

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, 2014
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)
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Telephone: (511) 419-2540
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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:

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

Unless otherwise specified, references to a value denominated in “t” or “tons” refers to metric tons; references to a value denominated in “DT” refer to dry metric tons; references to a value denominated “DST” refers to dry short 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.

Until December 31, 2010, we presented our consolidated financial statements, which we refer to as our Financial Statements, in conformity with accounting principles generally accepted in Peru, or Peruvian GAAP. Effective January 1, 2011, we changed the accounting principles governing the presentation of our consolidated financial statements from Peruvian GAAP to International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or the IASB.

Pursuant to the rules of the United States Securities and Exchange Commission, or 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—General” and Note 2.4(f) to the Financial Statements. Our partnership interest in Yanacocha was calculated at 43.65 percent for the years ended December 31, 2012, 2013 and 2014. As of December 31, 2012, 2013 and 2014, our equity interest in Cerro Verde was 19.58 percent.

Forward-Looking Statements

Certain statements contained in this Annual Report are “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

The following information should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, including the notes thereto appearing elsewhere in this Annual Report. The selected financial information as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014, is derived from the consolidated statement of financial position, consolidated statements of profit or loss and statement of other comprehensive income, respectively, included in the Financial Statements appearing elsewhere in this Annual Report. The selected financial information as of December 31, 2010, 2011 and 2012, and for the years ended December 31, 2010 and 2011 has been derived from a consolidated statement of financial position, consolidated statements of profit or loss and statement of other comprehensive income, respectively, which are not included in this Annual Report. The report of Paredes, Zaldivar, Burga & Asociados S.Civil de R.L. (a member firm of Ernst & Young Global) on our 2012, 2013 and 2014 Financial Statements appears elsewhere in this Annual Report. Our 2012, 2013 and 2014 Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB, which differs in certain respects from U.S. GAAP. For periods up to and including the year ended December 31, 2010, we prepared our financial statements in accordance with Peruvian GAAP. Our consolidated financial statements for the year ended December 31, 2011 were the first that we prepared in accordance with IFRS as issued by the IASB. The operating data presented below are 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 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,				
	2014	2013	2012 ⁽⁶⁾	2011 ⁽⁶⁾	2010
	(In thousands of US\$) ⁽¹⁾				
Statements of profit or loss data:					
Continuing operations:					
Net sales					
.....	1,138,913	1,215,421	1,422,843	1,356,093	903,810
Royalty income					
.....	36,867	44,185	67,178	62,742	55,883
Total operating income					
.....	1,175,780	1,259,606	1,490,021	1,418,835	959,693
Operating costs:					
Cost of sales, excluding depreciation and amortization					
.....	(614,539)	(627,285)	(571,243)	(381,423)	(279,190)
Exploration in operating units					
.....	(97,852)	(101,913)	(103,215)	(77,994)	(50,770)
Depreciation and amortization					
.....	(208,698)	(159,140)	(111,025)	(71,392)	(56,042)
Mining royalties					
.....	(28,440)	(30,402)	(37,496)	(58,546)	(49,988)

	As of and for the year ended December 31,				
	2014	2013	2012 ⁽⁶⁾	2011 ⁽⁶⁾	2010
	(In thousands of US\$) ⁽¹⁾				
Total operating costs	(949,529)	(918,740)	(822,979)	(589,355)	(435,990)
Gross profit	226,251	340,866	667,042	829,480	523,703
Operating income (expenses):					
Administrative expenses	(101,102)	(75,118)	(94,118)	(68,874)	(97,137)
Exploration in non-operating areas	(50,007)	(32,805)	(95,491)	(49,568)	(36,036)
Selling expenses	(16,605)	(14,842)	(15,491)	(8,214)	(6,404)
Excess of workers' profit sharing	-	(704)	(2,164)	(6,221)	-
Other, net	3,059	(2,154)	19,172	4,523	23,595
Total operating expenses	(164,655)	(125,623)	(188,092)	(128,354)	(115,982)
Operating profit	61,596	215,243	478,950	701,126	407,721
Other income (expenses), net:					
Share in the results of associates under equity method	(74,600)	(114,145)	478,987	496,769	428,885
Finance costs	(11,318)	(9,896)	(8,290)	(11,823)	(12,230)
Net gain (loss) from currency exchange difference	(8,452)	(7,192)	1,855	(614)	(752)
Gain on business combination	59,852	-	-	-	-
Finance income	8,408	6,621	9,486	11,827	8,168
Total other income (expenses), net	(26,110)	(124,612)	482,038	496,159	424,071

	As of and for the year ended December 31,				
	2014	2013	2012 ⁽⁶⁾	2011 ⁽⁶⁾	2010
	(In thousands of US\$) ⁽¹⁾				
Profit before income tax					
.....	35,486	90,631	960,988	1,197,285	831,792
Current income tax					
.....	(19,006)	(57,328)	(130,507)	(168,191)	(88,582)
Deferred income tax					
.....	(47,006)	(29,154)	(12,451)	(42,369)	(34,865)
Profit (loss) from continued operations					
.....	(30,526)	4,149	818,030	986,725	708,345
Discontinued operations:					
Profit (loss) from discontinued operations ⁽⁷⁾					
.....	(31,114)	(83,885)	(57,510)	2,159	16,544
Net profit (loss)					
.....	(61,640)	(79,736)	760,520	988,884	724,889
Attributable to equity holders of the parent					
.....	(76,065)	(107,257)	701,100	887,333	660,821
Attributable to non-controlling interest					
.....	14,425	27,521	59,420	101,551	64,068
Net profit (loss)					
.....	(61,640)	(79,736)	760,520	988,884	724,889
Basic and diluted profit (loss) per share attributable to equity holders of the parent ⁽²⁾⁽³⁾					
.....	(0.30)	(0.42)	2.76	3.49	2.60
Basic and diluted profit (loss) per ADS attributable to equity holders of the parent ⁽²⁾⁽³⁾					
.....	(0.30)	(0.42)	2.76	3.49	2.60
Basic and diluted profit (loss) per share attributable to equity holders of the parent, from continuing operations					
.....	(0.18)	(0.09)	2.98	3.48	2.53
Dividends per share					
.....	0.03	0.31	0.60	0.56	0.46
Average number of shares outstanding					
.....	254,186,867	254,186,867	254,232,571	254,442,328	254,442,328

	As of and for the year ended December 31,				
	2014	2013	2012 ⁽⁶⁾	2011 ⁽⁶⁾	2010
	(In thousands of US\$) ⁽¹⁾				
Statement of financial position data:					
Total assets	4,672,274	4,552,267	4,622,447	3,969,613	3,267,004
Financial obligations	383,305	234,397	179,304	106,114	57,152
Capital stock	750,497	750,497	750,540	750,540	750,540
Shareholders' equity	3,762,125	3,824,421	4,011,879	3,470,242	2,832,995
Operating data (unaudited):					
Production ⁽⁴⁾					
Gold (oz.)	438,426	462,856	447,472	524,101	481,768
Silver (oz.)	20,119,162	19,193,075	18,884,824	16,724,717	14,840,678
Proven and probable reserves ⁽⁵⁾					
Gold (oz.)	1,119,000	1,036,000	1,385,000	1,485,000	1,772,000
Silver (oz.)	139,699,000	136,464,000	154,606,000	155,437,000	152,161,000

- (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, 2013 and 2014, we had 274,889,924 Common Shares outstanding, including 21,174,734 treasury shares as of December 31, 2013 and 2014. As of December 31, 2013 and 2014, we had 744,640 of Investment Shares outstanding, including 272,963 treasury shares as of December 31, 2013 and 2014.
- (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 54.07% controlling equity interest, and Minera La Zanja S.R.L., or La Zanja, in which we owned a 53.06% controlling equity interest, in each case as of December 31, 2014. The production data in this table reflect 100% of El Brocal's and La Zanja's production. For the years ended December 31, 2011 to 2014, El Brocal produced 2.9 million, 3.1 million, 2.0 million and 2.5 million ounces of silver, respectively, of which our equity share was 1.6 million, 1.7 million, 1.1 million and 1.4 million ounces of silver, and La Zanja produced 134,190, 112,387, 137,395 and 143,573 ounces of gold, respectively, of which our equity share was 71,201, 59,633, 72,902, and 76,180 ounces of gold, and 363,927, 387,877, 391,832 and 422,395 ounces of silver, respectively, of which our equity share was 193,100, 205,808, 207,906 and 224,123 ounces of silver.
- (5) The amounts in this table reflect the reserves of all of our consolidated subsidiaries, including Sociedad Minera El Brocal S.A.A., or El Brocal, in which we owned a 54.07% controlling equity interest, and Minera La Zanja S.R.L., or La Zanja, in which we owned a 53.06% controlling equity interest, in each case as of December 31, 2014. The conceptual framework used to estimate proven and probable reserves for our wholly-owned mines as of December 31, 2011, 2012 and 2013 were reviewed by an independent consultant Algon Investment S.R.L. and Geomineria SAC as of December 31, 2014. The conceptual framework used to estimate proven and probable reserves for El Brocal's mines as of December 31, 2011, 2012 and 2013 were reviewed by an independent consultant, which is also in the process of reviewing the conceptual framework used to estimate proven and probable reserves for El Brocal's mines as of December 31, 2014.
- (6) IFRIC 20 became effective January 2013. Our results for the year 2012 include adjustments in connection with the application of IFRIC 20 "Stripping cost in the production phase".

- (7) In 2014, we publicly announced our decision to sell our four paralyzed mining units (Poracota, Recuperada, Antapite and Shila-Paula); as a consequence, they are presented as mining units held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. See note 1(e) to the consolidated financial statements. For comparative purposes, we modified figures for 2010, 2011, 2012 and 2013 which were previously reported in 2013 20-F report.

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, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014, or the Yanacocha Financial Statements. The report of Gaveglío Aparicio y Asociados on the Yanacocha Financial Statements appears elsewhere in this Annual Report. The selected financial information as of December 31, 2010 and 2011 and for the year ended December 31, 2010 has been derived from balance sheets and statements of income, respectively, which are not included in this Annual Report. The Yanacocha Financial Statements are prepared and presented in accordance with IFRS. The operating data presented below, which are based on 100 percent 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 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,		
	2014	2013	2012
	(In thousands of US\$) ⁽¹⁾		
Profit or loss and comprehensive income statement data:			
<i>IFRS</i>			
Revenue from sales.....	1,165,299	1,406,825	2,146,641
Other operating income	20,705	29,181	22,861
	<u>1,186,004</u>	<u>1,436,006</u>	<u>2,169,502</u>
Costs applicable to sales	(910,705)	(983,238)	(832,116)
Other operating costs	(22,422)	(28,672)	(22,069)
Total operating costs.....	(933,127)	(1,011,910)	(854,185)
Gross profit.....	252,877	424,096	1,315,317
Operative expenses:			
Selling expenses	(4,458)	(3,740)	(4,498)
Administrative expenses.....	(38,262)	(67,064)	(70,916)
Impairment loss	(541,141)	(1,038,5648)	-
Other operating expenses, net.....	(77,781)	(77,534)	(192,869)
Operative profit	<u>(408,765)</u>	<u>(762,790)</u>	<u>1,047,034</u>
Other income (expense), net:			
Financial income (expenses), net.....	298	720	1,019
Impairment loss	(23,504)	(18,745)	(13,135)
Other (expenses), net	1,142	2,065	(1,216)
	<u>(22,064)</u>	<u>(15,960)</u>	<u>(13,332)</u>
Results before income tax	(430,829)	(778,750)	1,033,702
Income tax	30,491	203,471	(385,827)
(Loss) profit for the year.....	<u>(400,338)</u>	<u>(575,279)</u>	<u>647,875</u>
Other comprehensive income (loss)	65	(226)	1,129
Comprehensive income	<u>(400,273)</u>	<u>(575,505)</u>	<u>649,004</u>

<i>U.S. GAAP</i>			
Operating income	1,210,457	1,457,646	2,201,815
Net income	(31,914)	140,997	626,540

Statement of cash flows data:

<i>IFRS</i>			
Net cash provided from operations.....	415,840	362,044	858,730
Net cash used in investment activities	(216,181)	(393,130)	(1,038,670)
Net cash used in financing activities	—	—	—

Statement of financial position:

<i>IFRS</i>			
Cash and cash equivalents	786,624	586,965	618,051
Total assets	3,483,169	3,754,692	4,512,803
Total debt.....	—	—	—
Total partners' equity	2,679,777	3,080,050	3,655,555

<i>U.S. GAAP</i>			
Total assets	4,569,497	4,511,964	4,541,535
Total partners' equity	3,679,612	3,711,461	3,570,690

Operating data (unaudited)

Gold produced (oz.).....	969,944	1,017,259	1,345,992
Gold proven and probable reserves (thousands of oz.)	17,436	18,345	18,500

(1) Except operating data.

