018).

In connection with demands for the periods December 2006 to December 2007 related to the mining royalties, On August 9, 2017, Cerro Verde filed an appeal before the Supreme Court against the decision made by the Seventh Administrative Litigation Chamber which was admitted in December 2017. The oral hearing before the Supreme Court took place on November 20, 2018 and its decision is pending.

In September 2018, the Peruvian Tax Tribunal denied Cerro Verde's request to waive penalties and interest for the period January 2009 through September 2011. In December 2018, Cerro Verde elected not to appeal the Peruvian Tax Tribunal's decision before the Judicial Power. Cerro Verde is continuing to evaluate alternative strategies to defend its rights.

On October 2018, SUNAT served Cerro Verde a demand for payment totaling S/928.9 million (approximately US$274.9 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$165.7 million) based on the Tax Tribunal's decisions for the period January 2009 until September 2011. Cerro Verde requested an installment payment program (deferred payment for six months) and installment program (which was granted in two equivalent schedules of 66 equal monthly payments). The total debt as of December 31, 2018 is for S/947.2 million (approximately US$280.3 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$171.1 million). The payments of these installment program will begin in the second quarter of 2019.

On January 18, 2018, SUNAT notified the resolution determination for royalties for the fourth quarter of 2011, as of February 15, 2018, Cerro Verde will file a complaint with the SUNAT against said resolutions, SUNAT denied it. On November 21, 2018, Cerro Verde appealed the resolution of SUNAT against the Peruvian Tax Tribunal. As of December 31, 2018, the amount of fiscal assessments by SUNAT including interest and penalties of the fourth quarter of the year 2011 is S/53.7 million (approximately US$15.9 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$8.7 million). On January 18, 2018, SUNAT notified the resolution determination for royalties for the fourth quarter of 2011 to fourth quarter of the year 2012. On February 15, 2018, Cerro Verde filed a complaint with the SUNAT against the resolutions, SUNAT denied it. On November 21, 2018 Cerro Verde appealed the resolution of SUNAT against the Peruvian Tax Tribunal. As of December 31, 2018, the amount of fiscal assessments by SUNAT including interest and penalties amounts to S/234.0 million (approximately US$69.3 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$33.3 million).

On April 18, 2018, SUNAT notified the resolutions for the determination of royalties for 2012. On May 17, 2018, Cerro Verde filed a complaint with the SUNAT against said resolutions. On January 23, 2019 Cerro Verde received the resolution issued by SUNAT declaring the claim unfounded for 2012. Cerro Verde is evaluating the steps to be followed. As of December 31, 2018, the amount of fiscal assessments by SUNAT including interest and penalties for the year 2012 is S/240.9 million (approximately US$71.3. million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$37.4 million).

On October 10, 2018, SUNAT notified the resolutions on determination of royalties and special tax on mining in 2013. On November 7, 2018, Cerro Verde filed a complaint with the SUNAT against the resolutions. As of December 31, 2018, the amount of assessments including interests and penalties amounts to S/303.8 million (approximately US$89.9 million at the year-end exchange rate as of December 31, 2018, including interest and penalties of US$41.4 million).

For the year ended December 31, 2018, Cerro Verde recorded in the statement of profit and loss charges related to interests and penalties of fiscal assessments of royalties for the period from January 2009 to December 2013 for a total amount of US$408.9 million. For the year ended December 31, 2017, Cerro Verde recorded in the statement of profit and loss net charges for the total amount of US$393 million related to fiscal assessments of royalties for the period from December 2006 to December 2013.

In December of 2017, as a result of the unfavorable decision of the Supreme Court on the case of mining royalties in 2008, Cerro Verde requested the return of the amounts that it would have paid in excess for the Special Mining Tax (GEM) (October 2012 to December 2013), National Housing Fund (FONAVI) (December 2012 to December 2013) and customs duties (2013). In December of 2018 SUNAT returned the excess payments by GEM for the periods requested for S/254.7 million (US$76.1 million based on the collection date and includes US$18.6 million of interests).

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 | 12,220 | 46,710 | 58,930 |
| 2006 | 10,990 | 51,938 | 62,928 |
| 2007 | 12,376 | 17,845 | 30,221 |
| 2008 | 20,797 | 12,968 | 33,765 |
| 2009 | 56,388 | 51,219 | 107,607 |
| 2010 | 62,581 | 105,225 | 167,806 |
| 2011 | 49,055 | 65,068 | 114,123 |
| 2014 - 2018 | 32,148 | - | 32,148 |
| | 256,555 | 350,973 | 607,528 |

As of December 31, 2018, Cerro Verde has paid US$385.7 million from which Cerro Verde considers that US$183.2 million will be recovered.

*Yanacocha* -
The Tax Administration challenged the withholding tax rate applied on the technical assistance services provided by a non-resident supplier in the years 2002 and 2003. 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 debt has been paid by Yanacocha.

The Tax Administration considers that the bonus for closing the collective agreement and the collateral benefits granted to the unionized and non-unionized employees qualify as remunerative concepts; hence, taxed with the contribution to ESSALUD. The contingency amounts to S/12 million (US$3.5 million) for the years 2011 and 2012. In Yanacocha Management's and its legal counsel's opinion, that interpretation has no support and Yanacocha should obtain a favorable outcome in tax court appeal initiated against the tax authorities.

In 2000, Yanacocha paid 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 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 22 Yanacocha was notified by the Peru Supreme Court that the number of votes that the law requires for approving a resolution (4 votes) has not been reached (2 for Yanacocha's position and 3 for SUNAT's position), a sixth Justice of the Supreme Court has been designated to issue an additional vote and a new oral hearing has been scheduled for April 2019. The potential liability in this matter is in the form of fines and interest in an amount up to US$84 million. While Yanacocha has assessed that the likelihood of a ruling against Yanacocha in the Supreme Court as remote under a legal perspective, there is a problem in understanding the real nature of the assignment of contractual position agreement that generates that the contingency, in the face of the new evidence, would became possible. Thus, it is not possible to fully predict the outcome of this litigation.

## 30. Transactions with associates companies

(a) The Group has carried out the following transactions with its associates in the years 2018, 2017 and 2016:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Revenues from:** | | | |
| Royalties | 20,385 | 20,739 | 24,339 |
| | | | |
| **Revenues from sale of:** | | | |
| Energy | 3,002 | 2,137 | 1,679 |
| Mineral | 1,321 | 1,414 | 1,271 |
| Mining concessions, property, plant and equipment | 30 | 336 | - |
| Supplies | 27 | 4 | 1 |
| | | | |
| **Purchase of:** | | | |
| Supplies | 44 | 27 | 21 |
| | | | |
| **Services rendered to:** | | | |
| Services of energy transmission | 393 | 559 | - |
| Engineering services | 348 | 1,119 | 1,001 |
| Operation and maintenance services | 290 | 593 | 1,247 |
| Administrative and Management services | 214 | 149 | 200 |
| Constructions services | - | 1,332 | 1,152 |
| | | | |
| **Dividends received and collected from:** | | | |
| Sociedad Minera Cerro Verde S.A.A. | 39,169 | - | - |
| Compañía Minera Coimolache S.A. | 7,623 | 9,823 | 11,390 |
| Minera Yanacocha S.R.L. | - | - | 130,950 |
| | | | |
| **Loans collected to:** | | | |
| Sociedad Minera Cerro Verde S.A.A. | - | 124,800 | - |
| | | | |
| **Interest income:** | | | |
| Transportadora Callao S.A. | 92 | - | - |
| Sociedad Minera Cerro Verde S.A.A. | - | 1,685 | 4,161 |
| Compañía Minera Coimolache S.A. | - | - | 3 |
| | | | |
| **Dividends paid to non-controlling shareholders:** | | | |
| Newmont Peru Limited - Sucursal del Perú | 5,560 | 6,036 | 7,400 |

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

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Trade and other receivables** | | |
| Minera Yanacocha S.R.L. | 6,791 | 6,740 |
| Compañía Minera Coimolache S.A. | 386 | 592 |
| Sociedad Minera Cerro Verde S.A.A. | - | 16 |
| | 7,177 | 7,348 |
| **Other receivables** | | |
| Transportadora Callao S.A. (e) | 2,471 | - |
| Compañía Minera Coimolache S.A. | 1,234 | 732 |
| | 3,705 | 732 |
| | 10,882 | 8,080 |
| **Trade and other payables** | | |
| Compañía Minera Coimolache S.A. | 36 | 15 |
| **Other payables** | | |
| Compañía Minera Coimolache S.A. | - | 42 |
| Other | 20 | 20 |
| | 20 | 62 |
| | 56 | 77 |

(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, 2018 and 2017, loans to employees, directors and key personnel amounts to US$19,000 and US$47,000, 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.

The Group's key executives' compensation (including the related income taxes assumed by the Group) for the years 2018 and 2017 are presented below:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| **Accounts payable:** | | |
| Directors' remuneration | 2,192 | 1,641 |
| Salaries | 1,057 | 1,257 |
| Directors' compensations | 2,628 | 1,200 |
| Provision for bonus to officers | 6,345 | 1,899 |
| **Total** | 12,222 | 5,997 |
| **Disbursements:** | | |
| Salaries | 12,908 | 10,530 |

(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, 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 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
- 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. Also, 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:

In segment information of profit and 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, Mallay 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 which 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 segment information of consolidated statements of profit and 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 where the Group reports revenues from external customers for each product and service, and revenues from external customers attributed to Peru and foreign countries. The revenue information is based on the locations of customers.

Refer to Note 20(b) to the consolidated financial statements for information about major customers (clients representing more than 10 percent of the Group's revenues).

All non-current assets are located in Peru.

| | Uchucchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(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) | Min Yanac S.R US$( |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year 2018** | | | | | | | | | | | | | | | |
| **Results:** | | | | | | | | | | | | | | | |
| **Continuing operations** | | | | | | | | | | | | | | | |
| **Operating income:** | | | | | | | | | | | | | | | |
| Net sale of goods | 257,282 | 153,003 | 34,104 | 16,666 | 225,281 | 333,560 | 96,611 | - | - | - | - | - | 6,655 | - | 63 |
| Net sale of services | - | - | - | - | - | - | - | - | 62,962 | 14,986 | - | 615 | 19,908 | - | 2 |
| Royalty income | - | - | - | - | - | - | - | - | - | - | 20,385 | - | - | - | |
| **Total operating income** | 257,282 | 153,003 | 34,104 | 16,666 | 225,281 | 333,560 | 96,611 | - | 62,962 | 14,986 | 20,385 | 615 | 26,563 | - | 65 |
| **Operating costs** | | | | | | | | | | | | | | | |
| Cost of sales of goods, excluding depreciation and amortization | (151,817) | (97,006) | (26,558) | (12,103) | (92,829) | (216,560) | (68,993) | - | - | - | - | - | (6,280) | - | (59 |
| Cost of services, excluding depreciation and amortization | - | - | - | - | - | - | - | - | (25,499) | - | - | - | (8,966) | - | ( |
| Exploration in operating units | (20,898) | (29,563) | (8,646) | (613) | (20,553) | (9,996) | (74) | - | - | - | - | - | - | - | |
| Depreciation and amortization | (26,181) | (8,802) | (3,353) | (2,407) | (77,029) | (67,666) | (34,088) | - | (10,248) | - | - | - | (11,483) | - | |
| Mining royalties | (2,243) | (13,669) | (237) | (138) | (1,936) | (2,345) | (957) | - | - | - | - | - | - | - | |
| **Total operating costs** | (201,139) | (149,040) | (38,794) | (15,261) | (192,347) | (296,567) | (104,112) | - | (35,747) | - | - | - | (26,729) | - | (59 |
| **Gross profit (loss)** | 56,143 | 3,963 | (4,690) | 1,405 | 32,934 | 36,993 | (7,501) | - | 27,215 | 14,986 | 20,385 | 615 | (166) | - | 5 |
| **Operating expenses, net** | | | | | | | | | | | | | | | |
| Administrative expenses | (24,119) | (15,100) | (2,524) | (1,661) | (17,822) | (9,906) | (3,435) | (3,143) | (3,972) | (11,900) | (220) | (512) | (1,627) | 2,377 | ( |
| Exploration in non-operating areas | (18,339) | - | - | - | - | (7,199) | (5,002) | (2,883) | - | - | - | - | - | (4,091) | |
| Selling expenses | (8,213) | (775) | (356) | (574) | (3,046) | (12,201) | (784) | - | (1,173) | - | - | - | (924) | - | ( |
| Provision for contingences and others | 6,784 | (121) | 947 | (9) | 1,263 | (3,711) | (57) | 6,130 | (56) | - | - | - | 2 | (111) | |
| Impairment recovery of long-lived assets | - | - | - | - | - | - | 5,693 | - | - | - | - | - | - | - | |
| Other, net | (5,953) | (3,386) | (1,050) | (3,704) | (5,599) | 32,565 | (669) | 138 | 562 | - | | 2,773 | 194 | (2,235) | (7 |
| **Total operating expenses, net** | (49,840) | (19,382) | (2,983) | (5,948) | (25,204) | (452) | (4,254) | 242 | (4,639) | (11,900) | (220) | 2,261 | (2,355) | (4,060) | (8 |
| **Operating profit (loss)** | 6,303 | (15,419) | (7,673) | (4,543) | 7,730 | 36,541 | (11,755) | 242 | 22,576 | 3,086 | 20,165 | 2,876 | (2,521) | (4,060) | (2 |
| **Other income (expense),net** | | | | | | | | | | | | | | | |
| Finance costs | (308) | (395) | (95) | (34) | (262) | (10,365) | (1,946) | (222) | (7,576) | (2) | (11) | (25) | (932) | (17,194) | (3 |
| Net gain (loss) from currency exchange difference | 196 | 168 | 8 | 19 | 209 | 108 | (224) | (846) | (346) | 19 | 18 | 2 | (482) | (206) | ( |
| Share in the results of associates under equity method | - | - | - | - | - | - | - | - | 8,589 | - | - | (25,517) | - | 15,081 | |
| Finance income | - | - | - | - | - | 418 | 1,649 | - | 179 | - | 21 | 8 | 127 | 9,293 | 1 |
| **Total other income (expense), net** | (112) | (227) | (87) | (15) | (53) | (9,839) | (521) | (1,068) | 846 | 17 | 28 | (25,532) | (1,287) | 6,974 | (2 |
| Profit (loss) before income tax | 6,191 | (15,646) | (7,760) | (4,558) | 7,677 | 26,702 | (12,276) | (826) | 23,422 | 3,103 | 20,193 | (22,656) | (3,808) | 2,914 | (5 |
| Income tax current | (768) | (559) | (72) | (47) | (656) | (8,332) | (24) | - | - | - | (6,025) | (444) | (2) | - | (3 |
| Income tax deferred | - | - | - | - | - | (10,803) | (1,220) | - | (7,584) | - | - | - | 106 | 9,514 | |
| **Profit (loss) from continued operations** | 5,423 | (16,205) | (7,832) | (4,605) | 7,021 | 7,567 | (13,520) | (826) | 15,838 | 3,103 | 14,168 | (23,100) | (3,704) | 12,428 | (8 |
| Loss from discontinued operations, see note 1(e) | | | | | | | | | | | | | | | |
| **Net loss** | | | | | | | | | | | | | | | |
| **Total assets** | 126,374 | 39,725 | 39,537 | 13,793 | 461,335 | 773,554 | 158,718 | 372,344 | 366,354 | 12,154 | 7,154 | 520,484 | 106,391 | 2,407,754 | 2,04 |
| **Total liabilities** | 45,227 | 30,749 | 29,469 | 6,685 | 28,502 | 340,735 | 68,615 | 18,986 | 197,152 | 4,597 | 2,653 | 603 | 20,671 | 419,208 | 1,46 |
| **Other segment information** | | | | | | | | | | | | | | | |
| Investment in associates | - | - | - | - | - | - | - | - | - | - | - | - | - | 1,473,382 | |
| **Additions to mining concessions, development costs, property, plant and equipment** | 18,429 | 6,225 | 2,984 | 1,810 | 18,858 | 29,572 | 13,159 | 17,141 | 118 | - | - | - | 1,816 | 1,158 | |

| | Ucchuchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(000) | Tambomayo (Operation) US$(000) | Colquijirca (Operation) US$(000) | La Zanja (Operation) US$(000) | Exploration and development mining projects US$(000) | Construction and engineering 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year 2017** | | | | | | | | | | | | | | |
| **Results:** | | | | | | | | | | | | | | |
| **Continuing operations** | | | | | | | | | | | | | | |
| **Operating income** | | | | | | | | | | | | | | |
| Net sale of goods | 272,334 | 256,960 | 42,785 | 36,736 | 118,966 | 322,653 | 165,319 | - | - | - | - | - | - | 6,317 |
| Net sale of services | - | - | - | - | - | - | - | - | 10,603 | 60,639 | 14,377 | - | 615 | 19,658 |
| Royalty income | - | - | - | - | - | - | - | - | - | - | - | 20,739 | - | - |
| **Total operating income** | 272,334 | 256,960 | 42,785 | 36,736 | 118,966 | 322,653 | 165,319 | - | 10,603 | 60,639 | 14,377 | 20,739 | 615 | 25,975 |
| **Operating costs** | | | | | | | | | | | | | | |
| Cost of sales of goods, excluding depreciation and amortization | (143,288) | (115,574) | (31,190) | (22,783) | (53,555) | (193,874) | (102,474) | - | - | - | - | - | - | (6,043) |
| Cost of services, excluding depreciation and amortization | - | - | - | - | - | - | - | - | (9,393) | (25,556) | - | - | - | (9,354) |
| Exploration in operating units | (27,068) | (38,820) | (13,009) | (5,617) | (9,543) | - | (871) | - | - | - | - | - | - | - |
| Depreciation and amortization | (23,899) | (8,846) | (8,122) | (3,568) | (42,789) | (57,199) | (48,385) | - | (129) | (9,651) | - | - | - | (11,134) |
| Mining royalties | (2,280) | (22,436) | (354) | (333) | (998) | (3,317) | (1,499) | - | - | - | - | - | - | - |
| **Total operating costs** | (196,535) | (185,676) | (52,675) | (32,301) | (106,885) | (254,390) | (153,229) | - | (9,522) | (35,207) | - | - | - | (26,531) |
| **Gross profit (loss)** | 75,799 | 71,284 | (9,890) | 4,435 | 12,081 | 68,263 | 12,090 | - | 1,081 | 25,432 | 14,377 | 20,739 | 615 | (556) |
| **Operating expenses, net** | | | | | | | | | | | | | | |
| Administrative expenses | (19,473) | (18,281) | (2,878) | (2,931) | (9,139) | (13,061) | (2,814) | (1,604) | (3,606) | (2,423) | (12,288) | (90) | (413) | (1,203) |
| Exploration in non-operating areas | (2,676) | - | - | - | (3,214) | (1,976) | (2,870) | (2,771) | - | - | - | - | - | - |
| Selling expenses | (6,078) | (1,016) | (605) | (1,045) | (1,387) | (10,914) | (881) | - | - | (1,264) | - | - | - | (775) |
| Impairment loss of long-lived assets | - | - | - | - | - | - | (21,620) | - | - | - | - | - | - | - |
| Provision for contingences and others | (7,040) | (1) | (460) | (139) | (1,002) | - | (1,370) | (4,657) | 100 | 312 | - | - | - | - |
| Write –off of stripping activity asset | - | - | - | - | - | (13,573) | - | - | - | - | - | - | - | - |
| Other, net | (1,799) | (715) | (1,403) | (359) | (175) | (2,922) | (970) | (94) | 1,129 | (94) | (4) | (1) | - | 216 |
| **Total operating expenses, net** | (37,066) | (20,013) | (5,346) | (4,474) | (14,917) | (42,446) | (30,525) | (9,126) | (2,377) | (3,469) | (12,292) | (91) | (413) | (1,762) |
| **Operating profit (loss)** | 38,733 | 51,271 | (15,236) | (39) | (2,836) | 25,817 | (18,435) | (9,126) | (1,296) | 21,963 | 2,085 | 20,648 | 202 | (2,318) |
| **Other income (expense),net** | | | | | | | | | | | | | | |
| Share in the results of associates under equity method | - | - | - | - | - | - | - | - | - | 8,573 | - | - | (66,187) | - |
| Finance income | - | - | - | - | - | 179 | 670 | - | - | 139 | 1 | 7 | 1 | 79 |
| Net gain (loss) from currency exchange difference | 31 | (63) | (75) | (11) | 10 | 310 | 48 | 537 | 105 | 294 | (75) | (41) | (4) | 497 |
| Finance costs | (285) | (354) | (106) | (72) | (372) | (12,017) | (1,919) | (131) | (370) | (10,354) | (6) | (2) | (2) | (941) |
| **Total other income (expense), net** | (254) | (417) | (181) | (83) | (362) | (11,528) | (1,201) | 406 | (265) | (1,348) | (80) | (36) | (66,192) | (365) |
| **Profit (loss) before income tax** | 38,479 | 50,854 | (15,417) | (122) | (3,198) | 14,289 | (19,636) | (8,720) | (1,561) | 20,615 | 2,005 | 20,612 | (65,990) | (2,683) |
| Income tax | (1,101) | (1,085) | (153) | (124) | (538) | (3,903) | 6,841 | - | (400) | (3,491) | (742) | (6,044) | (38) | 1,818 |
| **Profit (loss) from continued operations** | 37,378 | 49,769 | (15,570) | (246) | (3,736) | 10,386 | (12,795) | (8,720) | (1,961) | 17,124 | 1,263 | 14,568 | (66,028) | (865) |
| Loss from discontinued operations, see note 1(e) | | | | | | | | | | | | | | |
| **Net profit** | | | | | | | | | | | | | | |
| **Total assets** | 146,464 | 54,114 | 20,922 | 18,923 | 538,057 | 792,594 | 190,310 | 342,759 | 14,004 | 360,610 | 9,004 | 6,611 | 988,841 | 109,669 |
| **Total liabilities** | 49,723 | 42,242 | 18,099 | 6,092 | 32,501 | 388,899 | 87,008 | 14,527 | 5,153 | 205,247 | 4,616 | 2,378 | 414 | 20,245 |
| **Other segment information** | | | | | | | | | | | | | | |
| Investment in associates | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Additions to mining concessions, development costs, property, plant and equipment** | **18,127** | **12,674** | **1,951** | **1,796** | **131,119** | **61,060** | **17,326** | **13,733** | **3** | **852** | **14** | **-** | **-** | **459** |

| | Uchuchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(000) | Tambomayo (Operation) US$(000) | Colquijirca (Operation) US$(000) | La Zanja (Operation) US$(000) | Exploration and development mining projects US$(000) | Construction and engineering 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) | C U |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year 2016** | | | | | | | | | | | | | | | |
| **Results:** | | | | | | | | | | | | | | | |
| **Continuing operations** | | | | | | | | | | | | | | | |
| **Operating income** | | | | | | | | | | | | | | | |
| Net sale of goods | 240,470 | 244,745 | 54,666 | 46,741 | - | 230,611 | 178,922 | - | - | - | - | - | - | 5,982 | |
| Net sale of services | - | - | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | |
| Royalty income | - | - | - | - | - | - | - | - | - | - | - | 24,339 | - | - | |
| **Total operating income** | 240,470 | 244,745 | 54,666 | 46,741 | - | 230,611 | 178,922 | | 12,633 | 57,312 | 12,675 | 24,339 | 615 | 25,489 | |
| **Operating costs** | | | | | | | | | | | | | | | |
| Cost of sales of goods, excluding depreciation and amortization | (118,561) | (97,325) | (23,633) | (23,392) | - | (178,231) | (80,873) | - | - | - | - | - | - | (2,962) | |
| Cost of services, excluding depreciation and amortization | - | - | - | - | - | - | - | - | (9,732) | (25,250) | - | - | - | (8,723) | |
| Exploration in operating units | (31,406) | (45,111) | (11,069) | (7,960) | - | - | (603) | - | - | - | - | - | - | - | |
| Depreciation and amortization | (18,541) | (11,403) | (6,756) | (11,393) | - | (53,637) | (67,542) | (27) | (253) | (10,904) | - | (16) | (221) | (10,968) | |
| Mining royalties | (1,687) | (21,482) | (381) | (314) | - | (2,726) | (1,021) | - | - | - | - | - | - | - | |
| **Total operating costs** | (170,195) | (175,321) | (41,839) | (43,059) | - | (234,594) | (150,039) | (27) | (9,985) | (36,154) | - | (16) | (221) | (22,653) | |
| **Gross profit (loss)** | 70,275 | 69,424 | 12,827 | 3,682 | - | (3,983) | 28,883 | (27) | 2,648 | 21,158 | 12,675 | 24,323 | 394 | 2,836 | |
| **Operating expenses** | | | | | | | | | | | | | | | |
| Administrative expenses | (13,265) | (13,810) | (4,582) | (2,708) | (3,274) | (11,802) | (1,980) | (3,750) | (4,492) | (2,450) | (12,245) | (112) | (227) | (635) | |
| Exploration in non-operating areas | - | - | - | - | (7,517) | (1,939) | (4,619) | (9,585) | - | - | - | - | - | - | |
| Selling expenses | (4,632) | (1,075) | (845) | (1,549) | - | (10,650) | (938) | - | - | (1,124) | - | - | - | (1,154) | |
| Impairment loss of long-lived assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Provision for contingencies | 1,121 | (110) | (630) | 49 | 69 | - | - | (1,399) | (286) | (467) | - | - | - | - | |
| Other, net | 1,144 | 874 | 74 | (372) | 421 | 276 | 4,237 | 2,180 | 2,198 | 10,994 | - | 11 | (16) | 546 | |
| **Total operating expenses, net** | (15,632) | (14,121) | (5,983) | (4,580) | (10,301) | (24,115) | (3,300) | (12,554) | (2,580) | 6,953 | (12,245) | (101) | (243) | (1,243) | |
| **Operating profit (loss)** | 54,643 | 55,303 | 6,844 | (898) | (10,301) | (28,098) | 25,583 | (12,581) | 68 | 28,111 | 430 | 24,222 | 151 | 1,593 | |
| **Other income (expense),net** | | | | | | | | | | | | | | | |
| Share in the results of associates under equity method | - | - | - | - | - | - | - | - | - | 4,579 | (9) | - | (448,017) | - | |
| Finance income | 3 | 3 | 1 | - | - | 256 | 87 | - | 8 | 820 | 12 | - | 4 | 1 | |
| Net gain (loss) from currency exchange difference | (203) | (59) | (61) | (46) | 57 | (270) | 65 | 505 | 5 | (138) | 426 | (93) | 5 | 222 | |
| Finance costs | (379) | (197) | (87) | (41) | (137) | (12,554) | (2,614) | (163) | (545) | (10,564) | (10) | (2) | (14) | (962) | |
| **Total other income (expense), net** | (579) | (253) | (147) | (87) | (80) | (12,568) | (2,462) | 342 | (532) | (5,303) | 419 | (95) | (448,022) | (739) | |
| **Profit (loss) before income tax** | 54,064 | 55,050 | 6,697 | (985) | (10,381) | (40,666) | 23,121 | (12,239) | (464) | 22,808 | 849 | 24,127 | (447,871) | 854 | |
| Income tax | (1,814) | (1,895) | (424) | (365) | - | 7,851 | (18,256) | (245) | (178) | (9,224) | (245) | (6,761) | - | 461 | |
| **Profit (loss) from continued operations** | 52,250 | 53,155 | 6,273 | (1,350) | (10,381) | (32,815) | 4,865 | (12,484) | (642) | 13,584 | 604 | 17,366 | (447,871) | 1,315 | |
| Loss from discontinued operations, see note 1(e) | | | | | | | | | | | | | | | |
| **Net loss** | | | | | | | | | | | | | | | |
| **Total assets** | 105,950 | 46,085 | 25,118 | 16,958 | 415,341 | 763,092 | 246,106 | 330,169 | 22,481 | 379,964 | 6,226 | 7,439 | 427,439 | 120,038 | 2 |
| **Total liability** | 35,148 | 26,536 | 19,733 | 7,302 | 582 | 353,184 | 129,689 | 14,831 | 11,647 | 222,324 | 3,102 | 2,684 | 148 | 29,751 | |
| **Other segment information** | | | | | | | | | | | | | | | |
| Investment in associates | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1 |
| Additions to mining concessions, development costs, property, plant and equipment | 28,899 | 3,451 | 759 | 2,729 | 230,223 | 51,289 | 14,995 | 25,450 | 27 | 4,236 | 39 | - | - | 3,719 | |

**Reconciliation of segment profit (loss)**

The reconciliation of segment profit (loss) to the consolidated profit (loss) from continued operations follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Segments profit (loss)** | 59,534 | 250,134 | (1,397,473) |
| Elimination of profit of equity accounted investees, not consolidated (owned by third parties) | (63,777) | (225,215) | 645,989 |
| Elimination of intercompany sales | (74,637) | (108,973) | (251,502) |
| Elimination of cost of sales and operating expenses intercompany | 76,780 | 106,726 | 250,157 |
| Elimination of share in the results of subsidiaries and associates | 1,582 | 49,627 | 448,507 |
| Others | (3,933) | 2,234 | (4,419) |
| **Consolidated profit (loss) from continued operations** | (4,451) | 74,533 | (308,741) |

**Reconciliation of segment assets**

The reconciliation of segment assets to the consolidated assets follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Segments assets** | 15,369,524 | 15,614,979 | 15,522,247 |
| Elimination of assets of equity accounted investees, not consolidated (owned by third parties) | (9,963,853) | (10,090,873) | (10,016,003) |
| Elimination of the subsidiaries and associates of the Parent company | (1,184,240) | (1,186,783) | (1,047,758) |
| Elimination of intercompany receivables | (32,444) | (32,769) | (192,958) |
| Others | 28,234 | 28,259 | 887 |
| **Consolidated assets** | 4,217,221 | 4,332,813 | 4,266,415 |

**Reconciliation of segment liabilities**

The reconciliation of segment liabilities to the consolidated liabilities follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Segments liabilities** | 5,248,748 | 5,315,362 | 5,500,328 |
| Elimination of liabilities of equity accounted investees, not consolidated | (4,034,896) | (4,012,805) | (4,087,495) |
| Elimination of intercompany payables | (27,822) | (32,769) | (192,958) |
| Others | 1,626 | (602) | (673) |
| **Consolidated liabilities** | 1,187,656 | 1,269,186 | 1,219,202 |

**Disaggregated revenue information**

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

| | Ucchuchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(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) | Corporate US$(000) | Total operating segments US$(000) | Adj elin U |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year 2018** | | | | | | | | | | | | | | | |
| **Revenues by geographic region:** | | | | | | | | | | | | | | | |
| Metal and concentrates sales - | | | | | | | | | | | | | | | |
| Peru | 170,986 | 10,808 | 15,261 | 16,799 | 63,049 | 257,559 | 2,770 | - | - | - | - | 751 | - | 537,983 | |
| America | - | 142,432 | - | - | 159,530 | - | 67,756 | - | - | - | - | 906 | - | 370,624 | |
| Asia | 29,382 | - | 9,115 | - | - | 82,022 | - | - | - | - | - | - | - | 120,519 | |
| Europe | 57,472 | - | 9,488 | - | 2,760 | - | 26,074 | - | - | - | - | 4,998 | - | 100,792 | |
| | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | - | - | - | - | 6,655 | - | 1,129,918 | |
| **Services -** | | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | - | 62,962 | 14,787 | - | 615 | 19,909 | - | 98,273 | |
| America | - | - | - | - | - | - | - | - | 199 | - | - | - | - | 199 | |
| | - | - | - | - | - | - | - | 62,962 | 14,986 | - | 615 | 19,909 | - | 98,472 | |
| **Royalties -** | | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | - | - | - | 20,385 | - | - | - | 20,385 | |
| **Total revenue from contracts with customers** | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | 62,962 | 14,986 | 20,385 | 615 | 26,564 | - | 1,248,775 | |
| **Revenues by type of good or services:** | | | | | | | | | | | | | | | |
| **Sales by metal -** | | | | | | | | | | | | | | | |
| Gold | 11 | 149,092 | 28 | 49 | 150,939 | 18,463 | 93,358 | - | - | - | - | - | - | 411,940 | |
| Silver | 217,843 | 5,243 | 35,307 | 7,045 | 54,109 | 46,060 | 3,583 | - | - | - | - | - | - | 369,190 | |
| Copper | - | (221) | 129 | - | - | 275,119 | - | - | - | - | - | - | - | 275,027 | |
| Zinc | 45,194 | - | - | 9,382 | 18,197 | 101,275 | - | - | - | - | - | - | - | 174,048 | |
| Lead | 36,238 | - | 1,996 | 3,504 | 6,703 | 40,618 | - | - | - | - | - | - | - | 89,059 | |
| Manganese sulfate | - | - | - | - | - | - | - | - | - | - | - | 6,655 | - | 6,655 | |
| | 299,286 | 154,114 | 37,460 | 19,980 | 229,948 | 481,535 | 96,941 | - | - | - | - | 6,655 | - | 1,325,919 | |
| Commercial deductions | (41,446) | (874) | (3,596) | (3,181) | (4,609) | (141,954) | (341) | - | - | - | - | - | - | (196,001) | |
| | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | - | - | - | - | 6,655 | - | 1,129,918 | |
| **Sales by services -** | - | - | - | - | - | - | - | 62,962 | 14,986 | - | 615 | 19,909 | - | 98,472 | |
| **Royalties income -** | - | - | - | - | - | - | - | - | - | 20,385 | - | - | - | 20,385 | |
| **Total revenue from contracts with customers** | 257,840 | 153,240 | 33,864 | 16,799 | 225,339 | 339,581 | 96,600 | 62,962 | 14,986 | 20,385 | 615 | 26,564 | - | 1,248,775 | |

| | **Ucchuchacua (Operation)** US$(000) | **Orcopampa (Operation)** US$(000) | **Julcani (Operation)** US$(000) | **Mallay (Operation)** US$(000) | **Tambomayo (Operation)** US$(000) | **Colquijirca (Operation)** US$(000) | **La Zanja (Operation)** US$(000) | **Construction and engineering** US$(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 seg** US |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year 2017** | | | | | | | | | | | | | | | |
| **Revenues by geographic region:** | | | | | | | | | | | | | | | |
| Metal and concentrates sales - | | | | | | | | | | | | | | | |
| Peru | 209,300 | 17,774 | 13,049 | 35,189 | 34,337 | 239,317 | 32,607 | - | - | - | - | - | 852 | 705 | |
| America | - | 239,183 | - | - | 84,039 | 459 | 125,875 | - | - | - | - | - | 3,776 | 18,531 | |
| Asia | 19,078 | - | 12,140 | - | - | 89,501 | - | - | - | - | - | - | - | - | |
| Europe | 38,104 | - | 15,931 | 1,496 | - | 3,820 | 5,513 | - | - | - | - | - | 1,689 | 14,780 | |
| | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | - | - | - | - | - | 6,317 | 34,016 | |
| **Services -** | | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | - | 10,014 | 60,639 | 14,205 | - | 615 | 19,658 | - | |
| America | - | - | - | - | - | - | - | 589 | - | 172 | - | - | - | - | |
| | - | - | - | - | - | - | - | 10,603 | 60,639 | 14,377 | - | 615 | 19,658 | - | |
| **Royalties -** | | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | - | - | - | - | 20,739 | - | - | - | |
| **Total revenue from contracts with customers** | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | 10,603 | 60,639 | 14,377 | 20,739 | 615 | 25,975 | 34,016 | |
| **Revenues by type of good or services:** | | | | | | | | | | | | | | | |
| **Sales by metal -** | | | | | | | | | | | | | | | |
| Gold | 345 | 247,909 | - | 452 | 80,796 | 20,301 | 160,489 | - | - | - | - | - | - | 32,875 | |
| Silver | 256,608 | 9,595 | 40,384 | 16,518 | 27,285 | 54,629 | 4,434 | - | - | - | - | - | - | 1,257 | |
| Copper | - | 598 | 192 | - | - | 267,737 | - | - | - | - | - | - | - | - | |
| Zinc | 31,814 | - | - | 17,505 | 7,914 | 130,790 | - | - | - | - | - | - | - | - | |
| Lead | 32,244 | - | 4,660 | 8,998 | 4,735 | 44,318 | - | - | - | - | - | - | - | - | |
| Manganese sulfate | - | - | - | - | - | - | - | - | - | - | - | - | 6,317 | - | |
| Indium | | | | | | 66 | - | - | - | - | - | - | - | - | |
| | 321,011 | 258,102 | 45,236 | 43,473 | 120,730 | 517,841 | 164,923 | - | - | - | - | - | 6,317 | 34,132 | |
| Commercial deductions | (54,529) | (1,145) | (4,116) | (6,788) | (2,354) | (184,744) | (928) | - | - | - | - | - | - | (116) | |
| | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | - | - | - | - | - | 6,317 | 34,016 | |
| **Sales by services -** | - | - | - | - | - | - | - | 10,603 | 60,639 | 14,377 | - | 615 | 19,658 | - | |
| **Royalties income -** | - | - | - | - | - | - | - | - | - | - | 20,739 | - | - | - | |
| **Total revenue from contracts with customers** | 266,482 | 256,957 | 41,120 | 36,685 | 118,376 | 333,097 | 163,995 | 10,603 | 60,639 | 14,377 | 20,739 | 615 | 25,975 | 34,016 | |

| Year 2016 | Ucchuchacua (Operation) US$(000) | Orcopampa (Operation) US$(000) | Julcani (Operation) US$(000) | Mallay (Operation) US$(000) | Colquijirca (Operation) US$(000) | La Zanja (Operation) US$(000) | Construction and engineering 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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Revenues by geographic region:** | | | | | | | | | | | | | | |
| Peru | | | | | | | | | | | | | | |
| Metal and concentrates sales - | | | | | | | | | | | | | | |
| Peru | 194,647 | 14,463 | 13,243 | 44,671 | 125,628 | 180,063 | - | - | - | - | - | 497 | 2,261 | 575,473 |
| America | - | 229,332 | - | - | 2191 | - | - | - | - | - | - | 5,485 | 160,787 | 397,795 |
| Asia | 798 | - | 17,943 | - | 78,726 | - | - | - | - | - | - | - | - | 97,467 |
| Europe | 47,379 | - | 24,215 | 1,890 | 19,836 | - | - | - | - | - | - | - | 28,609 | 121,929 |
| | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | - | - | - | - | - | 5,982 | 191,657 | 1,192,664 |
| **Services -** | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | - | 102,742 |
| | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | - | 102,742 |
| **Royalties -** | | | | | | | | | | | | | | |
| Peru | - | - | - | - | - | - | - | - | - | 24,339 | - | - | - | 24,339 |
| **Total revenue from contracts with customers** | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | 12,633 | 57,312 | 12,675 | 24,339 | 615 | 25,489 | 191,657 | 1,319,745 |
| | | | | | | | | | | | | | | |
| **Revenues by type of good or services:** | | | | | | | | | | | | | | |
| **Sales by metal -** | | | | | | | | | | | | | | |
| Gold | 347 | 232,940 | 42 | 1,374 | 16,463 | 179,362 | - | - | - | - | - | - | 188,120 | 618,648 |
| Silver | 260,431 | 11,279 | 55,502 | 25,368 | 29,560 | 3,864 | - | - | - | - | - | - | 3,717 | 389,721 |
| Copper | - | 243 | 230 | - | 224,176 | - | - | - | - | - | - | - | - | 224,649 |
| Zinc | 12,042 | - | - | 19,767 | 110,616 | - | - | - | - | - | - | - | - | 142,425 |
| Lead | 16,281 | - | 5,142 | 13,256 | 24,011 | - | - | - | - | - | - | - | - | 58,690 |
| Manganese sulfate | - | - | - | - | - | - | - | - | - | - | - | 5,982 | - | 5,982 |
| | 289,101 | 244,462 | 60,916 | 59,765 | 404,826 | 183,226 | - | - | - | - | - | 5,982 | 191,837 | 1,440,115 |
| Commercial deductions | (46,277) | (667) | (5,515) | (13,204) | (178,445) | (3,163) | - | - | - | - | - | - | (180) | (247,451) |
| | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | - | - | - | - | - | 5,982 | 191,657 | 1,192,664 |
| **Sales by services -** | - | - | - | - | - | - | 12,633 | 57,312 | 12,675 | - | 615 | 19,507 | - | 102,742 |
| **Royalties income -** | - | - | - | - | - | - | - | - | - | 24,339 | - | - | - | 24,339 |
| **Total revenue from contracts with customers** | 242,824 | 243,795 | 55,401 | 46,561 | 226,381 | 180,063 | 12,633 | 57,312 | 12,675 | 24,339 | 615 | 25,489 | 191,657 | 1,319,745 |

## 32. Derivative financial instruments

Hedge derivative financial instruments -
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 cooper price in accordance with existing copper concentrate sales commitments, which are related to 50 percent of the annual production of copper according to the risk strategy approved by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:
- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The table below presents the composition of open transactions included in the hedge derivative financial instruments as of December 31, 2018:

| | | Quotations | | |
|---|---|---|---|---|
| **Period of settlement** | **MT** | **Fixed** | **Futures** | **Fair value** |
| | | | | US$(000) |
| January 2019 | 1,000 | 7,345 | 5,961 | 1,381 |
| February 2019 | 1,000 | 7,352 | 5,968 | 1,378 |
| | 2,000 | | | 2,759 |

The table below presents the composition of open transactions included in the hedge derivative financial instruments as of December 31, 2017:

| Period of settlement | MT | Quotations Fixed | Quotations Futures | Fair value US$(000) |
|---|---|---|---|---|
| January 2018 | 3,000 | 5,972 – 6,050 | 7,275 | (3,787) |
| February 2018 | 3,000 | 5,972 – 6,050 | 7,260 | (3,736) |
| March 2018 | 3,000 | 5,972 – 6,050 | 7,247 | (3,693) |
| April 2018 | 3,000 | 5,805 – 6,050 | 7,259 | (3,973) |
| May 2018 | 3,000 | 5,900 – 6,300 | 7,269 | (3,484) |
| June 2018 | 3,000 | 5,900 – 6,325 | 7,277 | (3,468) |
| July 2018 | 3,000 | 5,960 – 6,350 | 7,285 | (3,359) |
| August 2018 | 3,000 | 6,520 | 7,290 | (2,288) |
| September 2018 | 3,000 | 7,100 | 7,296 | (580) |
| October 2018 | 3,000 | 7,200 | 7,300 | (296) |
| November 2018 | 3,000 | 7,300 | 7,305 | (13) |
| December 2018 | 3,000 | 7,300 | 7,309 | (28) |
| | 36,000 | | | (28,705) |

**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. It is supported by a committee that advises on financial risks. 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, 2018 and 2017.