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, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014, or the Cerro Verde Financial Statements. The selected financial information as of December 31, 2010, 2011 and 2012 and for the years ended December 31, 2010 and 2011 has been derived from a statement of financial position which is not included in this Annual Report. The report of Paredes, Zaldívar, Burga & Asociados S.Civil de R.L. 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 27 to the Cerro Verde Financial Statements. For periods up to and including the year ended December 31, 2010, Cerro Verde prepared its financial statements in accordance with U.S. GAAP. Cerro Verde financial statements for the year ended December 31, 2011 were the first that Cerro Verde prepared in accordance with IFRS as issued by the IASB. The operating data presented below, which are based on 100 percent of Cerro Verde's production and reserves, are derived from Cerro Verde's records and have not been subject to audit. For periods up to and including the year ended December 31, 2010, Cerro Verde prepared its financial statements in accordance with U.S. GAAP. Cerro Verde financial statements for the year ended December 31, 2011 were the first that Cerro Verde prepared in accordance with IFRS as issued by the IASB. 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,				
2014	2013⁽²⁾	2012⁽²⁾	2011⁽²⁾	2010⁽²⁾
(In thousands of US\$)⁽¹⁾				

Statement of comprehensive income:

	As of and for the year ended December 31,				
	2014	2013⁽²⁾	2012⁽²⁾	2011⁽²⁾	2010⁽²⁾
	(In thousands of US\$)⁽¹⁾				
Sales of goods	1,467,097	1,811,488	2,127,023	2,520,050	2,368,988
Costs of sales of goods	(797,481)	(795,064)	(765,789)	(824,700)	(645,959)
Gross margin	669,616	1,016,424	1,361,234	1,695,350	1,723,029
Operating expenses					
Selling expenses	(54,210)	(68,448)	(78,674)	(83,612)	(76,638)
Excess of workers' profit sharing	-	-	-	(21,923)	(34,427)
Expense related to water plant	-	-	(19,606)	(13,670)	(4,300)
Voluntary contribution	-	-	-	-	(41,081)
Other operating income (expenses), net	(3,629)	147	(9,898)	(16,865)	(10,749)
	(57,839)	(68,301)	(108,178)	(136,070)	(167,195)
Operating profit	611,777	948,123	1,253,056	1,559,280	1,555,834
Other income (expenses)					
Finance costs	(369)	(1,843)	(6,951)	(165)	(101)
Finance income	2,443	2,178	1,886	1,078	1,261
Net gain (loss) from exchange differences	2,284	(1,858)	3,149	1,924	669
	4,358	(1,523)	(1,916)	2,837	1,829
Profit before income tax	616,135	946,600	1,251,140	1,562,117	1,557,663
Income tax expense	(238,529)	(333,338)	(454,556)	(483,718)	(483,270)
Profit for the year	377,606	613,262	796,584	1,078,399	1,074,393
Basic and diluted earnings per share.....	1.078	1.752	2.276	3.081	3.069
Dividends per share	-	-	-	-	-
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	5,771,984	4,828,201	4,078,553	3,196,597	2,294,078
Total financial obligations	452,849	5,903	-	-	-
Issued capital	990,659	990,659	990,659	990,659	990,659
Total equity.....	4,465,090	4,087,484	3,474,222	2,677,638	1,599,239
Operating data (unaudited):					
Production:					
Copper (in thousands of recoverable pounds).....	500,242	557,239	594,474	647,234	538,995
Proven and probable reserves:					
Copper Ore (in thousands of tons).....	3,953,234	4,047,372	4,194,537	3,977,211	3,571,531

(1) Except per share and operating data

(2) IFRIC 20 became effective January 1, 2013. Our results for the year 2012 include adjustments in connection with the application of IFRIC 20 "Stripping Cost in the Production Phase." See Note 2.3 to the Cerro Verde Financial Statements.

Exchange Rates

The following table sets forth the high and low month-end rates and the average and end-of-period offered rates for the sale of Nuevos Soles in U.S. Dollars for the periods indicated, as published by the *Superintendencia de Banca y Seguros* (Superintendent of Bank and Insurance, or the SBS). The Federal Reserve Bank of New York does not report a noon buying rate for Nuevos Soles.

Exchange Rates (Nuevos Soles per US\$)⁽¹⁾				
Year	High ⁽²⁾	Low ⁽²⁾	Average ⁽³⁾	Period end ⁽⁴⁾
2012.....	2.710	2.551	2.640	2.551
2013.....	2.820	2.541	2.702	2.796
2014.....	2.994	2.765	2.839	2.980
2014	High ⁽⁵⁾	Low ⁽⁵⁾	Average ⁽⁶⁾	Period end ⁽⁷⁾
October.....	2.922	2.893	2.908	2.922
November.....	2.934	2.911	2.925	2.923
December.....	2.994	2.933	2.964	2.980
2015				
January.....	3.059	2.975	3.006	3.059
February.....	3.094	3.056	3.079	3.094
March.....	3.104	3.073	3.092	3.097

(1) Expressed in nominal (not inflation adjusted) Nuevos Soles.

(2) Highest and lowest of the twelve month-end exchange rates for each year based on the offered rate.

(3) Average of month-end exchange rates based on the offered rate.

(4) End of period exchange rates based on the offered rate.

(5) Highest and lowest of the exchange rates based on the offered rate on the last day of each month.

(6) Average of the exchange rates based on the offered rate on the last date of each day in the relevant month.

(7) The exchange rate based on the offered rate on the last day of each relevant month.

Source: SBS

On April 28, 2015, the offered rate for Dollars as published by the SBS was S/3.127 per US\$1.00.

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, is dependent upon 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 expense in enforcing our rights or pursuing remedies. There can be no assurance 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. For example, we currently depend on Newmont Peru to conduct operations at Yanacocha and the Conga project, and should Yanacocha be unable to continue with the current development plan at the Conga project, our mining partners in this project may reprioritize and reallocate capital to development alternatives. 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.

Our revenues are derived primarily from the sale of ore concentrates containing gold and silver; 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 the overall demand for and worldwide supply of gold, silver, copper and other metals, the availability and price of competing commodities, international economic trends, currency exchange fluctuations, expectations of inflation, actions of commodity markets participants, consumption and demand patterns and political events in major producing countries. We have in the past engaged in hedging activities, such as forward sales and option contracts, to minimize our exposure to fluctuations in the prices of gold, silver and other metals; however, we and our wholly-owned subsidiaries no longer hedge the price at which our gold and silver will be sold. In addition, neither Yanacocha nor Cerro Verde engages in hedging activities. As a result, the prices at which we, Yanacocha and Cerro Verde sell gold, silver, copper and ore concentrates, as applicable, are fully exposed to the effects of changes in prevailing market prices. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and Note 31 to the Financial Statements. For information on gold and silver prices for each of the years in the five-year period ended December 31, 2014, see "Item 4. Information on the Company – Buenaventura – B. Business Overview – Sales of Metal Concentrates."

On December 31, 2014 and March 31, 2015, the morning fixing price for gold on the London Bullion Market was US\$1,199.25 per ounce and US\$1,179.25 per ounce, respectively. On December 31, 2014 and March 31, 2015, the afternoon fixing spot price of silver on the London market, or London Spot, was US\$ 15.97 per ounce and US\$16.60 per ounce, respectively. On December 31, 2014 and March 31, 2015, the London Metal Exchange Settlement price for copper was US\$6,359, per metric ton and US\$6,050.5, per metric ton, respectively.

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

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

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, or 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.” There can be no assurance 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, there can be no assurance that future legislative or regulatory developments will not have an adverse effect on our, Yanacocha’s or Cerro Verde’s business or results of operations. See “Item 4. Information on the Company – Buenaventura – B. Business Overview – Regulatory Framework – Environmental Matters” and “—Permits” and “Item 4. Information on the Company – Yanacocha – B. Business Overview – Regulation, Permit and 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 frequently is unsuccessful. There can be no assurance that our, Yanacocha’s or Cerro Verde’s metals exploration efforts will be successful. Once mineralization is discovered, it may take a number of years from the initial phases of drilling before production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable ore reserves through drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and

processing facilities. As a result of these uncertainties, no assurance can be given that our or Yanacocha's exploration programs will result in the expansion or replacement of current production with new proven and probable ore reserves.

Advanced exploration projects have no operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Such estimates are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of the mineral from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns based upon proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual over expected prices may mean reserves, once found, will be uneconomical to produce. It is not unusual in new mining operations to experience unexpected problems during the start-up phase. See "Item 4. Information on the Company – Buenaventura – D. Property, Plants and Equipment – Our Properties – Reserves," "– Yanacocha – D. 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 and/or that we will have access to sufficient external sources of funds in the form of outside investment or loans to continue exploration activities at the same or higher levels than in the 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 – Buenaventura – D. Property, Plants and Equipment – Our Properties—Reserves" and "Item 4. Information on the Company – D. Property, Plants and Equipment – Yanacocha – 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 – Exploration," "– D. Property, Plants and Equipment – Reserves," "– Yanacocha's Properties – 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, 2014.

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 has led to increased demand for, and increased costs and shortages of, equipment, supplies and experienced personnel. These cost increases have significantly increased overall operating and capital budgets of companies like ours, and continuing shortages could affect the timing and feasibility of expansion projects.

Energy represents a significant portion of our production costs. Our principal energy sources are electricity, purchased petroleum products, natural gas and coal. An inability to procure sufficient energy at reasonable prices 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, Coimolache, Yanacocha and Cerro Verde have all experienced strikes or other labor-related work stoppages in the past. During 2014, we experienced strikes in three of our mines. Between January and March, we had three strikes at the Uchucchacua mine, two of which were carried out demanding the reinstatement of a union representative and lasted a total of nine days, and one related to the death of an employee of one of our contractors and which lasted two days. In April and May of 2014, El Brocal experienced a four day work stoppage at the Colquijirca mine in connection with the negotiation of salary and the collective bargaining agreement. Finally, in July, 2014 we experienced a strike at the Orcopampa mine that lasted for three days and was staged by workers' and contractors' unions claiming unsuitable working conditions. The Peruvian Ministry of Labor declared the Uchucchacua and Orcopampa work stoppages to be illegal.

As of December 31, 2014, unions represented approximately 46 percent of the employees of our mining companies¹. Although we consider our relations 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 and Cerro Verde's operations are subject to political and social risks.

Our, Yanacocha 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. There can be no assurance that these 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,

¹ Includes workers of all of our consolidated mining subsidiaries.

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 in the event that 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 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, 2014, we owned a 43.65 percent partnership interest in Yanacocha and a 19.58 percent 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 percent of such company’s total assets (exclusive of certain items) on an unconsolidated basis. Issuers that are investment companies within the meaning of the Investment Company Act, and which do not qualify for an exemption from the provisions of such act, are required to register with the 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 – Social Development."

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 Environmental Impact Study, or EIS, independent review, announced on April 20, 2012, confirmed that Yanacocha's initial EIS 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 prior to 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 were no major improvements carried out in 2014. 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 Conga, 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 – Exploration."

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.

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

In the second quarter of 2011, Presidential and Congressional elections resulted in a change in government in Peru. During the third quarter of 2011, the new government enacted four new tax laws. During 2012, the new administration, under President Ollanta Humala, largely supported mining as a driver for the continued growth and future development of Peru. However, we are unable to predict whether the central government will continue to take similar positions in the future. 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 Conga, 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.

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

Over the past several decades, Peru has experienced periods of high inflation, slow or negative economic growth and substantial currency devaluation. The inflation rate in Peru, as measured by the *Indice de Precios al Consumidor*, or IPC, and published by *Instituto Nacional de Estadística e Informática*, or INEI, has fallen from a high of 7,649.7 percent in 1990 to 2.943 percent in 2014. The Peruvian currency has been devalued numerous times during the last 20 years. Our revenues and operating expenses are primarily denominated in U.S. Dollars. If inflation in Peru were to increase without a corresponding devaluation of the Nuevo Sol relative to the U.S. Dollar, our financial position and results of operations, and the market price of our Common Shares and ADSs, could be affected. Although the Peruvian government's stabilization plan has significantly reduced inflation, and the Peruvian economy has experienced strong growth in recent years, there can be no assurance that inflation will not increase from its current level or that such growth will continue in the future at similar rates or at all.

Among the economic circumstances that could lead to a devaluation would be the decline of Peruvian foreign reserves to inadequate levels. Peru's foreign reserves at December 31, 2014 were US\$62.3 billion as compared to US\$65.7 billion at December 31, 2013. Although actual foreign reserves must be maintained at levels that will allow the succeeding government the ability to manage the Peruvian economy and to assure monetary stability in the near future, there can be no assurance that Peru will be able to maintain adequate foreign reserves to meet its foreign currency denominated obligations, or that Peru will not devalue its currency should its foreign reserves decline. See "Item 3. Key Information – A. Selected Financial Data – Exchange Rates."

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

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

The market for securities issued by Peruvian companies is influenced by economic and market conditions in Peru and, to varying degrees, market conditions in other Latin American and emerging market countries. Within Peru, news of Ollanta Humala's June 5, 2011 victory in the presidential election was followed by a 12 percent decline in both the Lima stock exchange (*Bolsa de Valores de Lima*, or BVL) and BVL's mining sub-index the following day. The price of our American Depositary Receipts, or ADRs, fell 15 percent. A number of banking analysts lowered their recommendations on Peruvian mining companies following the election as a result of concerns of higher taxes and delays in mining projects.

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. Prior to 1991, Peru had restrictive exchange controls and exchange rates. During the latter part of the 1980s, exchange restrictions prevented payment of dividends to our shareholders in the United States in U.S. Dollars. Accordingly, should such or similar controls be instituted, dividends paid to holders of Common Shares and, consequently, holders of 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 United States (principally in Peru). All or a substantial portion of our assets or the assets of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or upon such persons or to enforce against them in federal or state courts in the United States judgments predicated upon the civil liability provisions of the federal securities laws of the United States. We have been advised by our Peruvian counsel that there is uncertainty as to the enforceability, in original actions in Peruvian courts, of liabilities predicated solely under the United States federal securities laws and as to the enforceability in Peruvian courts of judgments of United States courts obtained in actions predicated upon the civil liability provisions of the United States federal securities laws.

Factors Relating to the Common Shares and ADSs

The concentration of our capital stock ownership with the Benavides Family will limit our stockholders’ ability to influence corporate matters.

As of March 31, 2015, the Benavides family, referring to certain members, and their spouses, of the immediate and extended family of Elsa Ganoza Benavides, spouse of the late Alberto Benavides de la Quintana, our founder and former Chairman (collectively, the “Benavides family”), held 27.22 percent (including outstanding Common Shares and Investment Shares) of Buenaventura’s outstanding share capital. Because of the significant ownership interest the Benavides Family holds in Common Shares, the Benavides Family has the power to elect a significant number of the outstanding directors and has significant influence over the outcome of substantially all matters to be decided by a vote of shareholders.

In addition, under the terms of the Amended and Restated Deposit Agreement dated May 3, 2002, as further amended and restated as of November 12, 2003, among us, The Bank of New York 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 will likely 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 United States.

Our shareholders have fewer and less well-defined rights under applicable Peruvian law than they might have as shareholders of a corporation incorporated in a jurisdiction of the United States or certain other countries. 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 United States. 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 Peruana*, or Peruvian Companies Law, any restriction on the free sale of shares in a *sociedad anónima abierta* (open stock company) such as we are, is null and void.

Holders of 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 Shares to be issued in such increase, by holders of Common Shares holding at least 40 percent of the Common Shares at a properly called meeting with a proper quorum and (y) the increase is not designed to improve directly or indirectly the shareholding of any shareholder. However, United States holders of ADSs may not be able to exercise through the Depository 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 Depository 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 Depository 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 Depository is not able to make such rights or such net proceeds available to any holder of ADSs, the Depository 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 have a 43.65 percent partnership interest.

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 Breapampa mines and have controlling interests in three other mining companies

which operate the Colquijirca-Marcapunta, Tantahuatay and La Zanja mines. We also own an electric power transmission company, a hydroelectric plant, a processing plant and an engineering services consulting company and 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, 2014, our consolidated net sales were US\$1,139 million and our consolidated net loss was US\$76.1 million.

Discontinued operations. In 2014, the Company publicly announced its decision to sell four of its mining units: Poracota, Recuperada, Antapite and Shila-Paula. As a consequence, these mining units are presented in the 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. The disposition of these discontinued mining units is expected to be completed by December 31, 2015 through sales to third parties. See Notes 1(e) and 2.4(v) to the Financial Statements.