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, 2018 and 2017 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) |
|---|---|---|
| **2018** | | |
| Exchange rate | 10% | 1,695 |
| Exchange rate | (10)% | (1,681) |
| **2017** | | |
| Exchange rate | 10% | 2,474 |
| Exchange rate | (10)% | (2,459) |
| **2016** | | |
| Exchange rate | 10% | (924) |
| Exchange rate | (10)% | 926 |

(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 is affected by numerous factors beyond its control.

The Group manages its commodity price risk primarily through the use of 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 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. The deferred amounts were reclassified to the appropriate sales when production was sold.

(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 rate** (percentage rates) | **Effect on profit (loss) before income tax** US$(000) |
|---|---|---|
| **2018** | | |
| Interest rate | 10 | (227) |
| Interest rate | -10 | 227 |
| | | |
| **2017** | | |
| Interest rate | 10 | (677) |
| Interest rate | -10 | 677 |
| | | |
| **2016** | | |
| Interest rate | 10 | (333) |
| Interest rate | -10 | 333 |

(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.

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.

(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 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.

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, 2018 -** | | | | | |
| Bank loans | 95,613 | - | - | - | 95,613 |
| Trade and other payables | 176,811 | 639 | - | - | 177,450 |
| Financial obligation | 77,183 | 374,760 | 201,487 | - | 653,430 |
| Contingent consideration liability | - | - | 5,904 | 32,472 | 38,376 |
| **Total** | 349,607 | 375,399 | 207,391 | 32,472 | 964,869 |
| **As of December 31, 2017 -** | | | | | |
| Bank loans | 96,580 | - | - | - | 96,580 |
| Trade and other payables | 219,379 | 663 | - | - | 220,042 |
| Derivative financial instruments | 28,705 | - | - | - | 28,705 |
| Financial obligation | 110,062 | 148,718 | 449,689 | - | 708,469 |
| Contingent consideration liability | - | - | 9,280 | 28,469 | 37,749 |
| **Total** | 454,726 | 149,381 | 458,969 | 28,469 | 1,091,545 |

(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.

## 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: | | |
|---|---|---|---|---|
| | Total US$(000) | Quoted prices in active markets (Level 1) US$(000) | Quoted prices in active markets (Level 2) US$(000) | Quoted prices in active markets (Level 3) US$(000) |
| **As of December 31, 2018 -** | | | | |
| **Assets and liabilities measured at fair value:** | | | | |
| Fair value of account receivable | 107,549 | - | 107,549 | - |
| Contingent consideration liability | 15,755 | - | - | 15,755 |
| Hedge instruments | 2,759 | - | 2,759 | - |
| **As of December 31, 2017 -** | | | | |
| **Assets and liabilities measured at fair value:** | | | | |
| Fair value of account receivable | 152,268 | - | 152,268 | - |
| Contingent consideration liability | 17,570 | - | - | 17,570 |
| Hedge instruments | 28,705 | - | 28,705 | - |

*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 embedded derivatives 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.

During 2018 and 2017, the fair value of the investment property amounted to US$544,000 and US$191,000, respectively.

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, 2018 and 2017.

**Minera Yanacocha S.R.L. and Subsidiary**

Consolidated Financial Statements for the years 2018, 2017 and 2016, together with the Report of Independent Auditors Registered Public Accounting Firm

**Minera Yanacocha S.R.L. and Subsidiary**

Consolidated Financial Statements for the years 2018, 2017 and 2016, together with the Report of Independent Registered Public Accounting Firm

**Content**

# 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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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 24 and 25 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 30, 2019

**Minera Yanacocha S.R.L. and Subsidiary**

## Consolidated statements of financial position

As of December 31, 2018 and 2017

| | Note | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 723,208 | 675,014 |
| Trade and other receivables, net | 6 | 32,610 | 36,800 |
| Prepaid income tax | | 19,239 | 31,945 |
| Value added tax credit | | 29,828 | 43,684 |
| Inventories, net | 7 | 54,527 | 70,646 |
| Stockpiles and ore on leach pads, net | 8 | 100,593 | 196,638 |
| Prepaid expenses | | 753 | 408 |
| **Total current assets** | | 960,758 | 1,055,135 |
| **Non-current assets** | | | |
| Restricted cash | 13 | 48,127 | - |
| Trade and other receivables, net | 6 | 23,290 | 11,520 |
| Financial assets at fair value | 9 | 22,610 | 23,000 |
| Stockpiles and ore on leach pads, net | 8 | 138,778 | 60,760 |
| Property, plant and equipment, net | 10 | 840,454 | 855,881 |
| Intangible assets, net | | 12,384 | 13,099 |
| Deferred tax asset | 15(d) | 1,071 | - |
| **Total non-current assets** | | 1,086,714 | 964,260 |
| **Total assets** | | 2,047,472 | 2,019,395 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 87,016 | 83,820 |
| Current provisions | 12 | 41,154 | 39,495 |
| **Total current liabilities** | | 128,170 | 123,315 |
| **Non-current liabilities** | | | |
| Debt instruments | 13 | 42,430 | - |
| Non-current provisions | 12 | 1,293,149 | 1,236,965 |
| **Total non-current liabilities** | | 1,335,579 | 1,236,965 |
| **Total liabilities** | | 1,463,749 | 1,360,280 |
| **Partners' equity, net** | | | |
| Partners' contributions | 14 | 378,505 | 398,216 |
| Additional paid-in-capital | | (21,758) | (47,685) |
| Retained earnings | | 228,572 | 310,089 |
| Other reserves | | (1,596) | (1,505) |
| **Total equity** | | 583,723 | 659,115 |
| **Total liabilities and partners’ equity, net** | | 2,047,472 | 2,019,395 |

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, 2018, 2017 and 2016

| | Note | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|---|
| **Operating income** | | | | |
| Revenue from sales | 16 | 635,393 | 645,176 | 761,193 |
| Other operating income | 16 | 21,965 | 21,870 | 17,713 |
| **Total gross income** | | 657,358 | 667,046 | 778,906 |
| | | | | |
| Costs applicable to sales | 17 | (596,164) | (746,918) | (776,394) |
| Other operating costs | | (2,217) | (2,062) | (2,951) |
| **Total operating costs** | | (598,381) | (748,980) | (779,345) |
| **Gross profit (loss)** | | 58,977 | (81,934) | (439) |
| | | | | |
| **Operating expenses** | | | | |
| Operating expenses, net | 18 | (76,155) | (63,514) | (71,496) |
| Administrative expenses | 19 | (2,783) | (4,760) | (8,780) |
| Selling expenses | | (2,627) | (3,921) | (3,695) |
| Impairment loss | 10(b) | - | - | (889,499) |
| **Total operating expenses** | | (81,565) | (72,195) | (973,470) |
| **Operating loss** | | (22,588) | (154,129) | (973,909) |
| | | | | |
| **Other expenses, net** | | | | |
| Finance income | | 11,448 | 5,831 | 2,132 |
| Finance costs | 20 | (39,024) | (23,766) | (15,107) |
| Net loss from currency exchange difference | | (2,056) | 3,636 | (13,741) |
| **Total other expenses, net** | | (29,632) | (14,299) | (26,716) |
| **Loss before income tax** | | (52,220) | (168,428) | (1,000,625) |
| Income tax expense | 15(c) | (29,297) | (7,026) | (43,127) |
| **Loss for the year** | | (81,517) | (175,454) | (1,043,752) |
| | | | | |
| **Comprehensive loss:** | | | | |
| Loss for the year | | (81,517) | (175,454) | (1,043,752) |
| **Other comprehensive (loss) income to be reclassified as profit or loss in subsequent periods:** | | | | |
| Changes in the fair value of financial assets, net of tax effect | | (91) | (3,244) | 651 |
| | | | | |
| **Total comprehensive loss for the year** | | (81,608) | (178,698) | (1,043,101) |

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, 2018, 2017 and 2016

| | **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, 2016** | 398,216 | 226 | 1,829,295 | 1,088 | 2,228,825 |
| Loss for the year | - | - | (1,043,752) | - | (1,043,752) |
| Other comprehensive income for the year | - | - | - | 651 | 651 |
| **Total comprehensive loss** | - | - | (1,043,752) | 651 | (1,043,101) |
| Dividends declared and paid, note 14(c) | - | - | (300,000) | - | (300,000) |
| **As of December 31, 2016** | 398,216 | 226 | 485,543 | 1,739 | 885,724 |
| Loss for the year | - | - | (175,454) | - | (175,454) |
| Other comprehensive loss for the year | - | - | - | (3,244) | (3,244) |
| **Total comprehensive loss** | - | - | (175,454) | (3,244) | (178,698) |
| Treasury shares, note 14(a) | - | (47,911) | - | - | (47,911) |
| **As of December 31,2017** | 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 stock reduction, note 14(a) | (19,711) | 19,711 | - | - | - |
| Proceeds from sale of shares, note 13 | 19,471 | 28,440 | - | - | 47,911 |
| Reclassification to debt instruments, note 13 | (19,471) | (22,224) | - | - | (41,695) |
| **As of December 31, 2018** | 378,505 | (21,758) | 228,572 | (1,596) | 583,723 |

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, 2018, 2017 and 2016

| | Note | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| Loss for the year | | (81,517) | (175,454) | (1,043,752) |
| **Adjustments to reconcile profit after income tax to net cash flows from operating activities:** | | | | |
| Impairment loss | 10(b) | - | - | 889,499 |
| Depreciation and amortization | | 156,212 | 87,783 | 140,712 |
| Deferred income tax | 15(c) | (1,071) | - | - |
| Unwinding of discount of the provision for reclamation | 12(b) | 36,015 | 21,769 | 14,104 |
| Unwinding of discount of debt instruments | 13 | 735 | - | - |
| Write-off of fixed assets | 18 | - | 1,368 | 14,036 |
| Loss (gain) for fixed asset sales | 18 | 624 | (603) | (311) |
| Write-down of ore inventories to realizable value | 8(b) | 90,365 | 77,385 | 100,179 |
| Reversal of the write-down of on ore inventories to realizable value | 8(b) | (63,778) | (99,219) | (106,103) |
| Allowance for obsolescence of materials and supplies | 7(b) | 439 | 1,804 | (609) |
| **Working capital adjustments:** | | | | |
| **Net (increase) decrease in operating assets:** | | | | |
| Trade and other receivables | | (7,580) | (7,345) | (14,586) |
| Prepaid income tax | | 12,706 | (13,770) | (18,175) |
| Value added tax credit | | 13,856 | 29,543 | 7,414 |
| Inventories and stockpiles and ore on leach pads | | 7,120 | 103,334 | 99,237 |
| Prepaid expenses | | (345) | (71) | 180 |
| Financial assets at fair value | 9 | - | (5,000) | - |
| **Net increase (decrease) in operating liabilities:** | | | | |
| Trade and other payables | | 3,196 | 17,346 | (10,654) |
| Income tax payable | | - | - | (12,346) |
| Provisions | | 14,090 | 77,296 | 91,842 |
| Reclamation liabilities paid | 12(b) | (19,842) | (21,376) | (10,467) |
| **Net cash and cash equivalents provided by operating activities** | | 161,225 | 94,790 | 140,200 |
| | | | | |
| **Cash flow from investing activities** | | | | |
| Purchase of property, plant and equipment | 10 | (117,636) | (51,624) | (106,908) |
| Restricted cash | 13 | (48,127) | - | - |
| Proceeds from sale of property, plant and equipment | 18 | 4,821 | 2,235 | 471 |
| | | | | |
| **Net cash and cash equivalents used in investing activities** | | (160,942) | (49,389) | (106,437) |
| | | | | |
| **Cash flow from financing activities** | | | | |
| Dividends declared and paid | 14(c) | - | - | (300,000) |
| Proceeds from sale of shares | 13 | 47,911 | - | - |
| Payments for treasury shares | 14(a) | - | (47,911) | - |
| | | | | |
| **Net cash and cash equivalents used in financing activities** | | 47,911 | (47,911) | (300,000) |
| | | | | |
| Net increase (decrease) in cash and cash equivalents | | 48,194 | (2,510) | (266,237) |
| Cash and cash equivalents at beginning of year | | 675,014 | 677,524 | 943,761 |
| **Cash and cash equivalents at end of year** | | 723,208 | 675,014 | 677,524 |
| | | | | |
| **Transactions with no effects in cash flows:** | | | | |
| Addition of asset retirement and mine closure | | 27,275 | 97,326 | 351,798 |

The accompanying notes are an integral part of this consolidated financial statement.

**Minera Yanacocha S.R.L. and Subsidiary**

Notes to the consolidated financial statements
For the years 2018, 2017 and 2016

**1. Identification and business activities of the Company**

(a) Identification -
Minera Yanacocha S.R.L. hereinafter “the Company”, 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 Mining Corporation ("Newmont", the ultimate Parent company) , 43.65% owned by Compañia Minera Condesa S.A., which is 100% owned by Compañia 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 13.

The majority Partners of the Company (or their affiliates) also own the majority interest in Chaupiloma. In accordance with a mining lease, 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.

(b) Business activities-
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: the La Quinua Complex, the Yanacocha Complex, the Carachugo Complex and Maqui Maqui. In addition, The Company 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).

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 2019.

The Yanacocha Complex mines material from the Yanacocha Layback and Yanacocha Pinos, which are scheduled to finish mining operations in 2019 and 2020, respectively. 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 and residual leaching of gold continues. In addition, the Carchugo Complex processes material from the Quecher Main project, which is a new open pit within the existing footprint of Yanacocha. This project will add oxide production at Yanacocha and will extend the life of the Yanacocha operation to 2027.

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 Quinua 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 2018, 2017 and 2016, the Company produced 0.52 million, 0.53 million and 0.66 million ounces of gold, respectively.

Brownfield exploration and development for new reserves is ongoing including Sulfides project and 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.

Quecher Main project
This project will add oxide production at Yanacocha, leverage existing infrastructure and enable potential future growth at Yanacocha. First production was achieved in late 2018 with commercial production expected in the second half of 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$101million, of which $33 million related to the fourth quarter of 2018.

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, with the reserve balances reported for Conga in 2014 reclassified to mineralized material in 2015.

Construction activities on the Conga project were suspended on November 30, 2011, at the request of Peru's central government following increasing 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, which was previously approved by the central government in October 2010, 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 some recommendations to improve water management. Yanacocha has focused on the construction of water reservoirs prior to the development of other project facilities. However, development of Conga is contingent upon generating acceptable project returns and getting local community and government support. Under the current social and political environment, the Company does not anticipate being able to develop Conga for at least the next five years. Due to the uncertainty surrounding the project's development, the Company has allocated its exploration and development capital to other projects in recent years, and the Conga project is currently in care and maintenance. 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, 2018 and 2017 were US$484.5 million and US$494.7 million, respectively.

(c) Approval of consolidated financial statements -
The consolidated financial statements as of December 31, 2018 were approved by the Company's Management on April 30, 2019 and, in its opinion, will be approved without changes at the Partners' Meeting to be held within the terms established by Law in the first half of 2019.

The consolidated financial statements as of December 31, 2017 were approved by the Partners' Meeting held on March 22, 2018.

**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") issued by the International Accounting Standard Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"), in effect at December 31, 2018.

The consolidated financial statements have been prepared under the historical cost basis, except for accounts receivables, financial assets at fair value and reclamation liability 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.

These consolidated financial statements provide comparative information in respect of the prior periods.

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 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.

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 -

The Company applied IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Other amendments and interpretations apply for the first time in 2018; however, they did not have material impact on the annual consolidated financial statements of the Company and therefore, have not been disclosed. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*IFRS 15 Revenue from Contracts with Customers*
IFRS 15 and its related amendments supersede International Accounting Standards ("IAS") 11 Construction Contracts, IAS 18 Revenue and related Interpretations. It applies to all revenue arising from contracts with customers and became effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognized when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company adopted IFRS 15 using the modified retrospective method of adoption and the impact is discussed further below in this note. The Company applied the practical expedient to not disclose the effect of the transition to IFRS 15 on the current period. It did not apply any of the other available optional transition practical expedients.

*Overall impact*
The Company's revenue from contracts with customers comprises two main streams being the sale of gold and copper and silver in concentrate. The Company undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under IFRS 15. For all of the Company's revenue streams, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognized under IFRS 15 is the same as that under IAS 18.

*Impact on the consolidated statement of comprehensive income*
- Gold Bullion sales: there were no changes identified with respect to the timing or amount of revenue recognition. This was because all of the Company's gold is sold under spot sale arrangements with various banks and the timing between contract inception and the satisfaction of the performance obligation (being gold) is very short (i.e., five days), and the pricing is determined based on the gold price on the London Metal Exchange (LME) at the date specified in each spot contract.

- Copper and Silver concentrate sales: there were no changes identified with respect to the timing of revenue recognition in relation to metal in concentrate, as control transfers to customers (mainly smelting companies) at the date of shipment, which is consistent with the point in time when risks and rewards passed under IAS 18. There were some impacts arising from metal in concentrate sales that have provisional pricing terms (see 'provisionally priced commodity sales' below). These sales are included in the caption "Other operating income".

- Provisionally priced commodity sales: some of the Company's sales of metal in concentrate to customers contain terms that allow for price adjustments based on the market price at the end of a quotational period ("QP") stipulated in the contract – these are referred to as "provisionally priced sales".

  Under previous accounting standards (IAS 18 Revenue and IAS 39 Financial Instruments: Recognition and Measurement), provisionally priced sales were considered to contain an embedded derivative ("ED"), which was required to be separated from the host contract for accounting purposes from the date of shipment. Revenue was initially recognized for these arrangements at the date of shipment (which was when the risks and rewards passed) and was based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price that the entity expected to receive at the end of the QP, determined at the date of shipment. Subsequent changes in the fair value of the ED were recognized in the statement of comprehensive income each period until the end of the QP, and were presented as part of 'Other operating income'.

  Under IFRS 15, the accounting for this revenue will remain unchanged. The revenue will be recognized when control passes to the customer (which will continue to be the date of shipment) and will be measured at the amount to which the Company expects to be entitled. This will be the estimate of the price expected to be received at the end of the QP, i.e. the forward price. The Company will continue presenting such movements after the date of sale in profit or loss as 'Other operating income' and there will be no impact on the disclosures relating to revenue from contracts with customers.

*Other impacts*
The changes mentioned above did not have a material impact on the consolidated statements of financial position, statements of cash flows and statements of changes in equity.

*IFRS 9 Financial Instruments*
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018 and has adjusted the comparative information for the period beginning January 1, 2017.

There was an adjustment to the financial statements arising from the adoption of IFRS 9 related to the Available-for-sale financial assets, which are now classified as Financial assets at fair value through other comprehensive income and there were no other material impacts on the comparative balances other than a change in classification and measurement of some receivables.

Adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. Upon adoption of IFRS 9 no additional impairment was recognized.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. Upon the adoption of IFRS 9, the Company had the following required or elected balances as of January 1, 2018.

*January 1, 2018 -*

| | | **IFRS 9 measurement category** | |
|---|---|---|---|
| | | **Fair value through profit or loss/OCI** | **Amortized cost** |
| | US$(000) | US$(000) | US$(000) |
| **IAS 39 measurement category** | | | |
| **Financial Assets -** | | | |
| Financial assets - | | | |
| Embedded derivatives | 15 | 15 | - |
| Financial assets at fair value | 23,000 | 23,000 | - |
| Receivables - | | | |
| Trade receivables | 1,032 | - | 1,032 |
| Other receivables | 25,557 | - | 25,557 |
| **Financial Liabilities -** | | | |
| Loans and borrowings - | | | |
| Trade and other payables | 81,215 | - | 81,215 |

*January 1, 2017 -*

| | | IFRS 9 measurement category | |
|---|---|---|---|
| | | **Fair value through profit or loss/OCI** | **Amortized cost** |
| | US$(000) | US$(000) | US$(000) |
| **IAS 39 measurement category** | | | |
| **Financial Assets -** | | | |
| Financial assets - | | | |
| Embedded derivatives | 346 | 346 | - |
| Financial assets at fair value | 16,454 | 16,454 | - |
| Receivables - | | | |
| Trade receivables | 9,965 | - | 9,965 |
| Other receivables | 24,055 | - | 24,055 |
| **Financial Liabilities -** | | | |
| Loans and borrowings - | | | |
| Trade and other payables | 63,300 | - | 63,300 |

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*
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.

(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 determined under IFRS 15.

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 market place (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)* -
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 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, net. See note 6 for more information on accounts receivables.

*Financial assets at fair value through OCI* with recycling of cumulative gains and losses *(debt instruments)* -
Financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company's investments in the San Jose Reservoir Trust are classified as financial assets at fair value through OCI as of December 31, 2018 and 2017.

As of December 31, 2018, the Company has investments amount US$20.6 million related to the San Jose Reservoir Trust as Financial assets at fair value through OCI.

*Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments) -*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading.

The Company doesn’t 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 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.

As of December 31, 2018 and 2017, 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 separate 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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, 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.

*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 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 Company has not designated any financial liability as at fair value through profit or loss.

*Loans and borrowings -*
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 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.

(c) Current versus non-current classification
The Company presents assets and liabilities in the statement 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;
- Is held primarily for the purpose of trading;
- Is expected to be realized within twelve months after the reporting period, or
- Is Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period;
- The Company classifies all other assets as non-current.

A liability is current when:
- Is expected to be settled in the normal operating cycle;
- Is held primarily for the purpose of trading;
- Is 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 is excluded from cash and cash equivalents and is included in other current assets or long-term assets depending on restrictions.

(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.

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 for 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 -
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.

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 as separate components. At their completion, the cost is transferred to the appropriate category. Assets under construction are 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 that determined under the units of production method or the useful life of the mine. Remaining useful lives as follows:

| | |
|---|---|
| Land improvements | Between 2 and 4 years |
| Buildings | Between 5 and 10 years |
| Plant and equipment | Between 3 and 10 years |
| Vehicles | Between 3 and 4 years |
| Furniture and fittings | Between 3 and 4 years |
| Other equipment | Between 3 and 4 years |
| Computer equipment | Between 3 and 4 years |
| Assets retirement cost | 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.

*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) Mineral Interests -
Mineral interests 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 mineral interests 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 declared in the proven and probable reserves 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 mineral 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.

Mineral interests are presented in the caption of property, plant and equipment, net.

(h) Mine development -

Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, and the removal of overburden to initially expose an ore body at open pit surface mines. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as Exploration or Advanced projects, research and development expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

Drilling and related costs are capitalized for an ore body where proven and probable reserves exist; and the activities are directed at obtaining additional information on the ore body or converting mineralized material to proven and probable reserves. AII other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of Costs applicable to sales.

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 are recorded as Other income, net of incremental mining and processing costs. See (h) below.

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.

(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 as 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 entity;
- The entity 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 allocated 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 an asset's fair value, less costs of disposal, and 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 according to its segments: Yanacocha and Conga.

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 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 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) 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 statement 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 statement of financial position. The expenses related to other provisions are presented in the consolidated statement 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.

*Asset Retirement Obligation -*

Reclamation obligations are recognized when incurred and recorded as liabilities at the best estimate of the expenditure required to settle the obligation. The liability is accreted over time 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. 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. Reclamation costs related to an inactive mine site are recorded as expenses.

(l) 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.

The Company has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

(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 recognised 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 recognised as revenue when the Company performs under the contract. As of December 31, 2018 and 2017 the Company does not have any contract liability.

(ii) *Sales of gold* -
For gold sales, those sales are performed over unrefined gold dore that are sold under spot sales contracts with banks. The Company initially negotiates 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 performance obligation is completed once control transfers to the customer allowing the fully payment in cash according the contracts. As a result, all risk of loss and damage of the gold dore pass to customer upon reception. The only performance obligation is the sale of gold dore.

Revenue is recognized at a point in time when the payment is ensured in the same time when control transfers to the customer. Control of the cold credits transfers to the customer when those gold credits are transferred from the Company's gold bullion account to the customer's account (typically cash is transferred to the Company's account simultaneously ). This generally occurs after the dore's shipments are confirmed, not being required to physically delivered the gold dore to the banks. Nevertheless, 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 the results.

With these arrangements, there are no advance payments received from the banks, no conditional rights to consideration, so no contract assets are recognised. A trade receivable is recognised at the date of sale and there 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.

(iii) Sales of concentrated copper, silver -
For the Company's copper, silver in concentrate sold under FOB Incoterm, therefore, the only performance obligations are the provision of the product at the point where control passes.

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 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 statement of profit or loss and other comprehensive income each period and presented in "Other operating income". 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.

Sales for copper, silver and the subsequent changes in fair value of the trade receivable are presented in the caption "Other operating income".

(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.

(m) 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 in effect as enacted.

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. Royalty taxes are calculated based on operating profit, as such are shown as income tax.

The Company's deferred income tax assets include certain future tax benefits. The Company determines valuation allowance to any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized (Note 15).

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 can be utilized.

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.

*Value added tax -*
Expenses and assets are recognized net of the amount of value added tax, except:

(i) When the value added 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 value added 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.

(n) 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.

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.

**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.

(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.

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 closure of mining units.

(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. The life of each item, which is assessed at least annually, has regard to 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. Changes in estimates are accounted for prospectively.

(c) Mine rehabilitation provision -
The Company assesses its mine rehabilitation provision 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 rehabilitation 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 rehabilitation costs required.

(d) Inventories, net -
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.

(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 (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 the fair value less costs of disposal and 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.

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 Yanacocha and Conga as the cash generating units.

**4. Standards issued but not effective**

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

*IFRS 16 Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Subsequent to initial measurement, lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Finally, lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Company plans to adopt IFRS 16 using the modified retrospective approach with a cumulative-effect adjustment recorded at the beginning of the period of adoption (January 1, 2019). Therefore, upon adoption, the Company will recognize and measure leases without revising comparative period information or disclosure.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company has substantially completed its assessment of the new standard, including the impact on the Company's Consolidated Financial Statements. Based on contracts outstanding at December 31, 2018, the adoption of the new standard will result in the recognition of right-of-use assets and lease liabilities approximately for US$0.3 million in January 2019. The Company will provide additional qualitative and quantitative disclosures related to leasing arrangements beginning in the period of adoption.

*IFRIC Interpretation 23 Uncertainty over Income Tax Treatment -*
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

In 2019, the Company is in process of the assessment of the potential effect of this IFRIC on its consolidated financial statements

*Annual Improvements 2015-2017 Cycle (issued in December 2017) -*
These improvements include:

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group, but may apply to future transactions.

Notes to the consolidated financial statements (continued)

## 5. Cash and cash equivalents

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Petty cash | 33 | 34 |
| Bank accounts | 111,319 | 48,995 |
| Term deposits (b) | 611,856 | 625,985 |
| | 723,208 | 675,014 |

(b) The term deposit balance is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Citi Bank | 210,361 | 206,824 |
| JP Morgan | 401,495 | 419,161 |
| | 611,856 | 625,985 |

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:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Trade receivables, net** | | |
| Foreign clients | 7,389 | 1,032 |
| **Other receivables** | | |
| Advances to suppliers | 16,897 | 20,724 |
| Tax claims | 3,532 | 10,211 |
| Credit of tax on net assets | 23,290 | 11,520 |
| Other | 5,382 | 4,032 |
| Related entities, note 22(b) | 794 | 2,185 |
| | 49,895 | 48,672 |
| Allowance for doubtful accounts (b) | (1,384) | (1,384) |
| | 48,511 | 47,288 |
| **Total trade and other receivables, net** | 55,900 | 48,320 |

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| **By maturity:** | | |
| Current | 32,610 | 36,800 |
| Non current | 23,290 | 11,520 |
| **Total** | 55,900 | 48,320 |

The trade receivables are related to concentrate sold (copper and silver by-products). At December 31, 2018 and 2017 there were no material collectability issues that required an allowance for the trade receivable balance.

(b) The allowance for doubtful accounts had the following movement during the years 2018, 2017 and 2016:

| | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|
| **Opening balance** | 1,384 | 1,407 | 1,444 |
| Deductions | - | (23) | (37) |
| **Ending balance** | 1,384 | 1,384 | 1,407 |

In Company's Management opinion, the allowance for doubtful accounts balance is sufficient to adequately cover the risk of failure to collect other receivables as of the date of the consolidated statement of financial position.

## 7. Inventories, net

(a) This caption is made up as follows:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| Precious metals | 6,878 | 15,446 |
| Leach in-circuit | 1,835 | 8,057 |
| Mill in-circuit | 4,002 | 2,048 |
| Materials and supplies | 49,327 | 52,171 |
| | 62,042 | 77,722 |
| Allowance for obsolescence of materials and supplies (b) | (7,515) | (7,076) |
| | 54,527 | 70,646 |

Notes to the consolidated financial statements (continued)

(b) The allowance for obsolescence of material and supplies had the following movement during the years 2018, 2017 and 2016:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Opening balance** | 7,076 | 5,272 | 5,881 |
| Provision for impairment of materials and supplies | 1,887 | 2,896 | 3,104 |
| Reversal of provision for impairment of materials and supplies | (1,448) | (1,092) | (3,713) |
| **Ending balance** | 7,515 | 7,076 | 5,272 |

**8. Stockpiles and ore on leach pads, net**

(a) This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Current portion -** | | |
| Stockpiles | 35,065 | 77,296 |
| Ore on leach pads | 106,931 | 159,930 |
| Provision for net realizable value adjustment (b) | (41,403) | (40,588) |
| | 100,593 | 196,638 |
| **Non-current portion -** | | |
| Stockpiles | 41,814 | 32,362 |
| Ore on leach pads | 144,688 | 50,350 |
| Provision for net realizable value adjustment (b) | (47,724) | (21,952) |
| | 138,778 | 60,760 |

(b) The provision for net realizable value adjustment had the following movement during the years 2018, 2017 and 2016:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Opening balance, note 17** | 62,540 | 84,374 | 90,298 |
| Provision | 90,365 | 77,385 | 100,179 |
| Reversal of provision | (63,778) | (99,219) | (106,103) |
| **Ending balance, note 17** | 89,127 | 62,540 | 84,374 |

**9. Financial assets at fair value**

In November 2008, the Company funded the San Jose Reservoir Trust for 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, 2018, the trust total balance is US$22.6 million and is presented as a financial instrument at fair value (trust total balance of US$23 million as of December 31, 2017, including an additional investment of US$5 million during 2017). During 2018, the change in fair value of the debt instruments was recognized in other comprehensive income for the amount of US$91,000. The change in fair value of the investments in marketable stocks was recognized in profit and loss for US$10,000 in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

**10. Property, plant and equipment, net**

(a) Below is presented the movement in cost:

| | Opening balance US$(000) | Additions US$(000) | Sales and disposals US$(000) | Transfer/Other changes US$(000) | Final balances US$(000) |
|---|---|---|---|---|---|
| **Year 2018** | | | | | |
| **Cost-** | | | | | |
| Land | 9,459 | - | - | - | 9,459 |
| Land improvements | 36,454 | - | - | - | 36,454 |
| Building and constructions | 297,798 | - | - | 530 | 298,328 |
| Machinery and equipment | 286,865 | - | (72,442) | 30,137 | 244,560 |
| Leach pads | 1,722,786 | - | - | 484 | 1,723,270 |
| Vehicles | 11,024 | - | (1,171) | 68 | 9,921 |
| Furniture and fixtures | 2,556 | - | - | - | 2,556 |
| Other equipment | 57,773 | - | (265) | 1,416 | 58,924 |
| Work in progress | 400,410 | 117,636 | - | (73,358) | 444,688 |
| Mining rights | 37,521 | - | - | - | 37,521 |
| Asset retirement and mine closure | 507,123 | 27,275 | - | - | 534,398 |
| Stripping activity asset | 148,487 | - | - | - | 148,487 |
| Mine development | 722,355 | - | - | 38,292 | 760,647 |
| | 4,240,611 | 144,911 | (73,878) | (2,431) | 4,309,213 |
| **Accumulated depreciation and amortization** | | | | | |
| Land improvements | 35,143 | 440 | - | - | 35,583 |
| Building and constructions | 240,348 | 7,631 | - | - | 247,979 |
| Machinery and equipment | 249,975 | 20,887 | (66,607) | - | 204,255 |
| Leach pads | 1,621,266 | 34,736 | - | - | 1,656,002 |
| Vehicles | 11,024 | 2 | (1,171) | - | 9,855 |
| Furniture and fixtures | 2,556 | - | - | - | 2,556 |
| Other equipment | 55,914 | 828 | (220) | - | 56,522 |
| Mining rights | 29,457 | - | - | - | 29,457 |
| Asset retirement and mine closure | 356,345 | 67,663 | - | - | 424,008 |
| Stripping activity asset | 143,252 | 2,806 | - | - | 146,058 |
| Mine development | 639,450 | 17,034 | - | - | 656,484 |
| | 3,384,730 | 152,027 | (67,998) | - | 3,468,759 |
| **Net cost** | 855,881 | | | | 840,454 |

Notes to the consolidated financial statements (continued)

| | **Opening balance** US$(000) | **Additions** US$(000) | **Sales and disposals** US$(000) | **Transfer/Other changes** US$(000) | **Final balances** US$(000) |
|---|---|---|---|---|---|
| **Year 2017** | | | | | |
| **Cost-** | | | | | |
| Land | 9,459 | - | - | - | 9,459 |
| Land improvements | 36,454 | - | - | - | 36,454 |
| Building and constructions | 236,551 | - | (42) | 61,289 | 297,798 |
| Machinery and equipment | 379,164 | - | (92,299) | - | 286,865 |
| Leach pads | 1,670,835 | - | - | 51,951 | 1,722,786 |
| Vehicles | 11,024 | - | - | - | 11,024 |
| Furniture and fixtures | 2,556 | - | - | - | 2,556 |
| Other equipment | 57,773 | - | - | - | 57,773 |
| Work in progress | 483,225 | 51,624 | - | (134,439) | 400,410 |
| Mining rights | 37,521 | - | - | - | 37,521 |
| Asset retirement and mine closure | 409,797 | 97,326 | - | - | 507,123 |
| Stripping activity asset | 148,487 | - | - | - | 148,487 |
| Mine development | 701,156 | - | - | 21,199 | 722,355 |
| | 4,184,002 | 148,950 | (92,341) | - | 4,240,611 |
| **Accumulated depreciation and amortization** | | | | | |
| Land improvements | 35,053 | 90 | - | - | 35,143 |
| Building and constructions | 235,340 | 5,020 | (12) | - | 240,348 |
| Machinery and equipment | 329,965 | 8,431 | (88,421) | - | 249,975 |
| Leach pads | 1,588,205 | 33,061 | - | - | 1,621,266 |
| Vehicles | 11,003 | 21 | - | - | 11,024 |
| Furniture and fixtures | 2,556 | - | - | - | 2,556 |
| Other equipment | 55,645 | 269 | - | - | 55,914 |
| Mining rights | 29,457 | - | - | - | 29,457 |
| Asset retirement and mine closure | 337,173 | 19,172 | - | - | 356,345 |
| Stripping activity asset | 142,170 | 1,082 | - | - | 143,252 |
| Mine development | 622,604 | 16,846 | - | - | 639,450 |
| | 3,389,171 | 83,992 | (88,433) | - | 3,384,730 |
| **Net cost** | 794,831 | | | | 855,881 |

Additions to work in progress in 2018 are primarily related to the Quecher Main project.

The depreciation and amortization expense for the year ended December 31, 2018 was recorded as Cost applicable to sales in the consolidated statement of comprehensive income.

(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 2017 and 2018, the Company performed a formal evaluation of its cash generating units and concluded that there were no impairment indicators at December 31, 2018 and 2017, respectively.

In December 2016, the Company determined that an impairment indicator existed as a result of the updated long-term mining and closure plans and the related increases in estimated future closure costs that resulted in an increase to the asset retirement cost asset. As a result of the recoverable amount analysis performed during 2016, the Company recorded an impairment loss related to Yanacocha mine of US$889.5 million (US$872.2 million and US$17.3 million related to property, plant and equipment and intangible assets, respectively).

In assessing whether impairment was required, the carrying value of the asset or CGU was compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and 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 LOM plans, one-year budgets and CGU-specific studies.

*Key assumptions used for the impairment testing as of December 31, 2016:*

The determination of value in use was most sensitive to the following key assumptions:
- Production volumes.
- Commodity prices.
- Discount rate.

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**<br>US$ | **Long-term**<br>US$ |
|---|---|---|
| Gold (per ounce) | 1,221 | 1,300 |

Discount rate: In calculating the value in use, a pre-tax discount rate of 7.1% was applied to the pre-tax cash flows. This discount rate was derived from the Company's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU.

Notes to the consolidated financial statements (continued)

**11. Trade and other payables**

(a) This caption is made up as follows:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| **Trade payables (b)** | | |
| Domestic suppliers | 48,847 | 43,108 |
| Related entities, note 22 | 10,846 | 9,962 |
| | 59,693 | 53,070 |
| **Other payables** | | |
| Remuneration and similar benefits payable | 22,907 | 27,419 |
| Royalties payable to the Peruvian State | 136 | 726 |
| Taxes payable | 4,280 | 2,605 |
| | 27,323 | 30,750 |
| | 87,016 | 83,820 |

(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:

| | 2018 US$(000) | 2017 US$(000) |
|---|---|---|
| Provision for closure of mining units and exploration projects (b) | 1,294,464 | 1,234,731 |
| Provision of social responsibility (c) | 18,010 | 21,689 |
| Accrual of operating costs (d) | 11,442 | 15,064 |
| Workers' profit sharing payable (e) | 3,920 | 1,733 |
| Accrual of capital expenditure | 3,682 | 1,840 |
| Other provisions | 2,785 | 1,403 |
| | 1,334,303 | 1,276,460 |
| **Classification by maturity:** | | |
| Current portion | 41,154 | 39,495 |
| Non-current portion | 1,293,149 | 1,236,965 |
| | 1,334,303 | 1,276,460 |

(b) Provision for closure of mining units 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 liability for reclamation or the Asset retirement obligation ("ARO") 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 ARO for 2018, 2017 and 2016 is broken down as follows:

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Opening balance** | 1,234,731 | 1,012,888 | 578,959 |
| Additional provisions | 43,560 | 221,450 | 430,292 |
| Payments | (19,842) | (21,376) | (10,467) |
| Unwinding of discount, note 20 | 36,015 | 21,769 | 14,104 |
| **Final balance** | 1,294,464 | 1,234,731 | 1,012,888 |
| **Classification by maturity** | | | |
| Current portion | 19,325 | 19,455 | 15,636 |
| Non-current portion | 1,275,139 | 1,215,276 | 997,252 |
| | 1,294,464 | 1,234,731 | 1,012,888 |

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.

As of December 31, 2018, the Company recorded an increase to the reclamation liability of US$44 million (US$206 million in 2017). The increase to the reclamation obligation resulted in an increase to the recorded asset retirement cost asset of US$27.2 million (US$97 million in 2017) related to the producing portions of the mine and a non-cash charge to reclamation expense for the year ended December 31, 2018 of US$16.3 million (US$109 million as December 31, 2017) related to the areas of Carachugo, Yanacocha, Maqui Maqui and Cerro Negro operations no longer in production. The increase of the 2018 reclamation obligation is mainly due to new disturbance from the Quecher Main development project and changes in the labor cost estimate. The increase to the 2017 reclamation obligation is mainly due to a decrease in the market-based discount rate compared to the prior year. The discount rates used in the calculation of the provision as December 31, 2018 and December 31, 2017 were between 0.3% and 2.9%.

(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.

(d) Accrual of operating cost -
The accrual of operating cost relates to the provisional valuation of services received by the Company as part of its operations that were pending to be invoiced such as power, maintenance, contractors and others.

(e) 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.

## 13. Debt instruments

On June 14, 2018, the Company approved the sale of 63,922,565 shares of MYSRL to Summit Global Management II BV, a wholly-owned subsidiary of Sumitomo Corporation ("Sumitomo") for US$47,911,000. The transaction resulted in Sumitomo owning 5% of MYSRL with the Newmont 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 interest if the Yanacocha Sulfides 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 escrow for repayment in the event the option is exercised. As of December 31, 2018, the Company holds US$48,127,000 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 Group'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 will be 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 US$41,695,000 and the gross redemption amount of US$47,911,000 was recorded to equity of US$6,216,000 at the date of acquisition in accordance with the compound financial instrument guidance included in IAS 32. The value as of December 31, 2018 amounting to US$42,430,000 includes the unwinding of the discount recognized in the caption "Finance costs" consolidated statement of comprehensive income of US$735,000.

**14. Partners' equity, net**

(a) Partners' contributions -
Partners' contributions comprise 1,214,528,739 common partnership interests at par value of one Peruvian Sol each, fully subscribed and paid-in. 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$47,910,000, 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. 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 13.

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.

(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 N° 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 N° 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 will be 5%.

(c) Dividends declared and paid -
On February 15, 2016, the Executive Committee unanimously agreed to distribute dividends in the amount of US$300 million, in proportion to its shareholding, which corresponds to a portion of the accumulated results as of December 31, 2014, which were generated in 2011.