The table below summarizes the total production and our equity share of production for the Julcani, Orcopampa, Uchucchacua, Mallay, Breapampa, Colquijirca, La Zanja, Tantahuatay, Yanacocha and Cerro Verde mines, as well as certain small assets for divestment, for the year ended December 31, 2014:

UNIT	Buenaventura's Equity Ownership	Total Production					Buenaventura's Equity Share of Production				
		Silver (oz.)	Gold (oz.)	Lead (t)	Zinc (t)	Copper (t)	Silver (oz.)	Gold (oz.)	Lead (t)	Zinc (t)	Copper (t)
Orcopampa	100%	430,494	203,226	-	-	-	430,494	203,226	-	-	-
Uchucchacua	100%	12,055,570	-	7,605	6,349	-	12,055,570	-	7,605	6,349	-
Julcani	100%	3,084,347	414	2,619	-	275	3,084,347	414	2,619	-	275
Mallay	100%	1,216,034	-	7,513	9,893	-	1,216,034	-	7,513	9,893	-
Breapampa	100%	369,032	74,807	-	-	-	369,032	74,807	-	-	-
Small assets for divestment	100%	39,451	2,272	185	302	-	39,451	2,272	185	302	-
Colquijirca	54.07%	2,501,839	14,134	4,263	10,162	43,282	1,352,744	7,642	2,305	5,494	23,403
La Zanja	53.06%	422,395	143,573	-	-	-	224,123	76,180	-	-	-
Tantahuatay	40.10%	754,357	143,643	-	-	-	302,459	57,594	-	-	-
Yanacocha	43.65%	574,110	969,944	-	-	-	250,599	423,381	-	-	-
Cerro Verde	19.58%	1,710,767	-	-	-	226,906	334,968	-	-	-	44,428
Small assets for divestment	100%	39,451	2,272	185	302	-	39,451	2,272	185	302	-
Total Production	-	23,158,396	1,552,012	22,185	26,706	270,463	19,659,822	845,515	20,227	22,038	68,106

Compañía de Minas Buenaventura S.A.A., a *sociedad anónima abierta* (open stock company) under the laws of Peru, was originally established in 1953 as a *sociedad anónima* (stock company) 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, and Breapampa mines. In addition, we made significant equity investments in Yanacocha, which operates South America's largest gold mine, 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.

In 2014, we acquired 51% of Canteras del Hallazgo SAC, owner of the Chucapaca project, from Minera Gold Fields Peru SA. The Chucapaca Project involved a group of mining rights originally owned by Minera Gold Fields Perú S.A. (MGFPSA). In 2008, Compañía de Minas Buenaventura S.A.A. entered into a contract of Mineral lease, Option of Transfer, Option to Operate a Project and Option to Acquire a Stake, with MGFPSA regarding these mineral rights.

Pursuant to this contract, Buenaventura would be the project's operator and would retain the option to acquire 100% of the mineral rights through a payment of US\$ 2MM. Likewise, MGFPSA would also have the option to operate a Project that, during explorations conducted by Buenaventura, is identified as a project whose main mineral content is gold (a "Gold Project"), in which case a new legal entity would be created to own the mineral rights to the project. Additionally, for this new legal entity, MGFPSA is awarded the right to purchase 51% of its shares as long as it fulfills its obligation to invest in explorations a sum equivalent to three times that which Buenaventura invested during the period it was the operator.

After Buenaventura discovered the ore deposit and it was identified as a "Gold Project", Canteras Del Hallazgo SAC (CDH) was created as owner to the project's mineral rights; at which point MGFPSA, in charge of explorations in 2009, exercised its option to purchase 51% of CDH's shares.

In August of 2014, Buenaventura purchased the totality of MGFPSA's shares in CDH for a sale price of US\$ 81 million and additional payments consisting of a NSR Royalty (Net Smelter Return Royalty) of 1.5% in favor of MGFPSA for mining rights constituting the Chucapaca Project. Afterwards Buenaventura merged by absorption with CDH and registered the royalties in favor of MGFPSA in the title sheet of each one of the mining rights involved.

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, Corporacion 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 2014, we spent US\$50.0 million on "exploration in non-operating areas" and US\$97.9 million on "exploration in units in operations". Our "exploration in non-operating areas" investments mainly focused on the following exploration projects: Alejandra, Marcapunta, Tambomayo, Candelaria-Chancas and Trapiche. Our "exploration in units in operations" investments were mainly focused in the Orcopampa, Uchucchacua and Mallay mining units. In 2014, we financed our exploration program with internal funds.

In 2015, we intend to invest approximately US\$70 to US\$80 million in exploration in units in operations and US\$35 to US\$40 million mainly in the following explorations in non-operating areas: San Gabriel, Marcapunta, Colquemayo, Pisacalla, and Livitaca, 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 subsidiaries) and by category of expenditure:

	Year Ended December 31,		
	2012	2013	2014
		(US\$ in thousands)	
Julcani.....	3,549	8,927	683
Uchucchacua	18,379	16,038	12,668
Orcopampa ^(a)	19,047	11,023	8,963
Ishihuinca	139	31	-
Colquijirca and Marcapunta ^(a)	86,384	216,477	105,477
Conenhua.....	5,760	9,700	670
Mallay.....	18,687	16,643	963
Breapampa.....	37,004	16,233	2,394
La Zanja.....	75,742	84,858	29,113
Huanza.....	66,378	37,973	16,373
Río Seco	62,163	32,863	10,064
Molle Verde.....	1,506	24,166	15,641
Total	394,738	474,931	203,009

	Year Ended December 31,		
	2012	2013	2014
		(US\$ in thousands)	
Machinery and equipment	3,462	15,742	11,741
Infrastructure	311,864	352,115	122,563
Mining	27,849	91,407	61,062
Milling.....	3,751	6,338	4,014
Transportation	316	1,749	368
Communications.....	562	704	85
Environmental	1,496	339	1,251
Other.....	45,438	6,538	1,925
Total	394,738	474,932	203,009

We mainly financed our capital expenditures in 2013 and 2014 with internally-generated funds. We partially funded the El Brocal Expansion and the construction of the Huanza hydroelectric power plant with leasing facilities of US\$364.2 million (US\$165.0 and US\$199.2 million, respectively). See “Item 5. Operating and Financial Review and Prospects – Buenaventura – B. Liquidity and Capital Resources – Long-Term Debt”

We have budgeted approximately US\$280 to US\$320 million for capital expenditures for 2015. 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

Production

We principally 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, Uchucchacua, Julcani, Mallay, Breapampa, Recuperada, Antapite, Shila-Paula, Poracota, La Zanja, and Colquijirca - Marcapunta mines² by type of product for the last three years, calculated in each

² Antapite, Poracota, Recuperada and Shila Paula are non-operating mines being held for sale.

case on the basis of 100 percent 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⁾		
	2012	2013	2014
Gold (oz.)	447,364	462,857	438,426
.....			
Silver (oz.)	18,884,824	19,193,075	20,119,162
.....			
Zinc (t)	55,300	46,178	26,706
.....			
Lead (t)	31,046	29,757	22,185
.....			
Copper (t)	24,622	27,845	43,557
.....			

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

Exploration

We view exploration as our primary means of generating value for our shareholders maintaining a portfolio of active exploration projects at various stages of exploration for mineral resources in Peru. During 2014, we spent US\$50.0 million in “exploration in non-operating areas” mainly focused in the Alejandra, Marcapunta, Tambomayo, Candelaria–Chancas and Trapiche projects, and US\$97.9 million on “exploration in units in operations” mainly focused in the Orcopampa, Uchucchacua and Mallay mining units. During 2015, we expect to invest approximately US\$70 to US\$80 million respectively 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. In light of the nature of mining exploration and in order to maintain flexibility to take advantage of opportunities, we allocate budgeted amounts by property or project only in the case of high 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, Corporacion 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-operational 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, 2013 and 2014.

Exploration Projects ⁽¹⁾⁽²⁾	Buenaventura's Effective Participation	Principal Partners	Property Hectares	Observed Mineralization	Total Exploration Expenditures During		Total Exploration Expenditures During	
					2013		2014	
at March 31, 2015					Total (Buenaventura and Partners)	Buenaventura	Total (Buenaventura and Partners)	Buenaventura
					(US\$ in millions)		(US\$ in millions)	

Buenaventura's
Projects:

Alejandra – La Zanja	53.06%	Newmont	2,500	Gold and silver	1.24	0.66	16.00	8.47
Tambomayo	100.00%	None	2,907	Gold, silver, lead and zinc	0.08	0.08	11.51	11.51
Surichata	100.00%	None	400	Silver	1.66	1.66	0.17	0.17
Colquemayo	100.00%	None	6,300	Copper and Zinc	0.62	0.62	0.60	0.60
Trapiche	100.00%	None	30,591	Copper and Molybdenum	2.59	2.59	1.14	1.14
Pisacalla	100.00%	None	11,331	Gold	0.00	0.00	0.51	0.51
Livitaca	100.00%	None	9,095	Gold and Cooper	0.00	0.00	0.64	0.64
Palla Palla	100.00%	None	6,894	Gold and Silver	0.00	0.00	0.42	0.42
San Gabriel (Chucapaca)	100.00%	None	35,000	Gold, Silver and Copper	0.00	0.00	0.00	0.00
San Gregorio	54.07%	Brocal minority shareholders	1,264	Zinc	0.98	0.53	0.00	0.00

(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 2013 and 2014.

Operating Units	Observed Mineralization	Total Exploration Expenditures During 2013		Total Exploration Expenditures During 2014	
		Total (US\$in millions)	Buenaventura	Total (US\$in millions)	Buenaventura
Buenaventura's Units:					
Uchucchacua	Silver, lead and zinc	25.31	25.31	26.63	26.63
Mallay	Zinc, lead and silver	9.34	9.34	7.81	7.81
Recuperada	Zinc, lead and silver	6.59	6.59	1.91	1.91
Orcopampa	Silver and Gold	53.50	53.50	51.82	51.82
Marcapunta	Copper & Gold	1.70	0.92	4.2	2.27

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, 2014.



Exploration Projects in Non-Operating Areas

The Alejandra- La Zanja. During 2014, we invested US\$16.0 million in creating underground access from the San Pedro Sur open pit via a ramp. This ramp has helped develop the oxide mineralization of the Alejandra project

in two levels, 3,400mosl and 3,450mosl and the infrastructure needed to develop the sulfides below the 3,400 level. This infrastructure will also be used for underground exploration and for diamond drilling. As of December 31, 2014, we had an estimated NRM of 0.30 million tons, with 20.16 grams per ton of gold and 124.10 grams per ton of silver. In 2015, we expect to invest US\$10.0 million to continue the exploration in the Alejandra project.

Tambomayo. The Tambomayo project is located 20 kilometers east of the Paula mine and includes a total of 2,907 hectares of mining properties. This project is believed to be a low sulfidation epithermal deposit with significant gold and silver mineralization in veins. As of December 31, 2014, we had an estimated NRM of 1.7 million tons, with 10.9 grams per ton of gold, 286.1 grams per ton of silver, 2.1 percent lead and 3.5 percent zinc. In 2015 we will focus our exploration efforts in the Blanquita and Mayra veins. We plan to invest US\$2.4 million to conduct a 3,000-meter diamond drilling program in Blanquita and geological mapping and sampling at Mayra. The project is currently in its development phase, and the construction of the mine is well advanced with seven levels already completed and with encouraging drill intercepts at lower levels. During the first quarter 2015, the Tambomayo was approved following the completion of an environmental impact study. Construction of the mine will begin in 2015 once the necessary permits have been obtained.

Surichata. The Surichata project is located in the Puno region of southern Peru and consists of 400 hectares of mining concessions. The Surichata project shows evidence of epithermal silver enriched polymetallic veins. In 2014, we invested US\$0.17 million in environmental remediation and social agreements relating to this project, and have ceased all work at this project..

Colquemayo. The Colquemayo project encompasses 6,300 hectares of mining concessions located in the Moquegua region in southern Peru, 70 kilometers southwest of the San Gabriel project. The project is located in tertiary volcanic rocks covered by younger volcanic events. The high sulfidation alteration system covers an area of 40 square kilometers. During 2014, we invested US\$0.60 million to conduct diamond drilling, environmental remediation and social agreements at this project.

Trapiche. The Trapiche project consists of 30,591 hectares of mining concessions, with porphyry copper and skarn mineralization in the Apurimac region, Antabamba province and Juan Espinoza Medrano district. The Apurimac region is part of a mineralized belt known as the Abancay Batholith, where several iron, copper and gold deposits have been identified. In 2014, we invested US\$1.14 million to conduct diamond drilling, including exploration, metallurgical and hydrogeological drilling, and a scoping study at this project. As of December 31, 2014, we estimated NRM for the Trapiche project to be 925 million tons, with an average grade of 0.39 percent of copper, 0.01 percent of molybdenum and 3.2 grams per ton of silver into the Trapiche porphyry and Millocucho skarn. In 2015, we plan to invest US\$4.8 million to conduct additional metallurgical tests. In addition, during 2015, we expect to have a positive scoping study for a leach only alternative. There are 251million tons with an average grade of 0.54% Cu of NRM of leachable material.

Pisacalla. The Pisacalla-Accocruz-Ccelloccasa project consists of 11,331 hectares of mining concessions located in the Ayacucho region in southern Peru. This project is located 35 kilometers northwest of our Breapampa gold mine and 5 kilometers northwest of the Apumayo gold mine. In 2015, we plan to invest US\$1.36 million to diamond drill 2,300 meters at the Pisacalla-Accocruz and to conduct geological mapping and sampling at Ccelloccasa.

Livitaca. The Livitaca project is located in the Cusco region in southern Peru, 8 kilometers north of the Constancia copper project owned by Hudbay. The project consists of 9,095 hectares of mining concessions owned by Corporación Aceros Arequipa S.A who has leased those hectares to Cía. de Minas Cerro Hablador S.A.C, our newly formed wholly-owned subsidiary. The project is an iron skarn with surrounding gold and copper mineralization. In 2015, we plan to obtain social and environmental permits for a drilling campaign in 2016.

Palla Palla. Palla Palla is located in Ayacucho region, 25 kilometers north of our Breapampa gold mine. The property consists in 6,894 hectares of mining concessions owned by Cia. de Minas Caudalosa S.A who has leased those hectares to Minera Azola S.A.C., our wholly-owned subsidiary. In 2014, we invested US\$ 0.42 million in geological mapping, outcrop sampling and a geophysical survey. In 2015, we plan to invest US\$2.1 million in order to diamond drill 5,200 meters at this project.

San Gabriel (Chucapaca). We now own 100% of the San Gabriel project, which located in the Moquegua region. We paid US\$81 million in cash payment to acquire Goldfield's 51% interest and right to operate Canteras del Hallazgo SAC, which following this acquisition is now fully absorbed into Buenaventura. As of December 31, 2014, we estimated NRM for the San Gabriel project to be 12.3 million tons, with 6.5 grams per ton of gold. During 2015, we expect to obtain permits for the exploration and development of a 7,000 meter diamond drilling and to conduct geological mapping and sampling. We also plan to begin engineering studies at the project.

San Gregorio The drilling program at this project continues to be suspended due to the opposition of the Vicco community. We have resumed discussions with the community and, due to the active participation of the Conflict resolution Office in such discussions, an entity operating under the auspices of the PCM (Presidencia del Consejo de Ministros), we expect to resume the drilling program at this project.

Exploration in Operating Areas

Uchucchacua. We are currently focusing our exploration efforts on the Yumpag project, which is located four kilometers northeast of the Uchucchacua mine. The project is an epithermal silver deposit, structurally influenced by the Cachipampa fault. This fault also influences significant areas of silver mineralization at the Uchucchacua mine. During 2014, we completed 266 meters of exploration tunnels, conducted 6,236 meters of diamond drilling and conducted metallurgical tests at this project. These exploration efforts are being complemented by the construction of a ramp from the Uchucchacua project, which will be used to explore the Gina-Socorro veins alignment that will eventually integrate Uchucchacua with Yumpag.

Mallay. Our exploration efforts in Mallay were focused in the Chanca project, which is located in the province of Oyon, in the Lima region, about 15 kilometers northwest of the Mallay mine. This project was sold(?) in July 2014.

Recuperada. During 2014, we completed 5,757 meters of diamond drilling in the Patara project. We do not plan to conduct any further work in this project and all exploratory surface work has been remediated. We are currently in the process of selling this project.

Orcopampa. The main projects in the Orcopampa district are Parihuanas, Aseruta-Mulañan and Pucay.

The Parihuanas project, a joint venture with Minera Ares, is located 24 kilometers northeast of the Chipmo mine. During 2014, we constructed drifts for exploration and diamond drilling at this project. In September 2014, we ceased all exploration activity at Parihuanas and are currently in the process of selling this property.

The Aseruta-Mulañan project is located eight kilometers southeast of the Chipmo mine. It consists of a system of epithermal veins with mainly silver content. During 2014, we completed a second diamond drilling campaign at this project. No work at this project is planned for 2015.

Pucay. The Pucay project is located 3.5 kilometers southwest of the Chipmo mine. In 2014, we focused our attention to the Anquicha prospect and conducted geological mapping, sampling and geophysical surveys with encouraging results. We are working to obtain the necessary permits to conduct diamond drilling campaign in the second half of 2015.

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, traders and banks, either in concentrate or metal form, such as gold-silver concentrate, silver-lead concentrate, zinc concentrate, lead-gold-copper concentrate and gold and silver bullion. Our concentrates sales are made under one- to three-year, U.S. Dollar-denominated contracts, pursuant to

which the selling price is based on world metal prices as follows: generally, in the case of gold and silver-based concentrates, the London Spot settlement prices for gold, less certain allowances, and the London Spot or the United States Commodities Exchange settlement price for silver, less certain allowances; and, in the case of base-metal concentrates, such as zinc, lead and copper, the London Metals Exchange, or 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 prior to, or the month following the scheduled month of shipment or delivery according to the terms of the contracts.

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

	Gold		Silver	
	Average Annual 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.
2013	1,411.23	1,392.18	23.79	22.33
2014	1,266.40	1,263.53	19.08	18.65
2015 (through March 31, 2015)	1,218.45	1,220.87	16.71	15.35

(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 2015 production; however, concentrates not sold under any of our contracts may be sold on a spot sale basis to merchants and consumers.

Sales and Markets

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

Product	Year ended December 31, ⁽¹⁾	
	2013	2014
	(US\$ in thousands)	
Gold	637,032	554,805
Silver	362,805	356,021
Lead	55,951	39,658
Zinc	71,187	47,653
Copper	182,399	271,282

(1) Does not include refinery charges and penalties incurred in 2014 of US\$185.1 million and in 2013 of US\$147.9 million, respectively.

Approximately 68 percent and 60 percent of our concentrate and gold bullion sales in 2013 and 2014, respectively, 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 were sold to our various customers from 2013 to 2014.

Percentage of Concentrates and Gold Bullion Sales

	2013	2014
<u>Export Sales:</u>		
Johnson Matthey Limited	54.04	49.31
.....		
N.V. Umicore SA	3.02	3.89
.....		
Werco Trade AG	2.35	3.34
.....		
Sumitomo Corporation of America	1.76	0.00
.....		
MK Metal Trading GMBH	2.97	0.00
.....		
Lois Dreyfus Commodities Metal Suisse SA	0.26	0.00
.....		
MCC non Ferrous Trading Inc.	2.68	2.61
.....		
Others	0.64	
.....		
Total Export Sales	<u>67.72%</u>	<u>60.12%</u>
		0.97
<u>Domestic Sales:</u>		
Andina Trade S.A.C.	0.00	0.93
.....		
Glencore Peru S.A.C.	15.07	15.27
.....		
Consorcio Minero SA	8.94	4.11
.....		
Trafigura Peru S.A.C.	0.00	4.59
.....		
Sudamericana Trading SRL	3.04	2.65
.....		
Lois Dreyfus Commodities Peru S.R.L.	4.24	10.21
.....		
Optamine S.A.C.	0.00	1.26
.....		
Others	0.99	0.86
.....		
Total Domestic Sales	<u>32.28%</u>	<u>39.88%</u>
Total Sales		
.....	<u>100%</u>	<u>100%</u>

The following table shows our committed sales volumes of silver-lead, gold-silver and zinc concentrates from 2015 to 2017:

Concentrate	Wet tons 2015	Wet tons 2016	Wet tons 2017
Uchucchacua's Silver- Lead	50,300	36,800	27,800
.....			
Uchucchacua's Zinc	27,800	23,800	15,300
.....			
Julcani's Silver- Lead	6,700	3,200	3,200
.....			
Mallay's Silver-Lead	14,900	14,700	10,700
.....			
Mallay's Zinc	22,500	15,700	10,700
.....			

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

We also sell refined gold, which is derived from our operations at Orcopampa, Breapampa, Coimoloache and La Zanja and processed at a local smelter in Lima, to Johnson Matthey Public Limited Company, or Johnson Matthey, which further refines the gold. During 2014, the price of the 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 Johnson Matthey's Brampton, Canada works and returned to our account for sale to third parties. Pursuant to our agreement, we are responsible for delivering the gold to Johnson Matthey'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.

From January to December 2015, El Brocal has outstanding hedging commitments amounting to 4,800 metric tons of copper at an average fixed price of US\$7,042 per ton.

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 interest expense 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.

Regulatory Framework

Mining and Processing Concessions

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

Pursuant to the General Mining Law, filers of mining claims must obtain a mining concession before they may explore the areas claimed. Applications for mining concessions must be filed with the regional mining directors of each regional government and with *Instituto Geológico Minero y Metalúrgico* the Geological, Mining and Metallurgical Institute of Peru, or 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 claimed 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 could result in the loss of one or more of the mining rights. Failure to satisfy minimum annual production thresholds for a specified period of time could result in cancellation of the concessions.

Our and Yanacocha's processing concessions enjoy the same duration and tenure as our mining rights, subject to payment of a fee based on nominal capacity for the applicable processing plant. Failure to pay processing fees or fines 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 prior to commencing exploration activities. We have been actively seeking to acquire land surface, easements to land containing prospective geological exploration target sites, deposits that can be exploited in the future and areas suitable as plant or facility sites. In the case of processing concessions, article 35 of Supreme Decree N° 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.

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. In order to grant a mining concession in an urban expansion area, the 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 the 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 has transferred its environmental supervisory functions to the Environmental Evaluation and Oversight Agency, or 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 prescribed environmental standards. Contributions that mining companies are required to make to OSINERGMIN were approved by Supreme Decree No. 128-2013-PCM and contributions required to be made to OEFA by Supreme Decree No. 130-2013-PCM.

With respect to employee safety and employer liability, Law No. 28964 has been replaced by Law No. 29783. Such employee safety and employer liability and related matters are audited by the *Ministerio de Trabajo y Promoción del Empleo*. Law No. 29783, as amended by Law No. 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. 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.

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 the Environment (MINAM) issued national environmental standards, which have gradually replaced prior guidelines governing governmental agencies environmental competencies. OEFA has the authority to inspect mining operations and fine companies that fail to comply with prescribed environmental standards.

The Ministry of Energy and Mines (MINEM) has issued regulations that establish maximum permissible levels of (i) emissions of liquid effluents and (ii) elements and compounds present in gaseous emissions resulting from the mining activities. Generally, mining rights holders and processing plants that were in operation prior to May 1993 were required to comply with maximum permissible levels 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 maximum permissible levels. In 2009, all Peruvian mining companies were required to submit updated environmental management plans to the MEM that complied with water quality standards and new maximum permissible levels for liquid effluents. The deadline was August 31, 2012. Buenaventura and its associated companies submitted their plans. We expect that we will be required to implement these plans and be in compliance with the new maximum permissible levels for liquid effluents and water quality standards by 2015, but such date is subject to modification.

In addition, each mining company that began operations prior to May 1993 was required to file a Preliminary Environmental Evaluation, or EVAP, for each of its mining units to disclose any pollution problems in its operations and, thereafter, to submit a follow-up PAMA aimed at implementing measures in order to solve problems identified in the EVAP. Companies must correct the pollution problems relating to their mining activities within five years, while smelters must take corrective measures within ten years. These companies must allocate no less than 1 percent of their annual sales to redress the problems identified in their EVAPs and contemplated in their PAMAs.

On March 26, 2013, Supreme Decree No. 002-2014-MINAM became effective. It approves 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 risk. Projects existing at that time had twelve months to adapt to the Standards. Supplementary provisions for the application of the Standards have been approved through Supreme Decree No. 002-2014-MINAM effective since March 25, 2014.

Since May 1993, new mining and processing activities have been required to file and obtain approval for an EISd before being authorized to commence operations. New mining and plant processing activities are required to comply with the maximum permissible levels (LMP) for liquid effluents from the initiation of their operations.

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

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

In May 2008, the Environmental Ministry of Peru was established by legislative decree. The principal functions of the Environmental Ministry 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 2009, MINEM approved the EISd for the La Zanja, Mallay, Tantahuatay and Esperanza projects. In 2010, MINEM approved the EISd for the Angélica Rublo Chico project. In 2011, the MEM approved the EISd for our Orcopampa and Breampampa projects. MINEM approved the modified EISd for the Mallay mine and the second modified EISd for the Shila cyanidation circuit in 2012.

We and our subsidiaries are subject to ongoing administrative and judicial proceedings relating to environmental matters for which we have reserved contingencies of up to US\$6.7 million. See Note 15 to the Financial Statements.

In 2012, Peru enacted Supreme Decree No. 020-2012-EM, which added Chapter XVII to the Mining Proceedings Regulations approved by Supreme Decree N° 018-92-EM. The new provisions require the approval of the General Mining Directorate of the Ministry of Energy and Mines or of the relevant Regional Government before proceeding to start and re-start exploration, development, preparation and exploitation. With regard to water regulation, all Peruvian mining companies were required to submit their updated environmental management plans to comply with water quality standards and the new maximum permissible levels for liquid effluents by August 31, 2012. Buenaventura and its associated companies submitted their plans. We expect that we will be required to implement these plans and be in compliance with the new maximum permissible levels for liquid effluents and water quality standards by the dates set by MINAM.

Regulations governing mining explorations. In May 2008, the Peruvian government enacted DS 020-2008-EM, which governs mining exploration activities and related matters. Under DS 020-2008-EM, exploration activities fall into 2 categories: Category I and Category II. Category I exploration activities are those involving no more than 20 drilling platforms or affecting a surrounding area that measures less than 10 hectares in size, while Category II exploration activities are those involving more than 20 drilling platforms and affecting an area larger than 10 hectares. For Category I exploration activities, an Environmental Impact Declaration (*Declaración de Impacto Ambiental*), or EID, is required. For Category II exploration activities, a Semi-detailed Environmental Impact Study (*Estudio de Impacto Ambiental*), or EISsd which is required which incorporates technical, environmental and social matters. Exploration activities must start within twelve months following the date that an EID or EISsd is approved. Both the EID and the EISsd must be approved before exploration activities begin. Any commitments assumed by mining companies in an EID or EISsd are mandatory and, if they are not fulfilled, OEFA has the authority to fine non-compliant mining companies. The regulation also provides that during exploration programs the holder of mining concessions will perform specified closure and post closure activities. In addition, fines can be imposed if exploration programs begin before the EID and the EISsd are approved, and the approval of environmental studies for exploration activities performed within protected natural areas requires the approval of the applicable water authority. Exploration in Prehispanic Archeological Sites (referred to in DS N° 004-2000-ED) is forbidden, unless expressly authorized by the National Institute of Culture.

Also in May 2008, MINEM enacted DS 028-2008 which regulated the citizen participation process within the framework of environmental permit approval. The EID and EISsd provide local communities with an opportunity to actively engage in this process.

The following EIDs and EISsd were approved in 2014:

Buenaventura			
Mine/Project	Type of Study	Approving Resolution	Date of Approval
Uchucchacua	Modificación de EIA Modificación de EIA – Plan de Adecuación a los LMPs y ECAs, para agua.	R. D. N° 637-2014-MEM/DGAAM	Dic. 2014
Uchucchacua		R. D. N° 113-2014-MEM/DGAAM	Mar. 2014
Pisacalla	DIA	C.A.A. N° 024-2014-MEM-DGAAM	Jul. 2014
Blanquita	DIA	C.A.A. N° 050-2014-MEM-DGAAM	Dic. 2014
Teresa	DIA	C.A.A. N° 043-2014-MEM-DGAAM	Oct. 2014
La Zanja SRL			
Mine/Project	Type of Study	Approving Resolution	Date of Approval
None			

Minera Azola S.A.C.

Mine/Project	Type of Study	Approving Resolution	Date of Approval
Palla Palla	DIA	C.A.A. N° 047-2014-MEM-DGAAM	Nov. 2014

Investment Promotion Regulations. Supreme Decree 054-2013-PCM was passed in order to promote investment projects. It allows companies to submit a technical report to modify ancillary components, capacity expansions, or introduce technological improvements. MINEM 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 environmental guarantees to secure compliance with Closure Plans. We are required to submit a Closure Plan for new projects to MINEM within one year following approval of an EIS or PAMA; inform MINEM semi-annually of any progress on the conditions established in the Closure Plan; perform the Closure Plan consistent with the schedule approved by MINEM during the life of the project; and set up an environmental guarantee that covers the estimated amount of the Closure Plan.