**15. Tax Situation**

(a) Tax stabilization agreements -
The Company has entered into the following tax stability agreements, each with a term of 15 years:

| **Mine** | **Effective** | **Date of the Tax Agreement** | **Tax Regimes in Force** |
|---|---|---|---|
| Cerro Yanacocha | January 1, 2000 | September 16, 1998 | May 22, 1997 |
| La Quinua | January 1, 2004 | August 25, 2003 | August 25, 2003 |

The Cerro Yanacocha tax stabilization agreement expired on January 1, 2015 and La Quinua tax stabilization agreement expired on January 1, 2019.

The agreement for La Quinua 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.
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.

On December 31, 2014, the Peruvian Government enacted modifications to Income Tax regulations, applicable beginning in 2015. Among the modifications, a progressive income tax rate reduction was approved as follows: 28% for fiscal year 2016; 27% for fiscal years 2017 and 2018; and 26% from 2019, onward.

Pursuant to Legislative Decree N° 1261, published on December 10, 2016 and effective as of January 1, 2017, the applicable tax rate on the taxable income will be 29.5%. The income tax for La Quinua is 29% according to the tax stabilization agreement entered into with the Peruvian government.

(b) Other mining taxes -
(i) Law N°29788, Mining Royalties
On 28 September 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 determined in accordance with IFRS. 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 2018, 2017, and 2016, the amounts included in cost of production related to mining royalties were US$ 1,273,000, US$3,140,000 and US$3,742,000, respectively and during 2018, 2017 and 2016 there were no amounts included in mining tax expense.

(ii) Law N°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 determined, in accordance with IFRS.

The rate varies depending on the level of operating profit. During 2018, 2017 and 2016 the amounts included in income and mining tax expense were US$592,000, US$1,418,000 and US$3,259,000 respectively.

(iii) Law N°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, determined in accordance with IFRS. The rate varies depending on the level of operating profit margin. The GEM applied to operations at La Quinua in 2018, 2017 and 2016. This resulted in US$8,230,000, US$3,526,000 and US$6,945,000, respectively, of additional Income and mining tax expense.

(iv) Law N°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 2018, 2017 and 2016, the amounts included in Income and mining tax expense amounted to US$39,000, US$29,000, and US$141,000, respectively.

Notes to the consolidated financial statements (continued)

(c) Peruvian income tax -
The Company's income tax provision consisted of the following:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| Current peruvian income tax | 12,525 | 3,877 | 41,105 |
| Royalties and mining taxes | 8,888 | 4,944 | 10,249 |
| Other taxes | 55 | 211 | 323 |
| Income tax prior year adjustments | 8,900 | (2,006) | (2,092) |
| Income tax prior years refunds | - | - | (6,458) |
| **Current income tax expense** | 30,368 | 7,026 | 43,127 |
| Deferred income tax expenses (benefit) | (1,071) | - | - |
| **Income tax expense** | 29,297 | 7,026 | 43,127 |

(d) Deferred income tax asset -
Components of deferred income tax assets (liabilities) are as follows:

| | **2018** US$(000) | **2017** US$(000) |
|---|---|---|
| **Deferred income tax assets, net** | | |
| Property, plant and mine development | 514,828 | 571,210 |
| Reclamation | 301,492 | 233,843 |
| Accounts payable and accrued expenses | 92,610 | 78,241 |
| Inventories | 62,363 | 61,435 |
| Other | 1,102 | 3,073 |
| | 972,395 | 947,802 |
| Allowance of deferred income tax asset | (971,324) | (947,802) |
| **Net deferred income tax asset** | 1,071 | - |

In December 2018, the Company recorded an additional valuation allowance on its deferred income tax asset of US$24 million (US$51 million during 2017 and US$386 million during 2016) to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized. The portion of the deferred income tax asset not affected by the allowance corresponds to additional tax credits that can be used to reduce income tax paid of open periods to review by the tax authority.

Notes to the consolidated financial statements (continued)

(e) 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 2018, 2017 and 2016:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Loss before income tax** | (52,220) | (168,428) | (1,000,625) |
| Peruvian statutory tax rate | 29.5% | 29.5% | 28% |
| **Income tax income** | (15,405) | (49,686) | (280,175) |
| Valuation allowance on deferred tax asset | 23,771 | 50,960 | 386,763 |
| Effect of change in income tax rate | | - | (66,667) |
| Mining taxes | 6,260 | 3,530 | 7,392 |
| Non-deductible expenses | 6,962 | 4,204 | 3,296 |
| Adjustment due to income tax rate applicable to La Quinua | (176) | (124) | (1,024) |
| Income tax prior years refunds / payments | 7,885 | (1,858) | (6,458) |
| **Total income tax expense** | 29,297 | 7,026 | 43,127 |

(f) The main tax regulations issued during 2018 are as follows –

(i) Modified, starting in January 1, 2019, the treatment applicable to the royalties and fees for services provided by non-domiciled recipients, eliminating the obligation to pay an amount equivalent to the withholding when the costs or expenses are booked, and must now withhold the corresponding income tax at the time of their payment or retribution accreditation (Legislative Decree N° 1369).

(ii) Established rules governing the obligation of legal persons and (or) legal entities to report the identification of their final beneficiaries (Legislative Decree N° 1372). These rules are applicable to legal persons domiciled in the country, pursuant to article 7 of the Income Tax Law, and to legal entities in the country. The obligation is applicable for non-domiciled legal entities and legal entities constituted abroad while: a) have a branch, agency or another permanent establishment in the country; b) the person (natural or legal entity) who manage the autonomous patrimony or foreign investment funds, or the natural or legal person who has the quality of guard or administrator, is domiciled in the country; and, c) any part of a consortium is domiciled in the country. This obligation will be fulfilled by submitting to the tax authority of sworn statement information, which should contain the final beneficiary information and be submitted, in compliance with the regulations and in the deadlines established through a resolution of the Tax Authority.

(iii) Changed the tax code in the implementation of the General Anti-Avoidance Rule – GAAR (Rule XVI of the preliminary title of the Tax Code (Legislative Decree N° 1422).
The GAAR is intended to prevent taxpayers from entering into transactions that would allow them to minimize their tax liabilities. The Tax authority will be entitled to apply the GAAR in ordinary tax audits since July 19, 2012; however, the tax authority will have to obtain the approval from a committee before applying the GAAR.

Other rules regarding the GAAR are:
(a) Jointly Liability of Legal Representatives – the legal representatives will be jointly liable for the tax debt as a result of the application of the GAAR by the Tax Authority.

Tax Planning approval by the Board of Directors - Up to March 29, 2019 board of Directors should approve (ratify or modify) all the tax planning of their entities since July 19, 2012. The members of the board will be liable for the tax assessment as a result of the application of the GAAR.

**16. Revenue from sales**

(a) The Company's revenues are mainly from sales of gold ounces. The table below presents the net sales to customers by geographic region:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Sales and services by geographic region:** | | | |
| **Metal sales** | | | |
| Switzerland | 518,664 | 491,887 | 558,723 |
| America | 139,989 | 179,018 | 233,043 |
| | 658,653 | 670,905 | 791,766 |
| Royalties, note 1(a) and 22 | (20,385) | (20,739) | (24,339) |
| Mining royalties to the government | (2,875) | (4,990) | (6,234) |
| | 635,393 | 645,176 | 761,193 |

Notes to the consolidated financial statements (continued)

(b) Other operating income is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Sales of copper and silver | 20,442 | 17,509 | 8,136 |
| Others | 1,523 | 4,361 | 9,577 |
| | 21,965 | 21,870 | 17,713 |

The amount of the subsequent changes in fair value of the trade receivable were a decrease of US$176,000, US$15,000 and US$346,000 in 2018, 2017 and 2016, respectively and are presented as part of the caption "Sales of copper and silver".

**17. Costs applicable to sales**

This caption is made up as follows:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| Beginning balance of finished goods and in-process | 345,489 | 446,503 | 544,325 |
| Beginning balance of provision for net realizable value, note 8(b) | (62,540) | (84,374) | (90,298) |
| Consumption of supplies | 215,863 | 240,881 | 228,376 |
| Personnel expenses | 82,645 | 99,702 | 87,258 |
| Other services | 43,672 | 66,408 | 73,779 |
| Maintenance | 22,585 | 24,033 | 36,213 |
| Power | 24,203 | 23,565 | 27,270 |
| Depreciation and amortization | 156,212 | 87,783 | 140,712 |
| Workers' profit participation | 3,837 | 1,242 | 12,394 |
| Reclamation expenses related to leach pads, note 12(b) | 16,284 | 124,124 | 78,494 |
| Ending balance of provision for net realizable value, note 8(b) | 89,127 | 62,540 | 84,374 |
| Ending balance of finished goods and in-process | (341,213) | (345,489) | (446,503) |
| | 596,164 | 746,918 | 776,394 |

**18. Operating expenses, net**

This caption is made up as follows:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| Exploration and advanced projects | 62,643 | 51,694 | 49,580 |
| Severance program | 8,678 | 9,419 | 9,659 |
| Cost of fixed assets sold | 5,445 | 1,632 | 160 |
| Income from fixed assets sold | (4,821) | (2,235) | (471) |
| Tax fine | 3,954 | - | - |
| Others, net | 256 | 1,636 | (1,468) |
| Write-off of fixed assets | - | 1,368 | 14,036 |
| | 76,155 | 63,514 | 71,496 |

**19. Administrative expenses**

This caption is made up as follows:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| Management expenses | 1,317 | 3,395 | 7,191 |
| Other | 1,466 | 1,365 | 1,589 |
| | 2,783 | 4,760 | 8,780 |

**20. Finance costs**

Finance costs for the year ended December 31, 2018 are mainly related to the unwinding of the discount of the reclamation and mine closure liability amounting to US$36,015,000 (US$21,769,000, and US$14,104,000 for the years ended December 31, 2017 and 2016, respectively). See note 12(b).

**21. 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 lease 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.

*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 the Company 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. The Company has answered the claim. The Company cannot reasonably predict the outcome of this litigation.

Environmental -

The Peruvian government agency responsible for environmental evaluation and inspection, Organismo Evaluacion y Fiscalizacion Ambiental ("OEFA"), conducts periodic reviews of the Yanacocha site. In 2011, 2012, 2013, 2015, 2016, 2017 and 2018, OEFA issued notices of alleged violations of OEFA standards to the Company relating to past inspections. OEFA has resolved with minimal or no findings. In 2015 and 2016, the water authority of Cajamarca issued notices of alleged regulatory violations, and resolved some allegations in 2018 with no findings. The experience with OEFA and the water authority is that in the case of a finding of violation, remedial action is often the outcome rather than a significant fine. The alleged OEFA violations currently range from zero to 40,300 tax units and the water authority alleged violations range from zero to 10 tax units, being each tax unit equivalent to approximately US$1,260 based on current exchange rates. The Company is responding to all notices of alleged violations, but cannot reasonably predict the outcome of the agency allegations.

*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 2014 through 2017 are open to examination by the tax authorities. For value added tax, the periods open for examination are the years 2015 through 2018. To date, National Tax Supervisor "SUNAT" has concluded its review of the Company's tax exams through the year 2013. For years 2002 through 2010, the Company is in the claim and appeal process.

In 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 debt has been paid by the Company.

Health Contributions - ESSALUD -

The Tax Administration considers that the bonus for closing the collective agreement and the collateral benefits granted to the unionized and non-unionized employees qualify as remunerative concepts; hence, taxed with the contribution to ESSALUD. The contingency amounts to S/12 million (US$3.5 million) for 2011 and 2012. In Management's and its legal counsel's opinion, that interpretation has no support and the Company should obtain a favorable outcome in tax court appeal initiated against the tax authorities.

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 has been selected to issue a decision and the parties conducted oral argument in April 2019. The potential liability in this matter is in the form of fines and interest in an amount of up to $83 million. 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.

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| Banco de Credito del Peru (a) | 114,251 | 123,729 |
| BBVA Continental | 190,000 | 190,000 |
| Scotiabank | 235,000 | 190,000 |
| | 539,251 | 503,729 |

(a) Letters of guarantee of Banco de Credito del Peru include US$6,321,000 related to San Jose Reservoir Trust in 2017. In 2018 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.

**22. Transactions with related parties**

(a) The main transactions carried out by the Company with its related parties in the years 2018, 2017, and 2016 were:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Royalties paid:** | | | |
| S.M.R.L. Chaupiloma Dos de Cajamarca, note 16 and 1(a) | 20,385 | 20,739 | 24,339 |
| | | | |
| **Services rendered by:** | | | |
| Newmont Peru S.R.L. (management services) | 12,837 | 8,985 | 10,420 |
| Newmont USA Limited | 5,381 | 5,607 | 6,438 |
| Newmont International Services | 5,181 | 281 | 571 |

Notes to the consolidated financial statements (continued)

(b) 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:

| | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|
| **Balance receivable from related parties, note 6** | | |
| NVL, USA Limited, Delaware | 321 | 79 |
| Newmont USA Limited | 207 | 1,523 |
| Newmont International Services Limited | 194 | - |
| Newmont Global Employment Limited | 22 | - |
| Newmont Peru S.R.L. | 22 | 10 |
| Suriname Gold Company LLC | 18 | 567 |
| Newmont USA Limited – Carlin | 10 | - |
| Others | - | 6 |
| | 794 | 2,185 |
| **Balance payable for related parties, note 11** | | |
| S.M.R Chaupiloma Dos de Cajamarca | 5,461 | 5,144 |
| Newmont International Service Limited | 2,059 | 42 |
| Newmont Peru S.R.L. | 1,460 | 1,263 |
| Newmont USA Limited. | 1,067 | 2,548 |
| Newmont Technologies Limited. | 634 | 960 |
| Newmont US Carlin Limited | 163 | - |
| Others | 2 | 5 |
| | 10,846 | 9,962 |

The sales to and purchases from related parties are made on term equivalent to those that prevail in arm's length transactions. All the balances above are of current maturity, have no specific guarantees and are not interest bearing.

## 23. 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.

(iii) Price risk -
The Company's financial instruments exposed to price risk are limited to its trade accounts receivable (exposed to gold price) and its financial assets at fair value, 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 -
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.

Notes to the consolidated financial statements (continued)

(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.

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 note 11):

| | **2018** Less than 1 year US$(000) | **2017** Less than 1 year US$(000) |
|---|---|---|
| Trade accounts payable | 48,847 | 43,108 |
| Accounts payable to related parties | 10,846 | 9,962 |
| Remuneration and similar benefits payable | 22,907 | 27,419 |
| | 82,600 | 80,489 |

(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.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to its partners. No formal dividend policy exists.

(e) Fair value estimation -
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.

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.

The Company's impairment loss is valued using valuation techniques to determine the WACC rate. 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.

**24. Summary of significant differences between accounting principles followed by the Company and U.S. Generally Accepted Accounting Principles**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards which differs in certain respects from U.S. GAAP. The effects of these differences are reflected in note 25 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 the fair value less costs of disposal and 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.

In 2018 and 2017, the Company did not recognize any impairment loss. In 2016, the Company recognized an impairment loss related to Yanacocha of US$889 million, see note 10(b).

Under US GAAP, the Company used undiscounted cash flows to perform an impairment evaluation. In 2018 and 2017, no impairment indicators were identified for Yanacocha and Conga cash-generating units. In 2016, the Company recognized an impairment loss related to Yanacocha of US$973 million.

For reconciling the net income/loss and net equity from US GAAP to IFRS, the Company eliminates the higher depreciation recorded under US GAAP corresponding to the impaired assets under IFRS.

(b) Deferred workers' profit participation -
Under IFRS, the workers' profit participation is recorded as an employee benefit that is recorded as cost of production or administrative expense, depending of 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 participation resulting from the taxable and deductible temporary differences.

For reconciling the net income/loss and net equity from US GAAP to IFRS, the Company eliminates the deferred workers' profit participation and its corresponding valuation allowance recorded in the current year.

(c) Stripping activity asset -
Under IFRS, the stripping costs in the production phase of a surface mine are accounted for according to the accounting principles disclosed in note 2.

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.

(d) Reclamation and mine closure –
Under IFRS, the liability was 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 (j).

Under IFRS, the Company has to update the discount rate at the closing date, this change in the discount rate has an impact (increase/decrease) in the asset retirement cost and reclamation liability.

Under US 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 US GAAP, there are no requirements of update the discount rate.

(e) Inventories -
Under IFRS, the cost of inventory mainly includes less depreciation as a result of the reduced base of property, plant and equipment due to the impairment recorded in prior years.

Under US GAAP, the cost of inventory is affected by a different depreciation since the impairment recognized under US GAAP is different than the one recognized under IFRS.

(f) 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 2.4 (l), the Company has to account for such differences.

(g) 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 US 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%).

(h) 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 USGAAP, the shares hold by Sumitomo are classified as temporary equity – contingently redeemable non-controlling interest ("CRNCI") according ASC 480-10-S99-3A; as a 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.

**25. 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, 2018, 2017 and 2016, and to partners' equity as of December 31, 2018, 2017 and 2016 that would be required if U.S. GAAP had been applied instead of IFRS in the consolidated financial statements:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| Loss under U.S. GAAP (i) | (69,068) | (131,243) | (1,198,139) |
| **Items increasing (decreasing) reported net profit:** | | | |
| Impairment loss, note 24(a) and 10(b) | | - | (889,499) |
| Reversal of depreciation of assets impaired under IFRS, note 24(a) | 320,424 | 294,454 | 101,855 |
| Reversal of depreciation of assets impaired under USGAAP, note 24(a) | (254,006) | (237,906) | - |
| Elimination of impairment loss recorded under U.S. GAAP, note 24(a) | - | - | 933,200 |
| Stripping activity asset, note 24(c) | (18,227) | (6,360) | 22,156 |
| Reclamation and mine closure, note 24(d) (i) | 20,537 | (76,963) | 18,979 |
| Asset retirement costs, note 24(d) (i) | (89,280) | (35,911) | 3,909 |
| Inventories, note 24(e) | 10,217 | 17,169 | (36,076) |
| Contingencies, note 24(g) | (1,228) | - | - |
| Debt instrument interest, note 24(h) | (735) | - | - |
| Recognition of account receivable to tax authority | - | 2,405 | - |
| Others | (151) | (1,100) | (137) |
| Loss under IFRS | (81,517) | (175,455) | (1,043,752) |

Notes to the consolidated financial statements (continued)

| | **2018** US$(000) | **2017 (i)** US$(000) | **2016 (i)** US$(000) |
|---|---|---|---|
| Partners' equity under U.S. GAAP (i) | 1,661,800 | 1,683,047 | 1,865,446 |
| **Items increasing (decreasing) reported Partners' equity:** | | | |
| Impairment loss, note 24(a) | (2,469,188) | (2,469,188) | (2,469,188) |
| 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) | (491,912) | (237,906) | - |
| Reversal of depreciation of assets impaired under IFRS, note 24(a) | 994,684 | 674,260 | 379,806 |
| Stripping activity asset, note 24(c) | 15,773 | 34,000 | 41,069 |
| Asset retirement cost, note 24(d) (i) | 1,026 | 84,671 | 152,037 |
| Reclamation and mine closure, note 24(d) (i) | (12,323) | (27,225) | 18,283 |
| Inventories, note 24(e) | (2,903) | (13,120) | (30,289) |
| Deb instruments, note 24(h) | (42,430) | - | - |
| Contingencies, note 24(g) | (1,228) | - | - |
| Others | (2,776) | (2,624) | (4,639) |
| Partners' equity under IFRS | 583,723 | 659,115 | 885,725 |

(i) Amounts previously reported by Newmont Mining corporation for the period ended December 31, 2017, 2016 and 2015 were revised during 2018 as a results of an error discovered concerning prior period amounts.

**26. New USGAAP Accounting Pronouncements**

Recently Issued Accounting Pronouncements -

*Leases –*
In February 2016, ASU No. 2016-02 was issued related to leases. This new guidance modifies the classification criteria and requires leases to recognize the assets and liabilities arising from most leases on the balance sheet. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018 and early adoption is permitted. The company will adopt the new standard on 1 January 2019.

*Revenue recognition –*
In May 2014, ASU No. 2014-09 was issued related to revenue from contracts with customers. This ASU was further amended in August 2015, March 2016, April 2016, May 2016 and December 2016 by ASU No. 2016-08, No. 2016-10, No. 2016-12 and No. 2016-20, respectively. The new standard provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. In August 2015, the effective date was deferred to reporting periods, including interim periods, beginning after December 15, 2017 and will be applied retrospectively. Early adoption is not permitted. The adoption of this accounting pronouncement is consistent with the adoption of IFRS 15. See in note 2.3 the status of the adoption.

Notes to the consolidated financial statements (continued)

**27. Subsequent Event**

There have been no subsequent significant financial and accounting events subsequent to December 31, 2018, that may affect the interpretation of these consolidated financial statements.