In addition, Supreme Decree No. 020-2008-EM requires mining companies that perform exploration activities to conduct certain closing activities in accordance with the applicable environmental study approved by the relevant authority, 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 N° 033-2005-EM.

We have presented Closure Plans to MINEM for all of our mines and advanced explorations. To date, MINEM has approved our Closure Plans for Julcani, Recuperada, Uchucchacua, Orcopampa, Poracota, Antapite, Caravelí, Shila, Paula, Esperanza, Pozo Rico, Mallay, Trapiche, Breapampa, Angélica Rublo Chico, Anamaray-Jancapata, La Zanja, Tantahuatay and Tambomayo.

The follow Mine Closure Plan Updates were approved in 2014:

Buenaventura			
Mine/Project	Type of Study	Approving Resolution	Date of Approval
None			
Compañía Minera Coimolache S.R.L.			
Mine/Project	Type of Study	Approving Resolution	Date of Approval
Coimolache	Modificación de Plan de Cierre	R.D. N° 481-2014-DGAAM-DNAM-DGAM/PC	Marz. 2014

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 will be 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 could only be filed once mining activities have ceased. Environmental Remediation Plans would contain a detailed description of all the 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, a bond in favor of MINEM 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 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, the technical branch of MINEM 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 MINEM 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 the MINEM for all our mining concessions with environmental mining liabilities. To date, the Hualchocopa, Lircay, Bella Unión-Paucaray and Chaquella mining units have all been closed and post-closure activities at each of these units are currently underway.

On November 12, 2014, a new Environmental Protection and Management by-law was enacted, which covers mining production, processing, common labor, transport, and storage, and sets forth a new set of requirements for these activities. Going forward, social and technical teams from MINEM will accompany the collection of baseline information. Early involvement of the statutory authority throughout the environmental studies process is expected to bring about shorter approval times.

MINEM's specialized body, the General Directorate for Mining Environmental Affairs, has traditionally evaluated mining environmental studies. A new organization, the National Environmental Certification Service (Servicio Nacional de Certificación Ambiental: SENACE), which operates under the auspices of MINAM, is expected to take on responsibility for detailed EIS, submitted by private, public, or mixed-capital organizations in the second half of 2015. 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, and we would be required to make significant additional capital expenditures in the future. Although we believe that we are substantially in compliance with all applicable environmental regulations of which we are now aware, there is no assurance that future legislation or regulatory developments will not have an adverse effect on our business or results of operations.

In connection with the approval of environmental studies, 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 studies for our new exploration projects and simplify the issuance of certificates of non-existence of archeological remains (CIRA) 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, Reconocido en el Convenio 169 de la Organización Internacional del Trabajo*). 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, including the granting of new mining concessions. 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 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 one percent of revenues, whichever is higher. If the mining royalty is calculated as a percentage of operating profit, marginal rates ranging from one percent to 12 percent, increasing 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 mines.

In addition to mining royalties, pursuant to Law No. 29789, effective from October 1, 2011, mining operations in Peru are subject to a new 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 as a percentage of operating profit. Marginal rates range from two percent to 8.4 percent, increasing progressively for companies with higher operating margins. Mining companies that have stability agreements with the Peruvian government will pay the "Special Mining Duty" (*Gravamen Especial a la Minería*). The Special Mining Duty is calculated as a percentage of operating profit, with marginal rates ranging from four percent to 13.12 percent, increasing progressively for companies with higher operating margins.

Safety

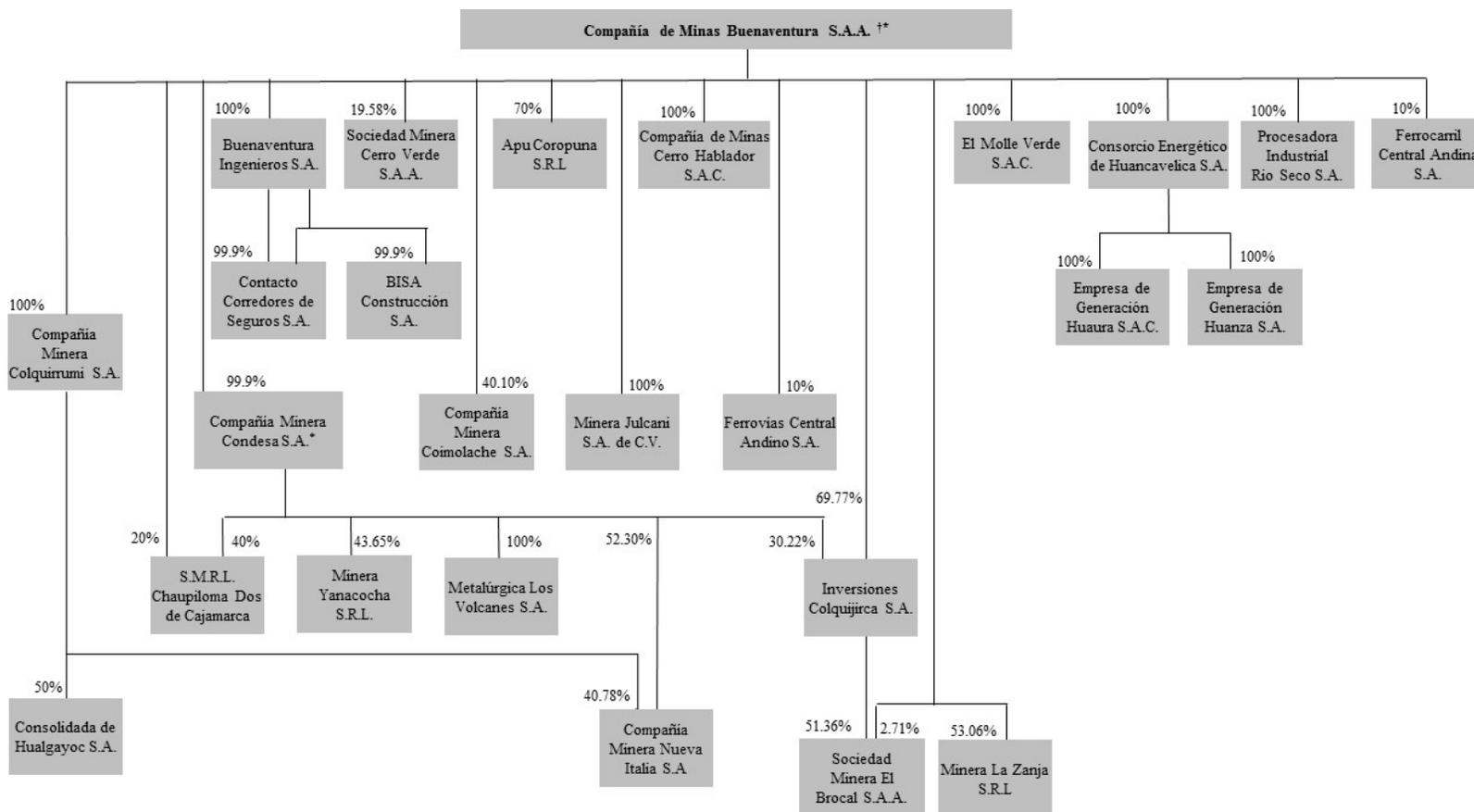
The safety and health of our employees is our highest priority. During 2014, our Corporate Safety and Health Management System, or SHMS, was recertified by Bureau Veritas. The core components of our SHMS are risk assessment, training, hazard identification and task observations.

During 2014, we experienced 86 reportable injuries, which were comprised of 81 lost-time injuries and 5 fatal injuries, as compared to 148 total reportable injuries during 2013, which were comprised of 142 lost-time injuries and 6 fatal injuries. 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.

We have implemented several measures in order to prevent fatal accidents, including the appointment of a Safety Director who reports to the Chairman of the Board, a one-day shutdown in every mine site, reinforced participation of all management, full housekeeping at every site, renewed training programs, extensive reporting of substandard conditions, the launch of the “Look-think-plan-do” campaign, management safety tours, making vice presidents responsible for the investigation of fatal accidents in their areas and safety presentations regarding leadership and commitment.

C. Organizational Structure

As of March 31, 2015, we conducted our mining operations, explorations projects and other activities directly and through various majority-owned subsidiaries, controlled companies and other associate companies as described in the following organizational chart.



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

* Compañía Minera Condesa S.A. holds 21,160,260 common shares of Compañía de Minas Buenaventura S.A.A., or approximately 7.70 percent of our total common shares.

Intermediate Holding Companies, Subsidiaries and Equity Participations

Compañía Minera Condesa S.A.

Condesa, which is 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 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 percent interest in us.

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

S.M.R.L. Chaupiloma Dos de Cajamarca, or Chaupiloma, is a Peruvian limited liability company that holds all of the mining rights for the areas mined by Yanacocha. 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 percent interest in Chaupiloma. Newmont Peru owns the remaining 40 percent equity interest.

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

Consortio 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 percent 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.

In order 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, or MW, capacity hydroelectric power plant in the valley of Santa Eulalia. This hydroelectrical plant began operating at full capacity in June 2014.

Buenaventura Ingenieros S.A.

Buenaventura Ingenieros S.A., or BISA, one of our wholly-owned subsidiaries, has provided geological, engineering, design and construction consulting services to the mining sector for over 30 years. During this time, BISA has consulted in Peru, Chile, Argentina, Mexico and Ecuador on a range of projects, operations and expansions. BISA owns a 99.99 percent interest in Contacto Corredores de Seguros S.A., an insurance brokerage company that provides insurance brokerage and related services to us and our affiliates.

Minera Julcani S.A. de C.V.

Minera Julcani S.A. de C.V., or Minera Julcani, is one of our wholly-owned subsidiaries and was created for the purpose of conducting mining activities in Mexico. Currently, we are conducting exploration activities pursuant to an agreement with Surutato Mining, S.A. de C.V., or Surutato. Under this agreement, Surutato granted us the exclusive right to conduct exploration activities within its property located in Sinaloa, Mexico.

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

Sociedad Minera El Brocal S.A.A., or 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 zinc, lead and silver. Currently, we own 54.07 percent of El Brocal through both direct and indirect ownership interests.

Minera La Zanja S.R.L.

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

Compañía Minera Coimolache S.A.

Compañía Minera Coimolache S.A., or Coimolache, is a mining company that owns the Tantauhatay 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 percent interest and operate this mine, which commenced operations in mid-2011.

Ferrovías Central Andino S.A.

We hold 10 percent of Ferrovías Central Andino S.A., or Ferrovías, a railroad company, pursuant to a concession granted to a consortium of several companies in April 2000. Ferrovías provides transportation for concentrates from El Brocal's mining operations.

Apu Coropuna S.R.L.

Apu Coropuna S.R.L., is currently 70 percent owned by us and 30 percent owned by Southern Peru Copper Corporation. Apu Coropuna S.A. was created for the purpose of conducting exploration within properties situated in Castilla, Arequipa.

Compañía de Minas Cerro Hablador S.A.C.

Compañía de Minas Cerro Hablador S.A.C., is our wholly-owned subsidiary created for the purpose of conducting exploration activities pursuant to our agreement with Aceros Arequipa S.A. Under this agreement, Aceros Arequipa granted us the exclusive right to conduct exploration activities within its properties situated in Livitaca, Cusco.

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 will allow mining from areas with high silver and manganese content within the Uchucchacua mine, which will improve silver recovery.

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 "Item 4– B. Business Overview–Exploration Projects in Non-Operating Areas" for further information of this project.

YANACOCHA

A. History and Development of the Company

Founded in Peru in 1992, Yanacocha is one of the largest gold producers in South America, having produced 969,944 ounces of gold in 2014. Yanacocha's operations are located in the Andes Mountains in Northern Peru in the region of Cajamarca, located approximately 600 kilometers north of Lima and north of the city of Cajamarca at an altitude of 4,000 meters above sea level. The Yanacocha property consists of the following open-pit mines: Chaquicocha, Maqui Maqui, Cerro Yanacocha, La Quinua Complex (La Quinua, El Tapado and Tapado Oeste), Cerro Negro Este, Western Oxide pits (La Quinua Sur and Cerro Negro Oeste), Eastern Oxide pits (Quecher Norte and Marleny) and Carachugo Alto.

Yanacocha also owns the Conga project, which is located approximately 24 kilometers northeast of the Yanacocha operating mine in the provinces of Celendin, Cajamarca and Hualgayoc. The Conga project consists of two gold-copper porphyry deposits that are currently estimated to more than double Yanacocha's proven and probable reserves. Since mid-2012, following strong community opposition to the development of Conga, this project has been on hold and Yanacocha is actively working on strategies to regain social support for the project. One such strategy has been based on a "water first" approach, which consists of building the originally planned community water reservoirs prior to resuming any mine development. In 2013, the first of these reservoirs in San Nicolás and associated roads was constructed. In 2014, limited site work continued with the construction of the main access road using local contractors and a local labor force. Permitting for a second reservoir also continued. Work to ensure the economic viability as well as the social acceptance of the project continues in parallel with water reservoir construction activities.

As of December 31, 2014, Yanacocha's proven and probable reserves (excluding the Conga project's proven and probable reserves) were estimated to be 4.9 million ounces of gold, representing a 14 percent decrease over Yanacocha's proven and probable reserves as of December 31, 2013, which were estimated to be 5.7 million ounces of gold. As of December 31, 2014, the Conga project's proven and probable reserves were estimated to be 12.6 million ounces of gold and 3.3 billion pounds of copper, which were unchanged from the estimated gold and copper reserves as of December 31, 2013. As of December 31, 2014, Yanacocha's total proven and probable reserves (including the Conga project) were estimated to be 17.5 million ounces of gold, representing a 5 percent decrease over Yanacocha's total proven and probable reserves as of December 31, 2013, which were estimated to be 18.3 million ounces of gold. Yanacocha's total proven and probable reserves of copper were 3.3 billion pounds as of December 31, 2014.

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 (as defined below), Newmont Mining, in conjunction with Yanacocha, calculates Yanacocha's reserves by methods generally applied within the mining industry and in accordance with SEC Industry Guide 7. Reserves represent estimated quantities of proven and probable ore that, under present and anticipated conditions, may be economically mined and processed.

In 2014, Yanacocha produced 969,944 ounces of gold, compared to 1,017,259 ounces of gold produced in 2013. This decrease in gold production in 2014 as compared to 2013 was mainly attributable to (i) lower leach production from fewer initial ounces on leach pads at the beginning, (ii) lower gold mill due to lower ore grade fed to the mill from Tapado Oeste in 2014 as compared with 2013, and (iii) lower recovery due to processing of blending with deep transitional ore.

Silver production was 363,274 ounces in 2013 and 574,110 ounces in 2014. The increase in silver production in 2014 as compared to 2013 was mainly attributable to beginning the deep transitional process with higher grade silver in gold mill.

Newmont Mining owns 51.35 percent of Yanacocha through its wholly-owned subsidiary Newmont Second. We own 43.65 percent of Yanacocha through our wholly-owned subsidiary Condesa and the remaining 5 percent is owned by IFC. Yanacocha is managed by Newmont Peru. See " – Management of Yanacocha – General Manager/Management Agreement." 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, Newmont Mining and us.

Capital Expenditures

Yanacocha's capital expenditures from its formation in 1992 through 2014 have related principally to:

- the construction of the Carachugo, Chaquicocha, Maqui Maqui, San José, Cerro Yanacocha, La Quinoa Complex (La Quinoa, El Tapado and Tapado Oeste), Cerro Negro Este, Western Oxide pits (La Quinoa Sur and Cerro Negro Oeste), Eastern Oxide pits (Quecher Norte and Marleny) and Carachugo Alto mining operations;
- the construction of two plants at Carachugo and Yanacocha, each of which includes a leach solution processing facility and a smelter;
- the construction of four carbon column plants at Cerro Yanacocha and La Quinoa;
- the acquisition of both new and used mining equipment;
- the construction of two dams;
- the construction of one agglomeration plant at La Quinoa;
- the construction of the Yanacocha Gold Mill;
- the construction of gold mill tailing pipeline and equipment components; and
- several expansions of the leach pads located at the Carachugo, Maqui Maqui, Cerro Yanacocha, and La Quinoa mining operations.

Yanacocha's capital expenditures from its formation through December 31, 2014 totaled approximately US\$5,821 million, including capital expenditures of US\$1,148 million in 2012, US\$311 million in 2013 and US\$117 million in 2014.

In 2014, Yanacocha's principal capital expenditures included:

- US\$37.2 million associated with the Conga Project (water first approach);
- US\$27.5 million for equipment components;
- US\$16.2 million for mine development at El Tapado Oeste and the Western Oxides deposits;
- US\$10 million for the residual water treatment project;
- US\$9.3 million for gold mill tailings improvements;
- US\$4 million for gold mill plant improvements; and
- US\$13 million for other minor projects.

Yanacocha anticipates that its capital expenditures for 2015 will be approximately US\$160.3 million, of which it plans to use approximately US\$55.6 million in connection with improvements in residual water treatment plant, US\$41.5 million for Yanacocha laybacks and US\$17.8 million for equipment components. The remaining capital expenditure budget has been allocated for investment in current operations and development of future operations. No capital will be employed at the Conga Project in 2015.

Yanacocha expects that it will meet its working capital, capital expenditure and exploration requirements for the next several years from internally-generated funds, cash on hand and financing from banks and financial institutions, if required. There can be no assurance that sufficient funding will be available to Yanacocha from internal or external sources to finance future working capital, capital expenditures and exploration and construction requirements, or that external funding will be available for such purposes on terms or at prices favorable to Yanacocha. A further decline

in the price of gold would be reasonably likely to affect the availability of such sources of liquidity. See “Item 5. Operating and Financial Review and Prospects—Yanacocha—B. Liquidity and Capital Resources—Exploration Costs; Capital Expenditures.”

B. Business Overview

Description of Yanacocha’s Operations

The Yanacocha property consists of the following open-pit mines: Chaquicocha, Maqui Maqui, Cerro Yanacocha, La Quinoa Complex (La Quinoa, El Tapado, Tapado Oeste), Cerro Negro Este, Western Oxide pits (La Quinoa Sur and Cerro Negro Oeste), Eastern Oxide pits (Quecher Norte and Marleny) and Carachugo Alto.

Leach pads are located at Carachugo (410 million ton capacity), Maqui Maqui (70 million ton capacity), Cerro Yanacocha (470 million ton capacity) and La Quinoa (640 million ton capacity, including the Western Oxides). Each of these leach pads includes at least two leach solution storage ponds and storm water ponds located down gradient from each leach pad. The Cerro Yanacocha site has two additional solution ponds for the segregation of solution generated from the treatment of transition ores. A raw water pond is used both for storm containment and to store excess solution during the wet season.

Yanacocha has four processing facilities: Pampa Larga, Yanacocha Norte, La Quinoa and the Yanacocha Gold Mill. The processing facilities can be used to process gold-bearing solutions from any of the leach pads through a network of solution pumping facilities located adjacent to the solution storage ponds or, in the case of the Yanacocha Gold Mill, to process high-grade gold ore to produce a gold-bearing solution for treatment at the La Quinoa processing plant. The Yanacocha Gold Mill commenced operations in March 2008, and its total annual production is between 5.5 and 6.0 million dry metric tons, or DMT. Production at the Yanacocha Gold Mill is expected to significantly impact Yanacocha’s future production capabilities, with total production measured in life-of-mine ounces at the Yanacocha Gold Mill representing 38 percent of the total ounces produced by Yanacocha. In order to balance mining production and Yanacocha Gold Mill total production capacity, Yanacocha has established ore stockpiles in which it deposits most of the ore from the pits, and feeds a small portion directly to the plant. The Yanacocha Gold Mill sources mill ore from the Yanacocha, Chaquicocha, El Tapado and Tapado Oeste pits.

Mining consists of a sequence of drilling, blasting, loading and hauling. Ore containing gold is transported from each mine to the nearest active leach pad while waste is taken to specially designed storage facilities. Ore is then leached by introducing diluted solutions of cyanide through an irrigation system placed on top of the ore. This solution percolates through the ore, dissolving gold and silver as AuCN and AgCN complexes respectively, and results in a “pregnant” solution which drains to solution storage ponds to be transferred to the nearest recovery facility. The end product is doré bars comprised of approximately 65-66% gold and approximately 29% silver. The doré bars are transported from the processing plant by an outside security firm to be refined outside of Peru. See “—Transportation and Refining.” The solution from which the gold is removed (barren solution) is recycled to the leach pads for further heap-leaching after having been reconstituted with cyanide. The leaching process is generally a closed system. However, during periods of high rainfall, excess water must be treated at the facilities located at Yanacocha Norte and Pampa Larga, which have been designed to meet or exceed standards for drinking water and for agriculture and livestock as set out by the Peruvian Ministry of Health, the U.S. Environmental Protection Agency, the State of Nevada Regulations and World Bank guidelines. See “Regulation, Permit and Environmental Matters.”

Since 1997, the energy and power supply for Minera Yanacocha has been obtained from the Peruvian national electricity system (SEIN) through a 220 kilowatt (“kW”) transmission line from the Trujillo-Norte substation in Trujillo to the Cajamarca-Norte substation in Cajamarca. This transmission line is owned by Consorcio Energético Huancavelica–CONEHUA, and has a design capacity of approximately 150MW.

In August 2011, a new 220kW called Interandina line was brought online from Carhuamayo-Paracsha–Conococha-Kiman Ayllu (Huallanca) and connected to the Cajamarca-Norte substation. This line belongs to Abengoa and provides Minera Yanacocha with energy and power, leaving the old transmission line with the energy flow to Trujillo.

Minera Yanacocha also has a 60kW double triad line and a 220kW simple triad line. Both are connected to Cajamarca-Norte Substation for the direct supply of its process plants.

Alternatively, in case of emergency, reduced supply or other event affecting the national electrical system, Minera Yanacocha has its own power generators with a capacity of approximately 27MW. This system allows the Company to maintain the sustainability of its operation system and reduce its operational risks.

In connection with a bidding process carried out during 2014, the supply of energy and power for the period from 2015 to 2018 was awarded to Duke Energy (Egenor), which is expected to achieve reductions in energy prices and result in savings of over US\$25 million during the four-year term of the contract.

In 2014, Minera Yanacocha's power consumption was approximately 454 Giga Watt Hours at a cost of US\$30.3 million. The maximum demand was 63MW in January and May. *See* "Item 5. Operating and Financial Review and Prospects."

Water for Yanacocha's operations is collected from rainfall and wells. All excess water used by Yanacocha undergoes treatment at the facilities described above.

Set forth below are certain unaudited operating data for the years shown for each of Yanacocha's mining operations that were then in operation:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Mining Operations:			
Ore mined (DST):			
Cerro Yanacocha	1,244,162	1,477,391	883,573
Carachugo	26,270,839	13,590,412	7,721,830
Maqui Maqui	1,590,491	2,467,205	619,755
La Quinoa	9,988,448	21,098,589	27,414,341
San José	692,086	-	-
Cerro Negro	2,872,609	4,733,308	3,644,896
Total ore mined (DST)	42,658,634	43,366,905	40,281,395
Average gold grade of ore mined (oz./DST):			
Cerro Yanacocha	0.052	0.016	0.019
Carachugo	0.032	0.035	0.031
Maqui Maqui	0.016	0.020	0.025
San José	0.017	-	-
La Quinoa	0.052	0.031	0.043
Cerro Negro	0.012	0.015	0.024
Total average gold grade of ore mined (oz./DST)	0.035	0.029	0.038
Gold production (oz.):			
Cerro Yanacocha	141,038	16,393	30,713
Carachugo	690,503	437,095	286,062
Maqui Maqui	5,810	5,856	5,669
San José	8,117	-	-
La Quinoa	488,320	530,437	595,751
Cerro Negro	12,204	27,478	51,749
Total gold (oz.)	1,345,992	1,017,259	969,944

Exploration

Yanacocha's mining activities encompass 233,974 hectares covered by 351 mining concessions. Of these 233,974 hectares, SMRL Chaupiloma Dos de Cajamarca holds the mining rights related to 106,624 hectares, covered by 145 mining concessions. Minera Yanacocha SRL holds the mining rights related to 127,350 hectares underlying 206 concessions.

Chaupiloma has assigned these mining concessions to Yanacocha pursuant to several assignments of mining rights, several of which with an initial term of 20 years and one of which with an initial term of 17 years, which are renewable at Yanacocha's request for an additional 20- or 17-year term, as the case may be.

Yanacocha has four processing concessions from the MEM for its processing plants: Cerro Yanacocha (Yanacocha Gold Mill, Cerro Negro, La Quinoa and Yanacocha), Yanacocha (Carachugo and Pampa Larga) and China Linda (non-metallic). The processing concessions have indefinite terms, subject to the payment of an annual fee based on nominal capacity for the processing plant. These four processing concessions include the Conga Project, which is in process of being granted.

Advanced exploration and early-stage development expenditures for the Yanacocha District during 2014 totaled \$19.9 million as compared to \$20.0 million in 2013. Expenditures focused on oxide development and advanced exploration projects which included: (i) Resource and Reserve infill drilling on the Quecher Main deposit; (ii) Reserve conversion infill drilling on the Los Pinos layback at Yanacocha Sur; (iii) Resource conversion at Maqui Maqui oxide and transition; and (iv) advanced exploration at the Marleny target. Expenditures focused on sulfide exploration and advanced exploration projects included: (i) Inventory conversion at the Maqui Maqui gold-copper deposit; (ii) metallurgical drilling and testing on the Chaquicocha Underground project; (iii) development support and metallurgical drilling on the Verde Bioleach Demonstration Facility; and (iv) exploration and development drilling on the Antonio deposit.

In 2015, efforts will focus on continuing exploration activities in the Yanacocha district and conducting an exploration program in the Yanacocha concession block outside of the operation district.

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

Yanacocha intends to continue developing other oxide and sulfide projects, as well as the Conga gold-copper deposit project over the next several years, while continuing to explore the remainder of the Yanacocha district along with the adjacent Minas Conga and Solitario mineral holdings. The Conga project currently consists of two gold-copper porphyry deposits that are estimated to more than double Yanacocha's proven and probable reserves. The Conga project is located approximately 24 kilometers northeast of Yanacocha's operating mine in the provinces of Celendin, Cajamarca and Hualgayoc. This project, incorporated into reserves beginning in 2004 and 2005, reported 12.6 million ounces of gold reserves and 3.3 billion pounds of copper reserves as of December 31, 2014.

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 were announced on April 20, 2012 and 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" approach on June 22, 2012. Construction of Conga and the implementation of the independent EIA review recommendations will continue provided they can be accomplished in a safe manner with risk-adjusted returns that justify future investment. Should Yanacocha be unable to continue with the development plan at Conga in the coming years, mining activities may be reprioritized and capital reallocated to development alternatives which may result in potential accounting impairments.

For 2015, Yanacocha estimates expenditures of \$8.56 million for exploration, and an additional US\$2.632 million related to reserve delineation, characterization and sterilization activities for ore bodies that are currently classified as reserves. Both expenditure estimates are exclusive of significant development engineering charges. This budgeted

amount will be expended mainly on oxide reserve conversion, extension drilling of known near-surface oxide inventories, sulfide exploration and early stage development within the Yanacocha district.

As of December 31, 2014, the Yanacocha district's proven and probable reserves (excluding the Conga project's proven and probable reserves) were estimated to be 4.9 million ounces of gold, a 14 percent decrease from the Yanacocha district's proven and probable reserves as of December 31, 2013, which were estimated to be 5.7 million ounces of gold. The decrease in reserves of gold was mainly due to mine depletion, revised pit designs, conversion from resources to reserves, updated block models and leach and stockpile inventory changes. As of December 31, 2014, proven and probable gold reserves were calculated using a gold price assumption of \$ 1,300 per ounce.

As of December 31, 2014, the Conga project's proven and probable reserves were estimated to be 12.6 million ounces of gold and 3.3 billion pounds of copper, which were unchanged from the 2013 gold and copper reserves.

Transportation and Refining

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

Sales of Gold

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

Delivery is made once a week and payments are collected on the day of confirmation. The payment price for the gold consists of either (i) the market price at the confirmation of the sale, or (ii) the average London PM Fixing price over the tendered period plus a small premium established pursuant to the bidding process. Since 1994, Yanacocha has consistently sold to five or six financial institutions and trading firms at each auction. Such buyers are market makers and active participants in precious metal markets.

Employees

As of December 31, 2014, Yanacocha had 2,043 employees. The compensation granted by Yanacocha to its employees includes a base salary and other non-cash benefits such as a health program and life insurance. Additionally, according to the profit sharing plan required by Peruvian labor laws, Yanacocha employees have the right to receive 8% of Yanacocha's annual profits before taxes. Fifty percent of these profits must be distributed in proportion to the number of days each employee worked during the previous year, and the remaining 50% of such profits must be distributed according to each employee's total annual salary.