**Sociedad Minera Cerro Verde S.A.A.**

Financial Statements for the years 2018, 2017 and 2016
together with the Report of Independent Registered Public Accounting Firm

**Sociedad Minera Cerro Verde S.A.A.**

Financial Statements for the years 2018, 2017 and 2016
together with the Report of Independent Registered Public Accounting Firm

**Content**

# Report of Independent Registered Public Accounting Firm

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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 24 and 25 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 Registered Public Accounting Firm (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 30, 2019

**Sociedad Minera Cerro Verde S.A.A.**
Statement of financial position
As of December 31, 2018 and 2017

| | Note | 2018<br>US$(000) | 2017<br>US$(000) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 2(d),3 | 501,182 | 600,027 |
| Trade accounts receivable, net | | 1,715 | 5,849 |
| Other accounts receivable, net | 2(d) | 5,765 | 8,130 |
| Trade accounts receivable - Related parties | 2(d),4,22 | 413,351 | 477,419 |
| Inventories, net | 2(f),5 | 487,531 | 445,626 |
| Prepayments | | 18,418 | 5,741 |
| Other non-financial assets | 6 | 57,575 | 21,082 |
| **Total current assets** | | 1,485,537 | 1,563,874 |
| **Non - current assets** | | | |
| Property, plant and equipment, net | 2(g),7 | 5,602,902 | 5,678,424 |
| Inventories | 2(f),5 | 255,918 | 248,452 |
| Intangible assets | 2(h) | 10,289 | 11,243 |
| Other non-financial assets | 6 | 200,066 | 189,014 |
| **Total non-current assets** | | 6,069,175 | 6,127,133 |
| **Total assets** | | 7,554,712 | 7,691,007 |
| **Liabilities and equity, net** | | | |
| **Current liabilities** | | | |
| Trade accounts payable | 2(e),8 | 231,136 | 194,958 |
| Income tax payable | 13(b) | 12,424 | 170,169 |
| Provision related to benefits to employees | 2(m) | 42,569 | 80,745 |
| Other accounts payable | 2(e),9 | 101,254 | 40,182 |
| Accounts payable - Related parties | 2(e),4 | 6,014 | 5,534 |
| Other provisions | 2(j),11 | 15,357 | 19,202 |
| **Total current liabilities** | | 408,754 | 510,790 |
| **Non - current liabilities** | | | |
| Other financial liabilities | 2(e),10 | 1,022,810 | 1,268,488 |
| Accounts payable - Related parties | 2(e),4 | 8,860 | 8,147 |
| Other accounts payable | 2(e),9 | 215,070 | 33,424 |
| Provision related to benefits to employees | 2(m) | 32,509 | 29,158 |
| Other provisions | 2(j),11 | 342,331 | 313,663 |
| Deferred income tax liability, net | 2(l),13(g) | 228,248 | 166,005 |
| Current income tax liabilities | 13(b) | 187,258 | 172,170 |
| **Total non-current liabilities** | | 2,037,086 | 1,991,055 |
| **Total liabilities** | | 2,445,840 | 2,501,845 |
| **Shareholders' equity** | | | |
| Capital stock | 12 | 990,659 | 990,659 |
| Other capital reserves | 12 | 198,132 | 198,132 |
| Retained earnings | | 3,920,081 | 4,000,371 |
| **Total shareholders' equity** | | 5,108,872 | 5,189,162 |
| **Total liabilities and shareholders' equity** | | 7,554,712 | 7,691,007 |

**Sociedad Minera Cerro Verde S.A.A.**
Statements of comprehensive income
For the years ended December 31, 2018, 2017 and 2016

| | **Note** | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|---|
| Sales of goods | 14 | 3,054,026 | 3,202,931 | 2,384,154 |
| Cost of sales | 15 | (2,010,972) | (1,768,238) | (1,553,040) |
| **Gross Margin** | | 1,043,054 | 1,434,693 | 831,114 |
| **Operating expenses** | | | | |
| Selling expenses | 16 | (137,008) | (141,669) | (131,391) |
| Other operating expenses | 17 | (68,683) | (258,826) | (24,107) |
| | | (205,691) | (400,495) | (155,498) |
| **Operating Profit** | | 837,363 | 1,034,198 | 675,616 |
| **Other income (expenses)** | | | | |
| Financial income | 19 | 28,089 | 5,350 | 954 |
| Financial expenses | 18 | (426,733) | (216,912) | (80,438) |
| Exchange differences, net | | 6,161 | 13,288 | 7,857 |
| | | (392,483) | (198,274) | (71,627) |
| **Profit before income tax** | | 444,880 | 835,924 | 603,989 |
| Income tax expense | 13(b) | (325,170) | (486,043) | (263,082) |
| **Net profit for the year** | | 119,710 | 349,881 | 340,907 |
| **Basic and diluted profit per share** | | 0.342 | 1.000 | 0.974 |

**Sociedad Minera Cerro Verde S.A.A.**
Statements of changes in equity
For the years ended December 31, 2018, 2017 and 2016

| | Note | Capital stock US$(000) | Other capital reserves US$(000) | Retained earnings US$(000) | Total US$(000) |
|---|---|---|---|---|---|
| **Balance as of January 1, 2016** | | 990,659 | 198,132 | 3,309,583 | 4,498,374 |
| Net profit for the year | | - | - | 340,907 | 340,907 |
| **Balance as of December 31, 2016** | 12 | 990,659 | 198,132 | 3,650,490 | 4,839,281 |
| Net profit for the year | | - | - | 349,881 | 349,881 |
| **Balance as of December 31, 2017** | 12 | 990,659 | 198,132 | 4,000,371 | 5,189,162 |
| Cash dividends declared | | - | - | (200,000) | (200,000) |
| Net profit for the year | | - | - | 119,710 | 119,710 |
| **Balance as of December 31, 2018** | 12 | 990,659 | 198,132 | 3,920,081 | 5,108,872 |

**Sociedad Minera Cerro Verde S.A.A.**
Statements of cash flows
For the years ended December 31, 2018, 2017 and 2016

| | Note | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|---|
| **Operating activities** | | | | |
| **Net profit for the year** | 20 | 119,710 | 349,881 | 340,907 |
| **Adjustments to reconcile net profit for the year with the cash provided from operating activities for:** | | | | |
| Income tax expense | | 366,998 | 486,043 | 263,082 |
| **Nonmonetary adjustments** | | | | |
| Depreciation and amortization | 15 | 512,298 | 456,467 | 472,997 |
| Accretion on remediation and mine closure provision | | 4,322 | 4,595 | 4,391 |
| Net loss on sale of property, plant and equipment | | 964 | 185 | 982 |
| Mining royalty dispute | | 323,096 | 295,773 | - |
| **Net changes in assets and liabilities** | | | | |
| Trade accounts receivable | | 67,475 | (38,922) | (161,335) |
| Other accounts receivable | | 1,954 | (5,776) | 2,008 |
| Inventories | 5 | (49,371) | 32,101 | (11,341) |
| Other non-financial assets | | (76,186) | 226,969 | 113,355 |
| Trade accounts payable | | 29,419 | (13,663) | 16,229 |
| Other accounts payable | | 48,130 | 49,915 | 70,939 |
| Provisions related to benefits to employees | | (50,440) | 33,258 | 27,503 |
| Other provisions | | (11,561) | 70,648 | (60,863) |
| Interest paid (not included in the financing activities) | | (47,442) | (50,510) | (64,325) |
| Income tax | | (430,810) | (282,273) | (68,557) |
| **Net cash and cash equivalents provided by operating activities** | | 808,556 | 1,614,691 | 945,972 |

Statements of cash flows (continued)

| | Note | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|---|
| **Investing activities** | | | | |
| Sales of property, plant and equipment | | 109 | 37 | 235 |
| Purchase of property, plant and equipment | 7,8 | (280,183) | (152,769) | (421,610) |
| Stripping activity asset | | (177,327) | (153,623) | (61,261) |
| Other cash payments related to investing activities | | - | - | 3,832 |
| **Net cash and cash equivalents used in investing activities** | | (457,401) | (306,355) | (478,804) |
| **Financing activities** | | | | |
| Payments of loans | 10 | (250,000) | (353,333) | (793,000) |
| Dividends | 12(c) | (200,000) | - | - |
| Proceeds from loans | | - | 233,333 | 350,000 |
| Payments of shareholders loans | | - | (606,014) | - |
| Debt issuance costs | | - | (12,085) | - |
| Amortization of leasing | | - | (161) | (169) |
| **Net cash and cash equivalents used in financing activities** | | (450,000) | (738,260) | (443,169) |
| Net increase (decrease) in cash and cash equivalents | | (98,845) | 570,076 | 23,999 |
| Cash and cash equivalents at beginning of year | | 600,027 | 29,951 | 5,952 |
| **Cash and cash equivalents at the end of the year** | 3 | 501,182 | 600,027 | 29,951 |
| **Transactions with no effects in cash flows:** | | | | |
| Provision for remediation and mine closure | 11(b) | 32,017 | 3,710 | 16,091 |

**Sociedad Minera Cerro Verde S.A.A.**
Notes to the Financial Statements
As of December 31, 2018, 2017 and 2016

## 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 were 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) Financial statements approval -

The financial statements for the year ended December 31, 2018, were approved by Company's Management on April 30, 2019. The financial statements for the year ended December 31, 2017, were approved at the Board of Directors and Shareholders' Meetings on March 23, 2018.

Notes to the Financial Statements (continue)

**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). IFRS includes International Accounting Standards (IAS) and pronouncements of the Interpretations Committees (SIC and IFRIC).

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, 2018, 2017 and 2016. 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, 2018 and 2017, and the amounts of reported revenues and expenses for the years ended December 31, 2018, 2017 and 2016.

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. 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 a stripping activity asset, where 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 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."

(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. Therefore, 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 greater of the fair value less costs of disposal or 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.

(c) Currency -

The financial statements are presented in United States (US) dollars which is also the Company's functional 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 statement of profit or loss 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/3.369 for US$1 for buying and S/3.379 for US$1 for selling as of December 31, 2018 and S/3.238 for US$1 buying and S/3.245 for US$1 for selling as of December 31, 2017. 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, or 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 Costumers.”

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 market place (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 lose. 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 profit or loss 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 records revenues and invoices customers 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 records revenues and invoices customers 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 as gains/losses on provisionally priced trade receivables 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 is the estimated future sales price based on 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 for the years ended December 31, 2018 and 2017.

*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.

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.

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 3 and 25 |
| Transportation units | 7 |
| Furniture and fixtures | 7 |
| 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 assigned 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 its fair value less costs to sell or 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.

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.

There was no asset impairment loss for the Company for the years ended December 31, 2018, and 2017.

(h) Intangible Assets -

Intangible assets are recorded at cost less accumulated amortization. After the initial recognition, the intangible assets are recorded at its cost less accumulated amortization and any accumulated loss for impairment of use, if applicable.

(i) 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 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.

(j) 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 will be recorded in the statements of comprehensive income.

(k) 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 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 consider 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.

*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. Sales of concentrates and metals at provisional prices include a gain (loss) to be received at the end of the quotation period.

Revenue is recognized at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the quotation period 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.

The Company's revenues are subject to OSINERGMIN (Organismo Supervisor de la Inversión en Energía y Minería) and OEFA (Organismo de Evaluación y Fiscalización Ambiental) royalties. The calculation for the OSINERGMIN contribution is 0.14% of invoiced sales for the year 2018 (0.15% for the year 2017 and 0.16% for the year 2016), and the calculation for the OEFA contribution is 0.11% of invoiced sales for the year 2018 (0.11% for the year 2017 and 0.13% for the year 2016). Those royalties are presented as a reduction of revenues (see Note 14).

(l) 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 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 2018, 2017 and 2016, 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. 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.

*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 that did not have stability agreements were subject to the payment of royalties and a special mining tax. Cerro Verde believes its 1998 Stability Agreement exempts from royalties all minerals extracted from its mining concession, irrespective of the method used for processing those materials, and therefore, was not subject to the payment of royalties and a special mining tax until the 1998 Stability Agreement expired on December 31, 2013. See Note 13(d) for further discussion of developments resulting in the recognition of provisions for these disputed royalties and special mining taxes for prior years. Because the Company believes it was not subject to the payment of royalties and a special mining tax, Cerro Verde was subject to special mining burden (GEM) until the expiration of its 1998 Stability Agreement on December 31, 2013. 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.

*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.

(m) Benefits to employees -

Salaries and wages, bonuses, post-employment benefits and vacations 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. 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.

(n) 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.

(o) Fair value measurement -

The Company measures its embedded derivatives, at fair value, at each date presented in the statement 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.

(p) 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 2018, 2017 and 2016, 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.

(q) Changes in accounting policies and disclosures –

*IFRS 15, "Revenue from Contracts with Customers" -*

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018.

The Company concluded that there are no adjustments as a consequence of initially applying IFRS 15, and therefore no effects were recognized at the date of initial application. Comparative information was not restated and continues to be reported under IAS 18, "Revenue" and related interpretations.

*IFRS 9, "Financial Instruments" -*

The Company applied IFRS 9 prospectively, with an initial application date of January 1, 2018. The Company has not restated the comparative information.

Notes to the Financial Statements (continue)

There were no adjustments to the financial statements arising from the adoption of IFRS 9 and the classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. As a result of the adoption of IFRS 9, the Company classified its financial assets and financial liabilities as of January 1, 2018, as follows:

| | | **IFRS 9 measurement category** | |
|---|---|---|---|
| | | **Fair value through profit or loss** | **Amortised cost** |
| | US$(000) | US$(000) | US$(000) |
| **IAS 39 measurement category** | | | |
| **Financial assets -** | | | |
| Accounts receivables and Trade accounts receivables - Related parties | | | |
| Accounts receivables and Trade accounts receivable - Related parties (without provisional prices) | 1,703 | - | 1,703 |
| Accounts receivables and Trade accounts receivable - Related parties (with provisional prices) | 412,829 | 481,565 | - |
| Financial assets at fair value through profit or loss - Embedded derivatives | 68,736 | - | - |
| | | | |
| **Financial liabilities -** | | | |
| Trade accounts payable | 194,958 | - | 194,958 |
| Accounts payable - Related parties | 13,681 | - | 13,681 |
| Other financial liabilities | 1,268,488 | - | 1,268,488 |
| Provision related to benefits to employees | 109,903 | - | 109,903 |
| Other accounts payable | 73,606 | - | 73,606 |

(r) Standards issued but not effective -

Following is a summary of improvements and amendments to IFRS that are not yet effective but will be applicable to the Company:

- *IFRS 16, "*Leases*" -*

IFRS 16 introduced a single, on-balance sheet accounting model for lessees and the Company adopted IFRS 16 on January 1, 2019. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 has not been restated and it is presented, as previously reported, under IAS 17, *"Leases,"* and related interpretation.

*Definition of a lease -*

Previously, the Company determined at contract inception whether a contract was or contained a lease under IFRIC 4, *"Determining Whether an Arrangement Contains a Lease."* The Company now assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which arrangements are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contract that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the considerations in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

*As a lessee* -

As a lessee, the Company previously classified leases as either operating and finance leases based on its assessments of whether a lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, all leases are classified as finance leases. However, the Company has elected the short-term lease exemption for all asset classes and does not report a lease liability or right-of-use asset for leases with a term of 12 months or less.

The Company presents right-of-use assets in “property, plant and equipment,” the same line item as it presents underlying assets of the same nature that it owns. Leased right-of-use assets are amounted to US$96.8 million as of January 1, 2019.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date.

*Right-of-use asset* -

The right-of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairments losses, and adjusted for certain re-measurements of the lease liability.

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

*Lease liability -*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company does not have any lease contracts in which the implicit rate is readily determinable and as such used its incremental borrowing rate in all lease calculations.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index 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.

Lease liabilities are presented in "other financial liabilities" and are amounted to US$95.7 million as of January 1, 2019.

*Lease term -*

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee and that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of the lease liabilities and right-of-use assets recognized.

Also in relation to those leases under IFRS 16, the Company will recognize depreciation and interest costs which are presented in "cost of sales" and "financial expenses".

- IFRIC 23, "Uncertainty over Income Tax Treatments", addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Company is required to adopt IFRIC 23 as of January 1, 2019, and is progressing through its evaluation of the impact of IFRIC 23 in its financial statements.

- IAS 12, "Income Taxes", clarifies that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. The Company is required to adopt IAS 12 as of January 1, 2019.

  Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

- IAS 23, "Borrowing Costs", clarifies that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The Company is required to adopt IAS 23 as of January 1, 2019. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

Notes to the Financial Statements (continue)

**3. Cash and cash equivalents**

This item is made up as follows:

| | **December 31, 2018** US$(000) | **December 31, 2017** US$(000) |
|---|---|---|
| Cash in banks | 3,679 | 3,500 |
| Cash equivalents (a) | 497,503 | 596,527 |
| | 501,182 | 600,027 |

(a) Cash equivalents as of December 31, 2018, includes short-term deposits with Scotiabank Peru of US$125.0 million, BBVA Continental Peru of US$50.0 million, Citibank NY of US$42.9 million and Banco de Credito de Peru of US$5.9 million and a portfolio of investments in highly marketable liquid investments (investments classified as "AAA" by Standard & Poor's and Moody's) of US$273.7 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.

**4. Related parties**

Accounts receivable from related parties and accounts payable to related parties are made up as follows:

| | **December 31, 2018** US$(000) | **December 31, 2017** US$(000) |
|---|---|---|
| **Accounts receivable from related parties** | | |
| Parent Company | | |
| FMC (a) | 409,688 | 372,327 |
| Other related parties | | |
| Sumitomo Metal Mining Company, Ltd. (b) | 12,918 | 19,900 |
| Climax Molybdenum Marketing Corporation (c) | 10,038 | 19,570 |
| Embedded derivatives | | |
| Embedded derivatives (d) | (19,293) | 65,622 |
| Total accounts receivable from related parties | 413,351 | 477,419 |
| **Classification by measurement** | | |
| Accounts receivables from related parties (not subject to provisional pricing) | 67,050 | 2,305 |
| Accounts receivables from related parties (subject to provisional pricing) | 365,594 | 409,492 |
| Embedded derivatives (d) | (19,293) | 65,622 |
| | 413,351 | 477,419 |

Notes to the Financial Statements (continue)

| | December 31, 2018<br>US$(000) | December 31, 2017<br>US$(000) |
|---|---|---|
| **Accounts payable to related parties** | | |
| Parent Company | | |
| FMC (e) | 8,860 | 8,470 |
| Other related parties | | |
| Freeport-McMoRan Sales Company Inc. | 3,192 | 3,601 |
| PT Freeport Indonesia | 2,301 | - |
| Minera Freeport-McMoRan South America Ltda | 521 | 1,248 |
| Freeport Cobalt OY | - | 296 |
| Minera Freeport-McMoRan South America S.A.C. | - | 66 |
| Total accounts payable to related parties | 14,874 | 13,681 |
| Less: accounts payable to related parties, long term | (8,860) | (8,147) |
| **Total accounts payable, short term** | 6,014 | 5,534 |

(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 contracts 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 concentrates production through December 31, 2021. Terms of the contracts are reviewed annually.

(c) The Company has a 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 the *Metals Week* Dealer Oxide price and under a delivery type known as CIF (cost, insurance and freight) through December 31, 2020.

(d) Reflects the embedded derivative adjustment of US$(19.3) million as of December 31, 2018, and US$65.6 million as of December 31, 2017, associated with accounts receivable from related parties (See Note 2(d) and 22).

(e) Accounts payable to FMC as of December 31, 2018, is related to stock option benefits for US$8.9 million (US$8.1 as of December 31, 2017).

Short-term and long-term employee benefits are recognized as expenses during the period earned. Benefits received by key management personnel represent 0.38% of total revenues for the year 2018 (0.35% for the year 2017). For the years 2018 and 2017, Freeport had granted stock option and/or restricted stock unit benefits to certain key management personnel, the amounts of which are not significant at those dates. As of December 31, 2018 and 2017, the Company does 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 accounts receivables from related parties. As of December 31, 2018 and 2017, the Company had not recorded any impairment of accounts receivable from related parties.

## 5. Inventories, net

This item is made up as follows:

| | **December 31, 2018** US$(000) | **December 31, 2017** US$(000) |
|---|---|---|
| **Current** | | |
| Materials and supplies | 308,378 | 273,939 |
| Work-in-process (WIP) (a) | 149,975 | 148,928 |
| Finished goods: | | |
| Copper concentrate | 17,949 | 18,068 |
| Copper cathode | 8,035 | 4,032 |
| Molybdenum concentrate | 3,205 | 1,896 |
| Less: Provision for obsolescence of materials and supplies | (11) | (1,237) |
| | 487,531 | 445,626 |
| **Non-current** | | |
| Work-in-process (WIP) (a) | 255,918 | 248,452 |
| **Total inventories** | 743,449 | 694,078 |

(a) Work-in-process 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.