Yanacocha has agreements with independent contractors that are responsible for the security services and staffing for the execution of the Company's projects in compliance with applicable legal regulations. As of December 31, 2014, independent contractors had hired 4,683 persons who were working in the Company's operations, including the Conga Project.

In 2004, Yanacocha entered into its first collective bargaining agreement with a union representing certain of its employees, which was created on December 9, 2003. In 2012, a new union was established. During 2013, direct collective bargaining agreements were signed with both unions for a three year period (2013-2016). The Labor Relations Department meets with union leaders on a monthly basis to address various subjects and concerns in order to promote the creation of a productive and harmonious work environment. The parties resolve their differences through open and transparent talks.

As part of the strengthening of relations and communication with its employees, Yanacocha's upper management held around 20 face-to-face meetings with important Yanacocha stake-holders, where they had the opportunity to listen to the business plans and operating results of Yanacocha, as well as to raise any concerns or suggestions.

During 2014, key development programs have been implemented in order to increase technical, leadership and management skills at all levels of Yanacocha's employee population. The total number of training hours in 2014 was 221,131. The training programs included the LEADERS Program for 988 individual collaborators and first line supervisors. 176 employees participated in "Yanacocha University", 103 participants in the Developmental Program for Front-Line Supervisors and 35 managers and superintendents attended the "Leading for Results Program".

Social Development

Since its creation, Yanacocha has focused on its relationship with the community and actively participating in its development. Since 1993, Yanacocha has invested US\$434 million in social development programs including education, health, social infrastructure (schools and medical posts), productive infrastructure projects, rural electrification, roads, business promotion programs, local tourism programs and agricultural assistance programs.

Despite significant social investment, in recent years Yanacocha has experienced several conflicts that in some cases have affected the normal course of its operations. As a result of these conflicts, Yanacocha has increased its efforts to listen to and address the concerns and expectations of the local population.

To this end, in 2014 Yanacocha began implementing the legitimacy approach in its community engagement with a special emphasis on the following aspects: respect for Cajamarca, transparency and credibility, responsibility for water and environmental care and being a partner for development. Yanacocha believes this new engagement approach has been recognized by the community as a sign of positive change in Yanacocha.

During 2014, Yanacocha invested a total of US\$8.66 million on social matters, US\$6.35 million of which (including Conga Project and the Association Los Andes of Cajamarca - ALAC) were invested mainly in farming activities, the promotion of community capabilities, education and public infrastructure. Additionally, Yanacocha invested US\$2.31 million in the mitigation of mining's social impacts in its areas of operation and implemented agricultural and livestock projects, irrigation infrastructure, social development projects and the fulfillment of pending commitments with surrounding communities.

In addition, in 2014 Yanacocha invested US\$4.83 million in contributions for social investment through the Cajamarca Mining Solidarity Fund. Also, Yanacocha has invested US\$1.15 million on maintenance of the Kuntur Wasi road.

During 2015 Yanacocha will be focused on further improving its relationship with local communities and maximizing the value and recognition of its social investment in order to ensure the viability and legitimacy of its activities.

Security

Yanacocha has 32 security employees on its payroll, including five employees responsible for the security of the region as a whole. In addition, Yanacocha has a contracted security force of over 207 persons assigned to rotating shifts at its mines, its Lima offices, the city of Cajamarca, checkpoints along the road to the coast of Peru and residential areas in Cajamarca. The Conga project has a total of 59 contracted security personnel responsible for patrolling and providing security to the project in rotating shifts.

None of Yanacocha's employees, properties or headquarters was the target of terrorist incidents during 2014.

Mining and Processing Concessions

Yanacocha believes that the mining concessions assigned to it are in full force and effect under applicable Peruvian laws and that it is in compliance with all material terms and requirements applicable to these mining concessions. To the best of its knowledge, Yanacocha is not subject to any condition, occurrence or event that would cause the revocation, cancellation, lapse, expiration or termination of any of its concessions, except that Yanacocha and Chaupiloma may, from time to time, remake, cancel, terminate or allow to lapse mining concessions assigned to Yanacocha that are not material to the conduct of Yanacocha's business.

Yanacocha has been actively pursuing the acquisition of the land surface rights or obtaining easements relating to land positions containing prospective geological exploration target sites, deposits that can be developed in the future or areas that would be considered for plant or facility sites. To date, Yanacocha has acquired all the surface rights with respect to 24,685.32 hectares of the surface land covering its Carachugo, Chaquicocha, Maqui Maqui, Haussing, Laboratorio, Línea de Alta Tensión, Presas, Sorpresa Mishacocha, San José, Cerro Yanacocha, Las Lagunas, the Conga project, China Linda, Amaro, Chasu, Solitario, La Carpa, Canjes and La Quinoa (which includes the Cerro Negro deposit) mining operations, and a majority of the Cerro Quilish deposit and Calera China Linda.

In addition, as of December 31, 2014, Yanacocha had acquired 24,685.32 hectares, including 5,800.88 hectares of surface rights with respect to the Conga deposit, 3,588.25 hectares for Carachugo/San José/Chaquicocha, 2,153.84 hectares for Yanacocha and 1,649.94 hectares for Quilish. See "Yanacocha – A. History and Development of the Company."

Regulation, Permit and Environmental Matters

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

Yanacocha is required to submit technical documentation with respect to its mining and operations plans for the review and approval of various Peruvian government entities, including the MEM, the Ministry of Agriculture (DIGAM), the National and the Local Water Authorities (ANA and ALA/AAA, respectively), and the Ministry of Health (DIGESA). Yanacocha is required to file and obtain approval of an EIS with a Benefit Concession and Mining Permit for each of its mining operations before being authorized to operate. The EIS for the Carachugo, Maqui Maqui, San José, Cerro Yanacocha, La Quinoa (including Cerro Negro) mining operations and China Linda lime plant have been reviewed and approved. Pursuant to current Peruvian regulations, Yanacocha also submits supplemental EISs each time a project's production rate or disturbed area used is expanded. In 2006, Yanacocha filed an EIS modification to expand its operations at Yanacocha with the Supplemental Environmental Impact Assessment East (SYE) and in the vicinity of La Quinoa with the Supplemental Environmental Impact Assessment West (SYO). Since 2006, two additional modifications have been submitted and approved for the original supplemental SYE EIS and one additional modification has been submitted and approved for the original supplemental SYO EIS.

The improved permit application processing times by most of the regulatory authorities observed since the third quarter of 2013 continued into 2014. A total of 24 permits of different types were approved at Yanacocha. The approvals of greatest significance in 2014 were the EIS modifications for expansion of the Maqui Maqui pit and waste rock facility on the eastern side of the mining operations (SYE IV) and the Yanacocha and Tapado Oeste laybacks on the west side (SYO III). Approval of the exploration EIS-d permit for the Colorado area was obtained in 2014.

Yanacocha's corporate policy is to operate in compliance with all applicable laws and regulations and adopt and adhere to standards that are protective of both human health and the environment at the facilities it builds and operates.

Yanacocha has informed us that its management believes that its operations are conducted in accordance with applicable laws and regulations. Audits and corrective action plans are used to assure compliance. Future exploration, expansion and new projects will require a variety of permits.

As a result of the Environmental Quality Standards promulgated in 2008, Yanacocha will be required to substantially expand its existing water treatment capabilities. Efforts to identify appropriate technologies have been on-going since 2010 in order to comply with the new standards within the legal timeframe. The EIS for the water treatment project was approved in July 2014, but no time extension was provided at that time by MEM. Yanacocha continues working with the Sociedad Nacional de Minería, Petróleo y Energía (SNMPE), MEM, MINAM, and others to extend the deadline beyond December 2015 and adopt more reasonable standards that are still protective of human health and the environment.

During 2005, Yanacocha became a signatory to the International Cyanide Management Code, which provides specific and strict standards on how to manage cyanide. The required audit process was completed in September 2007 and certification under the International Cyanide Management Code occurred during April 2008. In 2011, Yanacocha commissioned and successfully completed recertification audits to maintain International Cyanide Code Certification. Another Cyanide Code recertification audit was conducted in 2014 and it is anticipated that Yanacocha will be determined to again be in full compliance when the audit is published by the International Cyanide Management Institute in 2015. The Yanacocha environmental laboratory was recertified under ISO 17025 in 2014.

Yanacocha has informed us that its management believes that it is in compliance with all applicable regulations and international standards concerning safety. For the year ended December 31, 2014, Yanacocha experienced five lost time injuries, the same number of lost time injuries it experienced in 2013.

Insurance

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

Yanacocha's insurance program consists of a "Primary Program" and an "Umbrella/Excess Program." Coverage under the Primary Program is provided through the local Peruvian insurance market and includes employers' liability, comprehensive third party general liability, comprehensive automobile liability, and all risk property on a replacement basis, including transit risks, business interruption insurance and mining equipment. Coverage under the Umbrella/Excess Program is provided through Newmont Mining's master worldwide insurance program and addresses claims that the Primary Program cannot, or will not, cover.

By-Laws of Yanacocha

Yanacocha is governed by the Peruvian Companies Law and the *estatutos* (the combined articles of incorporation and by-laws) of Yanacocha, or the Yanacocha By-Laws.

Control Over Major Corporate Events

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

Pursuant to the Shareholders Agreement among Newmont Second, Condesa, *Compagnie Minière Internationale Or S.A.* and IFC, dated as of August 16, 1993, as amended by a General Amendment Letter, dated August 17, 1994, any member of the Executive Committee of Yanacocha who wishes to propose that Yanacocha's Executive Committee authorize Yanacocha to take a Significant Action (as defined below) must (i) give written notice to each partner of such proposal prior to consideration thereof at a meeting of the Executive Committee and (ii) refrain from voting to

approve such Significant Action until (x) the Executive Committee has received the consent of 80 percent of the partners of Yanacocha (a partner is deemed to have consented if no objection is received from such partner within 30 days after being notified) or (y) the Executive Committee has received the consent of at least 51 percent of the partners of Yanacocha and 45 days have elapsed since the member of the Executive Committee who proposed the Significant Action has responded in writing to objections received from objecting partners. "Significant Action" means (i) a disposal or sale of more than 20 percent by value of Yanacocha's fixed assets, (ii) any planned shutdown or cessation of Yanacocha's mining activities that is planned to last for more than one year, (iii) any capital expenditure by Yanacocha exceeding US\$20 million, (iv) any disposal or sale by Yanacocha of the mining rights covered by certain concessions or (v) the approval of the construction of a project in the area owned by Yanacocha (other than the Carachugo mine and processing facilities).

Preemptive Rights

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

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

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 24 to the Yanacocha Financial Statements.

Other than the legal proceedings described in the Yanacocha 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 President and Chief Executive Officer, 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. Pursuant to the Management Contract, Newmont Peru is responsible for managing, conducting and controlling the day-to-day operations of Yanacocha and keeping Yanacocha's Executive Committee informed of all operations through the delivery of various written reports. The Management Contract was amended as of December 19, 2000. The amendment extends the term of the Management Contract for a period of 20 years starting at the date of amendment and provides that it may be extended for additional terms of 20 years upon request by Newmont Peru. Newmont Peru, however, may cancel the Management Contract by giving six months' prior notice to Yanacocha. The Management Contract will be deemed terminated if, due to reasons attributable to the bad management of Yanacocha, except for reasons beyond its control, Newmont Peru is unable to substantially complete the agreed work programs. In exchange for its services as Manager, Newmont Peru receives remuneration of US\$2 per ounce of gold production and its equivalent for copper production paid on a quarterly basis, which amount is expected to cover the overhead and administrative expenses for the management of the operations. Also, Newmont Peru may charge Yanacocha for the salaries of employees of Newmont Peru or its affiliates who are directly involved in the operation of Yanacocha. In 2014, Yanacocha accrued fees of US\$35.9 million owed to Newmont Peru and its affiliates under the Management Contract.

Control Over Major Corporate Events

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

Preemptive Rights and Rights of First Refusal

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

D. Property, Plants and Equipment

Our Properties

Introduction

We currently have five wholly-owned operating mines (Orcopampa, Uchucchacua, Julcani, Mallay and Breapampa) and controlling interests in two mining companies which operate the Colquijirca-Marcapunta and La Zanja mines. We also own an electric power transmission company, an energy generation company, a chemical processing company, an engineering services consulting 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 us. We lease the rights to the mining concessions of Orcopampa from a group of private investors. This lease, which expires in 2043, requires a payment from us equal to 10 percent of production value, subject to certain conditions. Operations started in the Orcopampa mine in 1965. In 2014, we made lease payments of US\$21.7million. 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 of 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 cut-and-fill method. Mine ore is processed by the Carbon in Leach method in a plant located in Orcopampa, which was also outfitted for the treatment of old tailings. Electric power is primarily obtained from the Peruvian national electricity grid. Water for operations at Orcopampa is obtained from a lake and rivers.

In 2014, geological exploration activities were focused on the Lucía – Julissa veins system in the Prometida mine and on the Nazareno veins system, which includes Nazareno Este and Pukará Sur.

As of December 31, 2014, proven and probable ore reserves were 631,097 tons, with 54.31 grams per ton of silver and 15.82 grams per ton of gold. We have estimated NRM of 197,592 tons, with 185.16 grams per ton silver and 15.72 grams per ton gold.

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

	Year Ended December 31, ⁽¹⁾	
	2013	2014
Mining Operations:		
Ore mined (t)	443,537	454,694
.....		
Average gold grade (g/t)	15.04	14.15
.....		
Average silver grade (g/t)	25.66	56.26
.....		
Production:		
Gold (oz)	224,671	203,226
.....		
Silver (oz)	519,728	430,494
.....		
Recovery rate (gold) (%)	96.8	97.72
.....		
Recovery rate (silver) (%)	52.6	51.44
.....		

Cost applicable to sales per oz. of gold ⁽²⁾	US\$799	
.....		US\$768
Cost applicable to sales per oz. of silver ⁽²⁾	US\$12.97	
.....		US\$11.17

- (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, respectively, 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 Prospects–Buenaventura—G. Reconciliation of Cost 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 us. Operations began in 1975, and Uchucchacua is currently our largest producer of silver. Uchucchacua 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.

Uchucchacua’s 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 mineralization.

Mining at Uchucchacua is conducted underground utilizing cut-and-fill stopping, shrinkage stopping, and sublevel stopping methods. Ore is processed at a mill located at Uchucchacua. The mill has a rated capacity of 3,800 tons per day and utilizes differential flotation to obtain a lead-silver concentrate and a zinc concentrate. Electric power is obtained from the Peruvian national electricity grid, a hydroelectric plant and a diesel generator. We utilize a power line connecting Uchucchacua to the Peruvian national electricity grid and have electrical distribution facilities within the Uchucchacua mine. Water for operations at Uchucchacua is obtained from three lakes.