## 6. Other non-financial assets

This item is made up as follows:

| | December 31, 2018 US$(000) | December 31, 2017 US$(000) |
|---|---|---|
| **Current** | | |
| Value added tax (VAT) credit | 28,081 | 18,153 |
| Income tax prepayments (a) | 26,794 | - |
| Other taxes to be recovered | 2,700 | 2,929 |
| | 57,575 | 21,082 |
| **Non-current** | | |
| Other receivables (b) | 183,208 | 184,802 |
| Income tax prepayments (a) | 16,858 | 4,212 |
| | 200,066 | 189,014 |
| **Total other non-financial assets** | 257,641 | 210,096 |

(a) Represents disbursements made by the Company for the prepayment of income tax, which the Company expects to use to offset future tax obligations or will be refunded to the Company by SUNAT (Superintendencia Nacional de Administración Tributaria) (see Note 13(b)).

(b) Represents disbursement made by the Company in connection with disputed tax assessments related to reviews by SUNAT from years 2003 to 2011 (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 Financial Statements (continue)

## 7. Property, plant and equipment, net

The changes in cost and accumulated depreciation accounts as of December 31, 2018 and 2017 are shown below:

| | **January 1, 2017** US$(000) | **Additions** US$(000) | **Adjustments** US$(000) | **Disposals** US$(000) | **Transfers** US$(000) | **December 31, 2017** US$(000) | **Additions** US$(000) | **Adjustments** US$(000) | **Disposals** US$(000) | **Transfers** US$(000) | **December 31, 2018** US$(000) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| Land | 23,683 | - | - | - | 784 | 24,467 | - | - | - | 196 | 24,663 |
| Buildings and other constructions | 2,376,961 | - | (13,532) | (1,169) | 7,782 | 2,370,042 | - | 41,089 | (9,644) | 48,090 | 2,449,577 |
| Machinery and equipment | 4,442,180 | - | 13,532 | (4,540) | 102,336 | 4,553,508 | - | (41,089) | (19,426) | 201,057 | 4,694,050 |
| Transportation units | 19,110 | - | - | (261) | 1,708 | 20,557 | - | - | (32) | 2,726 | 23,251 |
| Furniture and fixtures | 949 | - | - | - | - | 949 | - | - | - | - | 949 |
| Other equipment | 24,671 | - | - | (34) | 340 | 24,977 | - | - | (11) | 525 | 25,491 |
| Construction in progress and in-transit units | 88,766 | 173,845 | - | - | (112,950) | 149,661 | 288,861 | - | - | (252,594) | 185,928 |
| Stripping activity asset (see Note 2(j)) | 324,759 | 153,623 | - | - | - | 478,382 | 177,327 | - | - | - | 655,709 |
| Asset retirement costs (see Note 11 (b)) | 137,376 | 2,661 | (3,710) | - | - | 136,327 | 2,724 | (32,017) | - | - | 107,034 |
| | 7,438,455 | 330,129 | (3,710) | (6,004) | - | 7,758,870 | 468,912 | (32,017) | (29,113) | - | 8,166,652 |
| **Accumulated depreciation** | | | | | | | | | | | |
| Buildings and other constructions | 144,862 | 86,391 | (457) | (1,169) | - | 229,627 | 96,623 | 5,184 | (9,514) | - | 321,920 |
| Machinery and equipment | 1,237,979 | 283,250 | 457 | (4,349) | - | 1,517,337 | 292,656 | (5,184) | (18,483) | - | 1,786,326 |
| Transportation units | 10,865 | 1,593 | - | (237) | - | 12,221 | 1,784 | - | (33) | - | 13,972 |
| Furniture and fixtures | 802 | 32 | - | - | - | 834 | 24 | - | - | - | 858 |
| Other equipment | 13,953 | 2,474 | - | (27) | - | 16,400 | 2,406 | - | (10) | - | 18,796 |
| Stripping activity asset | 209,065 | 76,262 | - | - | - | 285,327 | 112,875 | - | - | - | 398,202 |
| Asset retirement costs | 13,189 | 5,511 | - | - | - | 18,700 | 4,976 | - | - | - | 23,676 |
| | 1,630,715 | 455,513 | - | (5,782) | - | 2,080,446 | 511,344 | - | (28,040) | - | 2,563,750 |
| **Net cost** | 5,807,740 | | | | | 5,678,424 | | | | | 5,602,902 |

(a) As of December 31, 2018 construction in progress primarily relates to the mine maintenance truck shop (US$90.6 million), the purchase of stators for ball mills (US$24.3 million), the purchase of used haul trucks from PT Freeport Indonesia (a related party) (US$17.2 million) and phase I of the tailing drain expansion (US$11.9 million).

Notes to the Financial Statements (continue)

**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, 2018, trade accounts payable includes US$42.4 million related to capital projects (US$33.7 million as of December 31, 2017).

**9. Other accounts payable**

This item is made up as follows:

| | December 31, 2018 US$(000) | December 31, 2017 US$(000) |
|---|---|---|
| **Current** | | |
| Mining royalties, interests and penalties 2006-Sept. 2011 (a) | 97,263 | 36,113 |
| Other | 3,991 | 4,069 |
| **Total current** | 101,254 | 40,182 |
| **Non-current** | | |
| Mining royalties, interests and penalties 2009-Sept. 2011 (b) | 215,070 | 33,424 |
| **Total other accounts payable** | 316,324 | 73,606 |

(a) As of December 31, 2018, represents the current portion of the monthly payments of the new installment programs approved by SUNAT which the Company will start paying in second-quarter 2019, related to disputed mining royalties for the period January 2009 through September 2011 of US$23.8 million and interest, deferral interest and penalties of US$41.4 million. The current amount also includes the remaining monthly payments of the installment program approved by SUNAT related to disputed mining royalties for the years 2006 to 2008 of US$13.2 million and interest and penalties of US$18.9 million (see Note 13(d)).

(b) As of December 31, 2018, represents the non-current portion of the monthly payments of the new installment programs related to disputed mining royalties for the period January 2009 through September 2011 of US$85.5 million and interest and penalties of US$129.6 million (see Note 13(d)).

**10. Other financial liabilities (debt)**

This item is made up as follows:

| | December 31, 2018 US$(000) | December 31, 2017 US$(000) |
|---|---|---|
| **Non-current debt** | | |
| Senior unsecured credit facility (a) | 1,030,000 | 1,280,000 |
| Less : Debt issuance cost | (7,190) | (11,512) |
| **Total other financial liabilities** | 1,022,810 | 1,268,488 |

(a) 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, 2018, the Company had repaid US$470 million (US$220 million as of December 31, 2017).

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, 2018), 15% due on June 30, 2021 (fully repaid as of December 31, 2018), 35% due on December 31, 2021 (US$505 million after the December 2018 repayment) 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.

During the year 2018, the Company recognized charges of US$1.9 million (US$6.3 million during the year 2017) for issuance costs related to debt extinguishment caused by the early March and December 2018 payments in the statements of comprehensive income (see Note 18).

No letters of credit were issued and there are no guarantees provided for the credit facility as of December 31, 2018.

*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, 2018, the Company was in compliance with all of its covenants.

Notes to the Financial Statements (continue)

Following is the movement of the changes derived from the financing activities for the year ended December 31, 2018 and 2017:

| | **January 01, 2017** US$(000) | **Net Cash Flow** US$(000) | **Others** US$(000) | **December 31, 2017** US$(000) | **Net Cash Flow** US$(000) | **Others** US$(000) | **December 31, 2018** US$(000) |
|---|---|---|---|---|---|---|---|
| **Current:** | | | | | | | |
| Leases | 161 | (161) | - | - | - | - | - |
| **Non-current:** | | | | | | | |
| Senior unsecured credit facility | 1,400,000 | (120,000) | - | 1,280,000 | (250,000) | - | 1,030,000 |
| Shareholder loans | 606,014 | (606,014) | - | - | | | |
| Debt issuance cost | (10,171) | (12,085) | 10,744 | (11,512) | - | 4,322 | (7,190) |
| **Total liabilities from financing activities** | 1,996,004 | (738,260) | 10,744 | 1,268,488 | (250,000) | 4,322 | 1,022,810 |

Notes to the Financial Statements (continue)

**11. Provisions**

This item is made up as follows:

| | December 31, 2018 US$(000) | December 31, 2017 US$(000) |
|---|---|---|
| **Current:** | | |
| Provisions related to services and freight not invoiced | 11,823 | 14,513 |
| Provision for social commitments (a) | 1,815 | 2,767 |
| Provision for legal contingencies | 1,719 | 1,232 |
| Provision for remediation and mine closure (b) | - | 690 |
| **Total current** | 15,357 | 19,202 |
| | | |
| **Non–current:** | | |
| Provision for royalties and mining tax (c) | 191,299 | 133,376 |
| Provision for remediation and mine closure (b) | 131,888 | 156,169 |
| Other long-term liabilities (d) | 11,033 | 15,889 |
| Provision for social commitments (a) | 8,111 | 8,229 |
| | | |
| **Total non-current** | 342,331 | 313,663 |

(a) The provision for social commitments as of December 31, 2018, is associated with an irrigation project in La Joya (US$4.5 million) and repaving Alata-Congata Road (US$5.4 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 N° 28090 was enacted, which regulates the commitments and procedures that entities involved in mining activities must follow in order to prepare, file and implement a mine site closing plan, as well as the respective environmental guarantees that assure compliance with the plan in accordance with protection, conservation and restoration of the environment. On August 15, 2005, the regulations regarding this law were approved.

During 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, 2018, pursuant to legal requirements, the Company has issued a letter of credit to the Ministry of Energy and Mines totaling US$42.7 million to secure mine closure plans.

Notes to the Financial Statements (continue)

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:

| | 2018 US$(000) | 2017 US$(000) | 2016 US$(000) |
|---|---|---|---|
| **Beginning balance** | 156,859 | 153,313 | 161,270 |
| Accretion expense | 4,322 | 4,595 | 4,391 |
| Changes in estimates, Note 7 | (32,017) | (3,710) | (16,091) |
| Additions, Note 7 | 2,724 | 2,661 | 3,743 |
| **Final balance** | 131,888 | 156,859 | 153,313 |

As of December 31, 2018, the Company's provision for remediation and mine closure was US$131.9 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 2.99%). As of December 31, 2017, the Company's provision for remediation and mine closure was US$156.9 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 2.73%). As of December 31, 2016, the Company's provision for remediation and mine closure was US $153.3 million (reflecting the future value of the provision for remediation and mine closure of US $368.8 million, discounted using an annual risk-free rate of 2.97%) The Company considers this liability sufficient to meet the current environmental protection laws approved by the Ministry of Energy and Mines (MEM).

As of December 31, 2018, changes in estimates (US$32.0 million) are mainly due to changes in the escalation ratio.

(c) As of December 31, 2018, represents the non-current portion of net assets tax (ITAN) for the years 2010, 2011 and 2013 of US$19.6 million and interest and penalties of (i) disputed mining royalties for the period October 2011 through December 2013 of US$70.0 million, (ii) special mining tax for the year 2011 through the year 2013 of US$50.8 million, (iii) income tax related to disputed mining royalties for the year 2010 of US$41.1 million and (iv) ITAN for the years 2010, 2011 and 2013 of US$9.8 million.

As of December 31, 2017, represents the non-current portion of disputed mining royalties for the period January 2009 through September 2011 of US$113.8 million, ITAN for the years 2010, 2011 and 2013 of US$19.6 million.

(d) Primarily represents 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$6.2 million as of December 31, 2018 (US$11.4 million as of December 31, 2017).

## 12. Shareholders' equity, net

(a) Capital stock -

As of December 31, 2018, 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.

Notes to the Financial Statements (continue)

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$20.80 per share as of December 31, 2018 (US$29.70 per share as of December 31, 2017).

As of December 31, 2018, 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 | 2,811 | 4.37 |
| From 1.01 to 20.00 | 2 | 21.07 |
| From 20.01 to 30.00 | 1 | 21.00 |
| From 30.01 to 60.00 | 1 | 53.56 |
| | 2,815 | 100.00 |

(b) Other capital reserves -

Other capital reserves includes 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 annual mandatory shareholders meeting held on March 23, 2018, it was approved to make a US$200 million dividend payment (US$0.571337 per common share). The total amount of these dividends was applied against retained earnings. This dividend was paid on April 24, 2018, and complied with the withholding tax rules (4.1%).

**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, 2018, prepayments of income tax, which the Company expects to be used to offset future income tax provisions or will be refunded by SUNAT, totaled US$43.7 million (see Note 6).

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.

For the year ended December 31, 2017, the Company recognized current income tax expense of US$655.1 million (including US$102.6 million of special mining tax, US$110.7 million of mining royalties and US$10.9 million for the SRF), and a deferred income tax credit of US$(169.1) million, resulting in total income tax expense of US$486.0 million that has been included in the statements of comprehensive.

For the year ended December 31, 2016, the Company recognized current income tax expense of US$181.1 million (including US$14.9 million of special mining tax, US$22.9 million of mining royalties and US$2.2 million for the SRF), and a deferred income tax expense of US$82.0 million, resulting in total income tax expense of US$263.1 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 2012 through 2017 and VAT from December 2013 through December 2018 are open to examination by the tax authorities. To date, SUNAT has concluded its review of the Company's income tax and VAT exams through the year 2011, and the Company is in the claim and/or appeal process for the years 2003 through 2011.

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. As described in Note 13 (a), 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 stability agreement, which became effective January 1, 2014. See Note 13(b) for a summary of amounts recognized by the Company for special mining tax and mining royalties for the years ended December 31, 2018, 2017 and 2016.

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 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 the Company began paying royalties on all of its production in January 2014 under its new 15-year stability agreement.

Since 2014, based on the Tax Tribunal's decisions for the period December 2006 to December 2008, the Company is paying the disputed assessments under an installment program equivalent to 66 equal monthly payments. As of December 31, 2018, the Company has made payments totaling S/596.8 million (US$187.7 million based on the date of payment exchange rate and US$176.6 million based on the December 31, 2018, exchange rate).

With respect to the judiciary appeal related to disputed royalty assessments for the year 2006-2007, on August 9, 2017, the Company filed a cassation appeal before the Supreme Court against the resolution issued by the Seventh Contentious Administrative Court, which was admitted in December 2017. The oral hearing before the Supreme Court took place on November 20, 2018 and their decision is pending.

In September 2018, the Peruvian Tax Tribunal confirmed SUNAT's resolution that ordered the payment of royalties and denied the Company's request to waive penalties and interest for the period January 2009 through September 2011. In December 2018, the Company elected not to appeal the Tax Tribunal's decision to the Peruvian Judiciary and is assessing alternative mechanisms to defend its rights.

In October 2018, SUNAT served the Company demands for payments totaling S/928.9 million (approximately US$274.9 million based on the December 31, 2018, exchange rate, including interest and penalties of US$165.7 million) based on the Tax Tribunal's decisions for the period January 2009 to September 2011. The Company requested, and was granted two installment payment programs, including a six-month deferral and 66 equal monthly payments for each one, for the period January 2009 through September 2011. Total debt as of December 31, 2018 is S/947.2 million (approximately US$280.3 million based on the December 31, 2018, exchange rate, including deferral interest. interest and penalties of US$171.1 million). Payments for these installment programs will start in the second quarter of 2019.

On January 18, 2018, the Company received assessments from SUNAT related to mining royalties for the fourth quarter of 2011. On February 15, 2018, the Company appealed these assessments and SUNAT denied it. On November 21, 2018, the Company appealed SUNAT's resolution to the Tax Court. As of December 31, 2018, the amount of the assessments from SUNAT, including interest and penalties, for the fourth quarter of 2011 is S/53.7 million (approximately US$15.9 million based on the December 31, 2018, exchange rate, including interest and penalties of US$8.7 million). Also on January 18, 2018, the Company received assessments from SUNAT related to special mining tax from the fourth quarter of 2011 to the fourth quarter of 2012. On February 15, 2018, the Company appealed these assessments and SUNAT denied it. On November 21, 2018, the Company appealed the SUNAT's resolution to the Tax Court. As of December 31, 2018, the amount of the assessments from SUNAT, including interest and penalties, is S/234.0 million (approximately US$69.3 million based on the December 31, 2018, exchange rate, including interest and penalties of US$33.3 million).

On April 18, 2018, the Company received assessments from SUNAT related to mining royalties for the year 2012. On May 17, 2018, the Company appealed these assessments. On January 23, 2019, the Company received a resolution issued by SUNAT denying the appeal of assessments for year 2012. As of December 31, 2018, the amount of the assessments from SUNAT, including interest and penalties, for the year 2012 is S/240.9 million (approximately US$71.3 million based on the December 31, 2018, exchange rate, including interest and penalties of US$37.4 million).

On October 10, 2018, the Company received assessments from SUNAT related to mining royalties and special mining tax for the year 2013. On November 7, 2018, the Company appealed these assessments. As of December 31, 2018, the amount of these assessments, including interests and penalties, is S/303.8 million (approximately US$89.9 million based on the December 31, 2018, exchange rate including interest and penalties of US$41.4 million).

For the year ended December 31, 2018, the Company recorded charges related to penalties and interests associated with disputed royalty assessments for the period from January 2009 through December 2013 totaling US$408.9 million in the statements of comprehensive income. For the year ended December 31, 2017, the Company recorded net charges totaling US$393 million in the statements of comprehensive income, associated with disputed mining royalties assessments for the period from December 2006 through December 2013.

In December 2017, as a result of the unfavorable Supreme Court decision on the 2008 royalty matter, the Company requested the return of the amounts that would have been paid in excess for the Special Mining Burden (GEM) (October 2012 to December 2013), FONAVI (National Housing Fund) (December 2012 to December 2013) and customs duties (2013). In December 2018, SUNAT refunded the payments in excess for GEM for the periods requested of S/254.7 million (US$76.1 million based on the date of collection and including interest of US$18.6 million).

(e) Other assessments received from SUNAT

The Company has also received assessments from SUNAT for additional taxes (other than the mining royalty and special mining tax explained in 13(d) above), including penalties and interest. The Company 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 | 12,220 | 46,710 | 58,930 |
| 2006 | 10,990 | 51,938 | 62,928 |
| 2007 | 12,376 | 17,845 | 30,221 |
| 2008 | 20,797 | 12,968 | 33,765 |
| 2009 | 56,388 | 51,219 | 107,607 |
| 2010 | 62,581 | 105,225 | 167,806 |
| 2011 | 49,055 | 65,068 | 114,123 |
| 2014 –2018 | 32,148 | - | 32,148 |
| | 256,555 | 350,973 | 607,528 |

As of December 31, 2018, the Company has paid US$385.7 million of which US$183.2 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.

(f) As of December 31, 2018 and 2017, the Company has issued letters of credit to secure tax obligations amounting to S/1,137.4 million (equivalent to US$336.6 million) and S/280.8 million (equivalent to US$86.5 million), respectively, of which S/1,122.9 million (equivalent to US$332.3 million), S/266.3 million (equivalent to US$82.1 million) are related to mining royalties for the years ended December 31, 2018 and 2017, respectively.

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:

| | December 31, 2018 US$(000) | December 31, 2017 US$(000) | December 31, 2016 US$(000) |
|---|---|---|---|
| **Income tax** | | | |
| **Asset** | | | |
| Royalty accrual | 109,505 | 127,475 | - |
| Provision for remediation and mine closure | 15,131 | 12,083 | 9,180 |
| Price adjustment of copper concentrate and cathode | 6,050 | - | - |
| Unpaid vacations | 5,937 | 5,293 | 4,055 |
| Provision for mining taxes | 4,120 | 8,742 | 4,003 |
| SUNAT Assessments | 4,055 | 4,077 | - |
| Cost of net asset for the construction of the tailing dam | 2,638 | 2,007 | 2,321 |
| Development costs | 122 | 183 | 228 |
| Other provisions | 10,450 | 4,240 | 5,248 |
| | 158,008 | 164,100 | 25,035 |
| **Liability** | | | |
| Difference in depreciation method | 337,642 | 261,434 | 283,882 |
| Stripping activity asset | 27,464 | 22,014 | 23,594 |
| Difference in valuation of inventories | 16,605 | 16,264 | 25,087 |
| Debt issuance costs | 1,894 | 2,663 | - |
| Price adjustment of copper concentrate and cathode | - | 25,840 | 24,128 |
| | 383,605 | 328,215 | 356,691 |
| **Deferred liabilities, net** | 225,597 | 164,115 | 331,656 |
| **Supplementary retirement fund** | | | |
| Deferred liability | 2,651 | 1,890 | 3,458 |
| | | | |
| **Total deferred income tax liability, net** | 228,248 | 166,005 | 335,114 |

*Reconciliation of the income tax rate -*

For the years ended December 31, 2018, 2017 and 2016, 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:

| | 2018<br>US$(000) | 2017<br>US$(000) | 2016<br>US$(000) |
|---|---|---|---|
| **Profit before income tax** | 444,880 | 835,924 | 603,989 |
| Income tax rate | 32% | 32% | 32% |
| Expected income tax expense | 142,362 | 267,496 | 193,276 |
| Non - deductible expenses | 25,352 | 25,217 | 27,788 |
| Royalty case | 143,728 | (12,029) | - |
| Special mining tax and mining royalties | (25,165) | (21,704) | (12,084) |
| 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 31.18%) | (1,958) | (1,632) | 13,850 |
| Income tax true – ups | (10,312) | 10,210 | 1,677 |
| Others | 4,896 | (4,125) | (1,913) |
| **Current and deferred income tax charges to results** | 256,569 | 263,433 | 222,594 |
| **Mining taxes charged to results** | 65,055 | 213,280 | 37,763 |
| **Supplementary retirement fund charged to results** | 3,546 | 9,330 | 2,725 |
| | 325,170 | 486,043 | 263,082 |
| **Effective income tax** | 73.09% | 58.14% | 43.56% |

Notes to the Financial Statements (continue)

*Income tax -*

The income tax expense (benefit) for the years ended December 31, 2018, 2017 and 2016is shown below:

| | **2018** US$(000) | **2017** US$(000) | **2016** US$(000) |
|---|---|---|---|
| **Income tax** | | | |
| Current | 254,767 | 430,974 | 141,153 |
| Deferred | 61,483 | (167,541) | 81,441 |
| | 316,250 | 263,433 | 222,594 |
| **Mining taxes** | | | |
| Current mining royalty and special mining tax | 6,661 | 213,280 | 37,763 |
| **Supplementary retirement fund** | | | |
| Current | 1,499 | 10,897 | 2,205 |
| Deferred | 760 | (1,567) | 520 |
| | 2,259 | 9,330 | 2,725 |
| **Income tax expense reported in the statements of comprehensive income** | 325,170 | 486,043 | 263,082 |

(h) The main tax regulations issued during 2018 are as follows:

(i) Modified, effective January 1, 2019, the treatment applicable to the royalties and fees for services provided by non-domiciled recipients, eliminating the obligation to pay an amount equivalent to the withholding when the costs or expenses are booked, and must now withhold the corresponding income tax at the time of their payment or retribution accreditation (Legislative Decree N ° 1369).

(ii) Established rules governing the obligation of legal persons and/or legal entities to report the identification of their final beneficiaries (Legislative Decree N ° 1372). These rules are applicable to legal persons domiciled in the country, pursuant to article 7 of the Income Tax Law, and to legal entities in the country. The obligation is applicable for non-domiciled legal entities and legal entities constituted abroad while: a) have a branch, agency or another permanent establishment in the country; b) the person (natural or legal entity) who manage the autonomous patrimony or foreign investment funds, or the natural or legal person who has quality of guard or administrator, is domiciled in the country; and, c) any part of a consortium is domiciled in the country. This obligation will be fulfilled by submitting sworn statements to the tax authority, which should contain the final beneficiary information and be submitted, in compliance with the regulations and in the deadlines established through a resolution of the Superintendence of Peruvian Tax Administration.

(iii) Changed the tax code in the implementation of the General Anti-Avoidance Rule (GAAR) (Rule XVI of the preliminary title of the Tax Code); as well as provided the tax authority with tools for its implementation (Legislative Decree N ° 1422).

The GAAR is intended to prevent taxpayers from entering into transactions that would allow them to minimize their tax liabilities. The tax authority will be entitled to apply GAAR in ordinary audits to assess taxes since July 19, 2012. The tax authority, however, will have to obtain approval from a committee before applying GAAR.

Other rules regarding GAAR are:

- Jointly Liability of Legal Representatives - Bear in mind that legal representatives will be jointly liable for the tax debt as a result of GAAR application by the tax authority.

- Tax Planning approval by the Board of Directors - Up to March 29, 2019 board of directors should approve (ratify or modify) all the tax planning of their entities since July 19, 2012. Its members will be liable for tax assessments as a result of the application of GAAR.

**14. Sales of goods**

(a) This item is made up as follows:

| | For the year ended December 31, 2018 | | For the year ended December 31, 2017 | | For the year ended December 31, 2016 | |
|---|---|---|---|---|---|---|
| | Pounds (000) | US$(000) | Pounds (000) | US$(000) | Pounds (000) | US$(000) |
| Copper in concentrate | 962,113 | 2,458,088 | 979,243 | 2,702,508 | 995,386 | 1,967,052 |
| Copper cathode | 86,346 | 251,908 | 84,679 | 241,725 | 109,128 | 247,431 |
| Other (primarily silver and molybdenum concentrate) | | 351,934 | | 267,033 | | 176,357 |
| Subtotal Sales | | 3,061,930 | | 3,211,266 | | 2,390,840 |
| Less: Royalty contributions (see Note 2(k)) | | (7,904) | | (8,335) | | (6,686) |
| Total net sales | | 3,054,026 | | 3,202,931 | | 2,384,154 |

Sales to related parties totaled US$2.9 billion for the year ended December 31, 2018 (US$3.0 billion for the year ended December 31, 2017 and US$2.3 billion for the year ended December 31, 2016).

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 an decrease to net sales of goods totaling US$88.8 million for the year ended December 31, 2018, an increase of US$1.3 million for the year ended December 31, 2017 and US$86.3 billion for the year ended December 31, 2016.

Notes to the Financial Statements (continue)

(b) The following table shows net sales by geographic region based on the final destination port:

| | For the year ended December 31, 2018 US$(000) | For the year ended December 31, 2017 US$(000) | For the year ended December 31, 2016 US$(000) |
|---|---|---|---|
| Asia | 2,404,530 | 2,416,826 | 1,865,346 |
| North America | 295,448 | 287,174 | 213,002 |
| Europe | 209,894 | 314,092 | 161,844 |
| South America (primarily Peru) | 136,400 | 193,174 | 150,648 |
| Central America | 15,658 | - | - |
| | 3,061,930 | 3,211,266 | 2,390,840 |
| Less: Royalty contributions (see Note 2(k)) | (7,904) | (8,335) | (6,686) |
| Total net sales | 3,054,026 | 3,202,931 | 2,384,154 |

(c) Concentration of sales -

For the years ended December 31, 2018 and 2017 94% of the Company’s sales were to related entities (FMC, Sumitomo Metal Mining Company and Climax Molybdenum). For the year ended December 31, 2016 the 95% of the Company's sales were to these related entities, respectively.

**15. Cost of sales**

This item is made up as follows:

| | For the year ended December 31, 2018 US$(000) | For the year ended December 31, 2017 US$(000) | For the year ended December 31, 2016 US$(000) |
|---|---|---|---|
| Materials and supplies | 693,316 | 556,022 | 496,918 |
| Depreciation and amortization | 512,298 | 456,467 | 472,997 |
| Labor (a) | 357,692 | 286,058 | 215,839 |
| Energy | 254,243 | 229,272 | 229,035 |
| Third parties services | 159,514 | 144,829 | 100,897 |
| Management Fees | 2,743 | 2,867 | 2,793 |
| Change in work in process inventory | (8,513) | 51,412 | (3,789) |
| Change in finished goods inventory | (5,723) | 2,060 | (3,951) |
| Other costs | 45,402 | 39,251 | 42,301 |
| | 2,010,972 | 1,768,238 | 1,553,040 |

(a) Labor includes an expense of US$60.2 million related to profit sharing for the year ended December 31, 2018 (US$86.4 million for the year ended December 31, 2017 and US$36.8 million for the year ended December 31, 2016). Additionally, it includes an expense of US$69.0 million related to the Union Agreement bonus payment obtained by workers as part of the new collective labor agreement, which is effective from September 1, 2018, through August 31, 2021.

In compliance with corporate policies, the Company recognizes administrative costs directly to cost of production (approximately U$30.7 million for the year ended December 31, 2018, US$34.4 million for the year ended December 31, 2017 and US$23.4 million for the year ended December 31, 2016). 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, 2018** US$(000) | **For the year ended December 31, 2017** US$(000) | **For the year ended December 31, 2016** US$(000) |
|---|---|---|---|
| Concentrate freight | 126,670 | 131,528 | 122,431 |
| Commissions | 6,048 | 6,029 | 5,989 |
| Cathode freight | 1,831 | 1,665 | 2,148 |
| Other | 2,459 | 2,447 | 823 |
| | 137,008 | 141,669 | 131,391 |

**17. Other operating expenses**

This item is made up as follows:

| | **For the year ended December 31, 2018** US$(000) | **For the year ended December 31, 2017** US$(000) | **For the year ended December 31, 2016** US$(000) |
|---|---|---|---|
| Royalties, ITAN and penalties (a) | 55,088 | 243,798 | - |
| Other expenses | 13,595 | 15,028 | 24,107 |
| | 68,683 | 258,826 | 24,107 |

(a) For the year ended December 31, 2018, mainly 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)

For the year ended December 31, 2017, represents disputed royalties for the period December 2006 through September 2011 of US$174.8 million, ITAN for the years 2009 to 2013 of US$33.6 million, profit sharing adjustments related to mining royalties of US$29.2 million and penalties on disputed royalties for the period December 2006 through the year 2008 of US$6.2 million. Disputed royalties and special mining taxes for the period October 2011 through the year 2013 were recognized in "income tax expense" in the statements of comprehensive income.

**18. Financial expenses**

This item is made up as follows:

| | **For the year ended December 31, 2018** US$(000) | **For the year ended December 31, 2017** US$(000) | **For the year ended December 31, 2016** US$(000) |
|---|---|---|---|
| Interest on mining royalties (a) | 370,159 | 144,815 | - |
| Interest on senior unsecured credit facility (Note 10(a)) | 49,551 | 44,678 | 51,155 |
| Other financial expenses | 6,492 | 10,934 | 1,880 |
| Amortization debt issuance cost | 2,419 | 4,479 | 8,901 |
| Extinguishment debt - debt issuance cost | 1,902 | 6,266 | - |
| Interest on shareholder loans | - | 7,992 | 19,836 |
| Capitalized Interest | (3,790) | (2,252) | (1,334) |
| | 426,733 | 216,912 | 80,438 |

(a) For the year ended December 31, 2018, represents interest and interest on penalties associated to (i) 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 and (iv) ITAN for the years 2009, 2010, 2011 and 2013 of US$12.1 million, interest paid on the royalty installment payment program for the year 2006 through the year 2008 of US$6.1 million, 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 interest of amended tax return for the year 2013 for GEM refund of US$1.3 million.

For the year ended December 31, 2017, represents financial expenses related to interest on royalties, interest paid on the royalty installment payment program and interest on royalty penalties for the period December 2006 through the year 2008 of US$141.7 million and interest on ITAN 2012 of US$3.1 million.

Notes to the Financial Statements (continue)

**19. Financial Income**

This item is made up as follows:

| | For the year ended December 31, 2018 US$(000) | For the year ended December 31, 2017 US$(000) | For the year ended December 31, 2016 US$(000) |
|---|---|---|---|
| Special Mining Burden (GEM) (a) | 18,574 | - | - |
| Other financial income | 9,515 | 5,350 | 954 |
| | 28,089 | 5,350 | 954 |

(a) Represents interest related to the GEM refund from the period October 2012 through December 2013 of US$18.6 million (see note 13(d)).

**20. 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, 2018 US$ | For the year ended December 31, 2017 US$ | For the year ended December 31, 2016 US$ |
|---|---|---|---|
| Profit for the period (US$) | 119,710,000 | 349,881,000 | 340,907,000 |
| Weighted average number of share outstanding (Note 12(a)) | 350,056,012 | 350,056,012 | 350,056,012 |
| Basic and diluted earnings per share (US$) | 0.342 | 1.000 | 0.974 |

**21. 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: the risk arising from changes in market prices of minerals, interest rate risk, credit risk and 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.

Notes to the Financial Statements (continue)

(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 three months from the shipment 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 22).

The table below summarizes the estimated impact on the Company's profit before income tax for the year 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$/pound 2.974 to US$/pound 2.979 (US$/pound 3.602 to US$/pound 3.627 for the year 2017), and the 10% decrease is based on copper prices ranging from US$/pound 2.433 to US$/pound 2.437 (US$/pound 2.947 to US$/pound 2.967 for the year 2017).

| | **Effect on profit before income tax** US$(000) |
|---|---|
| **December 31, 2018** | |
| 10% increase in future copper prices | 72,847 |
| 10% decrease in future copper prices | (72,847) |

| | **Effect on profit before income tax** US$(000) |
|---|---|
| **December 31, 2017** | |
| 10% increase in future copper prices | 83,955 |
| 10% decrease in future copper prices | (83,955) |

| | **Effect on profit before income tax** US$(000) |
|---|---|
| **December 31, 2016** | |
| 10% increase in future copper prices | 88,508 |
| 10% decrease in future copper prices | (88,508) |

*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.

(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.

The following tables show the expected aging of maturity of the Company's obligations, excluding taxes and accruals, as of December 31, 2018 and 2017:

| | On demand<br>US$(000) | Less than 3 months<br>US$(000) | 3 to 12 months<br>US$(000) | 1 to 5 years<br>US$(000) | Total<br>US$(000) |
|---|---|---|---|---|---|
| **As of December 31, 2018** | | | | | |
| Trade accounts payable | - | 231,080 | 56 | - | 231,136 |
| Accounts payable - related parties | - | 6,014 | - | 8,860 | 14,874 |
| Other financial liabilities | - | - | - | 1,022,810 | 1,022,810 |
| Provision related to benefits to employees | - | 24,300 | 18,269 | 32,509 | 75,078 |
| Other accounts payable | - | 7,472 | 93,782 | 215,070 | 316,324 |
| **Total** | - | 268,866 | 112,107 | 1,279,249 | 1,660,222 |
| **As of December 31, 2017** | | | | | |
| Trade accounts payable | - | 194,890 | 68 | - | 194,958 |
| Accounts payable - related parties | - | 5,534 | - | 8,147 | 13,681 |
| Other financial liabilities | - | - | - | 1,268,488 | 1,268,488 |
| Provision related to benefits to employees | - | 64,339 | 16,406 | 29,158 | 109,903 |
| Other accounts payable | - | 3,374 | 36,808 | 33,424 | 73,606 |
| **Total** | - | 268,137 | 53,282 | 1,339,217 | 1,660,636 |

(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). 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, 2018.

## 22. 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, 2018 and 2017, information about the Company's embedded derivatives is as follows:

| | | | As of December 31, 2018 | | |
|---|---|---|---|---|---|
| | **Pounds payable** (000) | **Maturity** | **Provisional pricing** US$/Pound | **Forward pricing** US$/Pound | **Fair value provision** US$(000) |
| Copper Concentrate | 261,530 | January 2019 to May 2019 | Between 2.675 and 2.834 | Between 2.704 and 2.708 | (18,848) |
| Copper Cathode | 7,711 | January 2019 | 2.810 | 2.704 | (824) |
| Molybdenum | 3,545 | January 2019 to February 2019 | Between 10.787 and 10.810 | 10.675 | (441) |
| | | | | | (20,113)(a) |

Notes to the Financial Statements (continue)

| | Pounds payable (000) | Maturity | As of December 31, 2017 Provisional pricing US$/Pound | Forward pricing US$/Pound | Fair value provision US$(000) |
|---|---|---|---|---|---|
| Copper Concentrate | 252,830 | January 2018 to May 2018 | Between 2.903 and 3.166 | Between 3.274 and 3.297 | 62,870 |
| Copper Cathode | 2,756 | January 2018 | Between 2.970 and 3.246 | 3.274 | 179 |
| Molybdenum | 3,340 | January 2018 to February 2018 | Between 7.229 and 7.231 | 8.950 | 5,687 |
| | | | | | 68,736(a) |

(a) Embedded derivative adjustments are recorded on the statement of financial position in "Trade account receivable – related parties" (US$(19.3) million as of December 31, 2018 and US$65.6 million as of December 31, 2017) and "Trade accounts receivable (net)" (US$(0.8) million as of December 31, 2018 and US$3.1 million as of December 31, 2017).

**23. Hierarchy and fair value of financial instruments**

Hierarchy:

As of December 31, 2018 and 2017, 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, 2018, was a liability of US$20.1 million (asset of US$68.7 million as of December 31, 2017). 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.

*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, 2018 and 2017.

**24. Summary of significant differences between accounting principles followed by the Company and U.S. generally accepted accounting principles**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards which differs in certain respects from U.S. GAAP. The effects of these differences are reflected in note 25 and are principally related to the items discussed in the following paragraphs:

(a) Stripping Cost – IFRIC 20

Under IFRS, the stripping cost of production that is necessary to produce the inventory is recorded as cost of production, while the one that allows access to additional amounts of reserves to be exploited in future periods are capitalized and amortized based on proved and probable reserves of each ore body (component) identified in the open pit.

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.

(b) Inventories

Under IFRS, the cost inventory includes: the amortization of production-stripping costs and the inventories are determined using the weighted average method.

Under U.S. GAAP, the cost inventory excludes the amortization of production-stripping cost and the inventories are determined using the LIFO method.

(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)

**25. 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, 2018, 2017 and 2016 and to shareholders' equity as of December 31, 2018, 2017 and 2016 that would be required if U.S. GAAP had been applied instead of IFRS in the financial statements:

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Net profit under IFRS** | 119,710 | 349,881 | 340,907 |
| **Items increasing (decreasing) reported net profit:** | | | |
| Stripping activity asset, net of amortization | (64,452) | (77,361) | 36,252 |
| Inventories valuation | (29,515) | (28,804) | (19,242) |
| Asset retirement obligation | 1,351 | 862 | 1,422 |
| Deferred workers´ profit sharing | (7,079) | 32,349 | (19,007) |
| Deferred income tax | 33,291 | 24,529 | 5,013 |
| Other | (26) | (25) | 116 |
| **Net income under U.S. GAAP** | 53,280 | 301,431 | 345,461 |

| | **2018**<br>US$(000) | **2017**<br>US$(000) | **2016**<br>US$(000) |
|---|---|---|---|
| **Shareholders' equity under IFRS** | 5,108,872 | 5,189,162 | 4,839,281 |
| **Items increasing (decreasing) reported shareholder's equity:** | | | |
| Stripping activity asset, net of amortization | (204,887) | (140,435) | (63,074) |
| Inventories valuation | (108,259) | (78,744) | (49,940) |
| Asset retirement obligation | 1,773 | 422 | (440) |
| Deferred workers´ profit sharing | (1,863) | 5,216 | (27,133) |
| Deferred income tax | 101,548 | 68,257 | 43,728 |
| Other | (334) | (308) | (283) |
| **Shareholders' equity under U.S. GAAP** | 4,896,850 | 5,043,570 | 4,742,139 |

**26. New U.S. GAAP Accounting Pronouncements**

In February 2016, FASB issued an ASU that will require lessees to recognize most leases on the balance sheet. This ASU allows lessees to make an accounting policy election to not recognize a lease asset and liability for leases with a term of 12 months or less and do not have a purchase option that is expected to be exercised. For public entities, this ASU is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. This ASU must be applied using the modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact this guidance will have on its financial statements.

In June 2016, FASB issued an ASU that changes the impairment model for most financial assets and certain other instruments, and will also require expanded disclosures. For public entities, this ASU is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted. The provisions of the ASU must be applied as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently evaluating the impact this ASU will have on its financial statements.

In August 2017, FASB issued an ASU that simplifies the current hedge accounting model to enable entities to better portray the economics of their risk management activities in the financial statements. For public entities, this ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. This ASU must be applied as of the beginning of the fiscal year of adoption (that is, the initial application date). The amended presentation and disclosure guidance are required only prospectively. The Company is currently evaluating the impact this guidance will have on its financial statements.

In February 2018, FASB issued an ASU that provides entities with the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of recent U.S. tax reform to retained earnings. The Company adopted this ASU effective during the third quarter of 2018, and adoption did not have a material impact on its disclosures.

In August 2018, FASB issued an ASU that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with those for capitalizing implementation costs incurred to develop or obtain internal use software. For public entities, this ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. This ASU must be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact this ASU will have on its financial statements.

In August 2018, FASB issued an ASU that modifies certain disclosure requirements for fair value measurements including the elimination of i) the amount, reason for and the policy regarding transfers between level 1 and level 2 of the fair value hierarchy and ii) an entity's valuation processes for Level 3 fair value measurements. The Company adopted this ASU effective during the third quarter of 2018, and adoption did not have a material impact on its disclosures.

In August 2018, FASB issued an ASU makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. For public entities, this ASU is effective for fiscal years ending after December 15, 2020, with early adoption permitted. This ASU must be applied on a retrospective basis to all periods presented. The Company is currently evaluating the impact this ASU will have on its financial statements.

**27. Subsequent Event**

There have been no subsequent significant financial and accounting events subsequent to December 31, 2018, that may affect the interpretation of these financial statements.

**Exhibit 12.1**

Compañía de Minas Buenaventura S.A.A.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Victor Gobitz, 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, 2019

/s/ VICTOR GOBITZ
Victor Gobitz
Chief Executive Officer

**Exhibit 12.2**

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, 2019

/s/ LEANDRO GARCIA
Leandro Garcia
Chief Financial Officer

**Exhibit 13.1**

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, 2018 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, 2019

/s/ VICTOR GOBITZ
Victor Gobitz
Chief Executive Officer

**Exhibit 13.2**

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 Financial Officer of Compañía de Minas Buenaventura S.A.A. (the "Company").

2. (A) The Company's Annual Report on Form 20-F for the year ended December 31, 2018 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, 2019

/s/ LEANDRO GARCIA
Leandro Garcia
Chief Financial Officer