In December 2013, we completed construction of manganese sulfate plant Rio Seco, located 102 kilometers north of Lima. In January 2014, operations began with the treatment of manganese – silver concentrates from the Uchucchacua mine. During 2014, 25,398 tons were treated, with 197.3 ounces per ton of silver, 13.17 percent lead, 19.28 percent manganese, and following treatment 17,574 tons were obtained, with 289.4 ounces per ton of silver, 16.9 percent lead and 3.23 percent manganese. This process also allowed for the production of 10,970 tons of sulfuric acid of 98.0 percent purity and 3,404 tons of commercial grade manganese sulfate monohydrate.

In 2014, explorations were focused on the Socorro and Huantajalla mines. The Casualidad and Carmen mines were also explored in 2014. In 2015, we plan to increase exploration in these four mines.

At December 31, 2014, proven and probable ore reserves were 4,171,605 tons, with 493.83 grams per ton of silver, 1.17 percent lead and 1.59 percent zinc. Total NRM was 3,492,555 tons, with 490.54 grams per ton of silver, 1.47 percent lead and 1.83 percent zinc.

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

	Year Ended December 31, ⁽¹⁾	
	2013	2014
Mining Operations:		

Ore mined (t)	1,001,102	1,013,633
.....		
Average silver grade (g/t)	441.40	452.87
.....		
Average zinc grade (%)	1.24	1.04
.....		
Average lead grade (%)	0.92	0.81
.....		
Production:		
Silver (oz)	11,444,751	12,055,570
.....		
Zinc (t)	8,146	6,349
.....		
Lead (t)	8,363	7,605
.....		
Recovery rate (silver) (%)	80.62	81.67
.....		
Cost applicable to sales per oz. of silver ⁽²⁾	US\$16.48	US\$16.22
.....		
Cost applicable to sales per ton of zinc ⁽²⁾	US\$1,418	US\$2,464
.....		
Cost applicable to sales per ton of lead ⁽²⁾	US\$1,586	US\$1,830
.....		

(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, respectively, 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 sold 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 Prospects—Buenaventura—G. Reconciliation of Cost 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 of between 4,200 and 5,000 meters above sea level.

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

Ore is processed by bulk flotation in order to obtain a concentrate of silver-lead-copper-gold. The plant has a rated capacity of 450 tons per day.

Electric power is generated by three hydroelectric plants, Huapa, Tucsipampa and El Ingenio. We are also connected to the Peruvian national electricity grid. Water for operations in Julcani is obtained from mine drainage, a stream and a small lagoon.

During 2014, we focused our exploration activities on the main mineralized structures of the Acchilla and Estela mines. In 2014, we plan to continue exploration activities at the main veins of the Acchilla and Estela mines, whereby we expect to explore approximately about 60 meters below the current level in each mine.

At December 31, 2014, total proven and probable ore reserves were 310,095 tons, with 631.42 grams per ton of silver, 0.48 grams per ton of gold, 2.17 percent lead and 0.52 percent copper. Total estimated NRM was 223,317 tons, with 641.87 grams per ton of silver, 0.26 grams per ton of gold, 2.01 percent lead and 0.37 percent copper.

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

	Year Ended December 31, ⁽¹⁾	
	2013 ⁽²⁾⁽³⁾	2014 ⁽²⁾⁽³⁾
Mining Operations:		
Ore mined (t)	148,683	167,750
.....		
Average gold grade (g/t)	0.58	0.25
.....		
Average silver grade (g/t)	604.11	600.97
.....		
Average lead grade (%)	1.72	1.69
.....		
Average copper grade (%)	0.27	0.18
.....		
Production:		
Gold (oz)	1,032	414
.....		
Silver (oz)	2,711,996	3,084,347
.....		
Lead (t)	2,314	2,619
.....		
Copper (t)	375	275
.....		
Recovery rate (silver) (%)	93.90	95.16
.....		
Cost applicable to sales per oz. of gold ⁽⁴⁾	US\$804	US\$603
.....		

Cost applicable to sales per oz. of silver ⁽⁴⁾	US\$12.70	US\$14.14
.....		
Cost applicable to sales per ton of lead ⁽⁴⁾	US\$1,220	US\$1,603
.....		
Cost applicable to sales per ton of copper ⁽⁴⁾	US\$4,103	US\$5,195
.....		

(1) Incorporates losses for mining dilution and recovery.

(2) Incorporates 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, respectively, 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 Prospects—Buenaventura—G. Reconciliation of Cost 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 gold. We have recognized the following main ore structures: Isguiz body-vein (silver, lead, zinc), Pierina (gold vein), María (silver vein) and Fortuna (skarn type lead, zinc, silver).

During 2014, we have continued geological exploration with diamond drilling and tunnels, mainly focused on the Isguiz body-vein, the María-Dana system silver veins and Jasmin in the Jumasha limestone zone. In 2015, we plan to construct exploration tunnels and conduct diamond drilling on the same mineralized structures, but reaching new levels and increasing exploration activities on the Jumasha limestone.

As of December 31, 2014, proven and probable ore reserves were 121,838 tons, with 419.17 grams per ton of silver, 1.09 grams per ton of gold, 6.95 percent lead and 7.68 percent zinc. NRM were 104,640 tons, with 402.79 grams per ton of silver, 1.74 grams per ton of gold, 6.01 percent lead and 6.91 percent zinc.

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

	Year Ended December 31, ⁽¹⁾⁽²⁾	
	2013	2014
Mining Operations:		
Ore mined (t)	161,567	148,058
.....		
Average silver grade (g/t)	268.69	272.77
.....		
Average lead grade (%)	5.09	5.80
.....		

Average zinc grade (%)	6.68	7.79
.....		
Production:		
Silver (oz)	1,279,972	1,216,064
Lead (t)	6,979	7,513
.....		
Zinc (t)	8,973	9,893
.....		
Recovery rate (silver) (%)	91.74	93.68
.....		
Cost applicable to sales per oz. of silver ⁽³⁾	US\$17.78	US\$13.76
.....		
Cost applicable to sales per ton of lead ⁽³⁾	US\$1,707	US\$1,547
.....		
Cost applicable to sales per ton of zinc ⁽³⁾	US\$1,527	US\$1,855
.....		

(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, respectively, 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 Prospects—Buenaventura—G. Reconciliation of Cost 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.

Breapampa

The Breapampa mine is wholly-owned and operated by us. It is located in the district of Chumpi, province Parinacochas, department of Ayacucho. The ore deposit consists of gold and silver mineralization in an epithermal system high-sulfidation, emplaced into breccias of tertiary volcanic rocks. We located higher concentrations of gold-silver in oxides in the following geological prospects: Cerro Parccaorcco, Senccata, Pucagallo, Andrea, Ccaccapaqui, Sancos and Grace. In July 2012, we began the production phase at Cerro Parccaorcco, where gold is contained within silica-oxides.

During the productive period of Breacampa in 2014, we performed diamond drilling to update ore distribution at Parccaorcco and define the gold ore within the colluvial deposit close to the Parccaorcco open pit, where we recognized disseminated gold that is part of current reserves.

We halted mining at Breacampa in November, 2014. However, we will continue recovering gold from the leach pads during 2015 and 2016, which generate annual revenues. Moreover, we will continue exploring in this mine.

Proven and probable ore reserves at December 31, 2014 were 519,539 tons, with 0.44 grams per ton of gold and 17.16 grams per ton of silver. Additionally, Breapampa has 11,374 ounces of gold and 89,815 ounces of silver of stock

in the leaching PADS. Total NRM in oxides were 2,184,069 tons, with 0.56 grams per ton of gold and 4.35 grams per ton of silver.

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

	Year Ended December 31, ⁽¹⁾	
	2013	2014 ⁽²⁾
Mining Operations:		
Ore mined (t)	2,101,031	2,264,111
.....		
Average gold grade (g/t)	1.19	1.54
.....		
Average silver grade (g/t)	34.64	35.02
.....		
Production:		
Gold (oz)	81,882	74,807
.....		
Silver (oz)	356,775	369,032
.....		
Cost applicable to sales per oz. of silver ⁽³⁾	US\$10.00	US\$6.56
.....		
Cost applicable to sales per oz. of gold ⁽³⁾	US\$616	US\$452
.....		

(1) Incorporates losses for mining dilution and recovery and reflects operations through November 2014.

(2) Data reflect mining operations at Parcaorcco and its Colluvial deposit.

(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, respectively, 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 Prospects—Buenaventura—G. Reconciliation of Cost 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 in northern Peru. La Zanja is located 48 kilometers northwest of the Yanacocha gold mine, at an average altitude of 3,500 meters above sea level. We hold a 53.06 percent interest in La Zanja and Newmont holds a 46.94 percent interest.

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 recognized two ore deposits: 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 continue processing into doré bars.

In 2013, we completed the construction of the road to Pampa Verde, which allowed us to begin open pit mining in February 2014, coinciding with the launching of the Merrill Crowe plant.

During 2014, we began tunneling and diamond drilling exploration on the 3,400 level of the Alejandra underground project. We also have continued exploring with diamond drilling in other areas around San Pedro Sur, Pampa Verde and Alejandra, such as Cocán, Emperatriz, Campana, Totora and Diablo Rojo.

Total proven and probable ore reserves at December 31, 2014 were 9,917,391 tons, with 0.72 grams per ton of gold and 4.26 grams per ton of silver. Total NRM of La Zanja was 13,148,842 tons, with 1.11 grams per ton of gold and 6.98 grams per ton of silver, included San Pedro Sur, Pampa Verde and Alejandra. Total NRM for Alejandra were 295,483 tons, with 20.15 grams per ton of gold and 124.10 grams per ton of silver.

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

	Year Ended December 31,	
	2013	2014
Mining Operations:		
Ore treated (t)	9,038,561	7,501,654
.....		
Average gold grade (g/t)	0.73	0.84
.....		
Average silver grade (g/t)	12.69	8.71
.....		
Production:		
Gold (oz)	137,396	143,573
.....		
Silver (oz)	391,832	422,395
.....		
Cost applicable to sales per oz. of gold ⁽¹⁾	US\$647	US\$574
.....		
Cost applicable to sales per oz. of silver ⁽¹⁾	US\$10.51	US\$8.43
.....		

(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, respectively, 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 Prospects—Buenaventura—G. Reconciliation of Cost 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 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 us and wholly-owned by Cia Minera Coimolache S.A., in which we hold a 40.10 percent equity interest.

Geologically, the Tantahuatay 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, Ciénaga Norte, Ciénaga Sur and Tantahuatay). We have also discovered that below the oxides level of the Cerro Tantahuatay area, there is a significant source of Cu-Au-Ag in pyrite-enargite ore (sulphides), which is present as disseminations and fracture fillings associated with advanced argillic alteration and multiphase breccia bodies.

During 2014, we performed diamond drilling to update the geology block model for reserves values of the Tantahuatay and Ciénaga Norte open pits, and to explore the ore deposits of Mirador Sur, Mirador Norte, and Ciénaga Norte in order to increase mineral resources.

Total proven and probable ore reserves at December 31, 2014 were 57,330,452 tons, with 0.46 grams per ton of gold and 10.58 grams per ton of silver. Total oxide NRM were 58,433,075 tons, with 0.36 grams per ton of gold and 2.87 grams per ton of silver. Total NRM in sulfides were 149,727,000 tons, with 0.28 grams per ton of gold, 4.35 grams per ton of silver and 0.72 percent copper.

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

	Year Ended December 31, ⁽¹⁾⁽²⁾	
	2013	2014
Mining Operations:		
Ore treated (t)	6,949,742	9,854,334
.....		
Average gold grade (g/t)	0.75	0.57
.....		
Average silver grade (g/t)	14.49	11.08
.....		
Production:		
Gold (oz)	142,667	143,643
.....		
Silver (oz)	684,022	754,357
.....		
Cost applicable to sales per oz. of gold ⁽³⁾	US\$543	US\$455
.....		
Cost applicable to sales per oz. of silver ⁽³⁾	US\$9.18	US\$6.71
.....		

(1) Incorporates losses for mining dilution and recovery.

(2) Data reflect mining operations at the Tantahuatay 2 deposit only.

(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, respectively, 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 Prospects—Buenaventura—G. Reconciliation of Cost 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.

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 54.07 percent at December 31, 2014.

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

Mining at Colquijirca is conducted through the open-pit method from which zinc and lead concentrates are produced. El Brocal’s zinc concentrate typically contains 50 percent zinc, while its lead concentrate contains 50 percent lead. Mining at Marcapunta Norte is conducted through the sublevel stopping method, from which copper concentrates are produced. El Brocal’s copper concentrates typically contains 25 percent copper, 4 percent silver and 8 percent arsenic.

The Huarauca concentrator plant processes ore from both mines. In 2014, average treated ore at the plant reached up to 9,440 tons per day. The Colquijirca mine primarily relies on a power line connected to the Peruvian national electricity grid.

El Brocal has conducted an exploration program at the Marcapunta deposit to confirm mineralization and find possible extensions, as well as to increase reserves at the Colquijirca and Marcapunta Norte mines. This program was discontinued in 2014. At the end of 2014, El Brocal obtained approval for its EIS relating to a diamond drilling program at the Marcapunta deposit.

In 2014, we invested US\$64.0 million to expand the project and have invested a total of US\$526.0 million since 2008. The construction of the expansion project operations finished during the third quarter of 2014 and, as a result, we expect production to increase from 10,000 tpd to 18,000 tpd by the middle of 2015. In 2014, exploration was halted in prospective areas such as San Gregorio, Marcapunta Oeste and other areas in order to focus efforts on ramping up the crushing, milling and flotation processes, as well as construction of the Huachuacaja tailings facility, which were finished during the third quarter of 2014.

Total proven and probable reserves of Colquijirca as of December 31, 2014 were 43,621,946 tons, with 27.99 grams of silver per ton, 2.53 percent of zinc and 0.86 percent of lead. Total proven and probable reserves of Marcapunta Norte as of December 31, 2014 were 21,990,603 tons with 17.00 grams of silver per ton, 0.39 grams of gold per ton and 2.26 percent copper. Total NRM as of December 31, 2014 for Colquijirca was 26,563,360 tons, with 0.45 ounces per ton of silver, 1.65 percent zinc and 0.47 percent lead. Total NRM for Marcapunta Norte was 33,200,443 tons, with 19.00 grams per ton of silver, 0.43 grams per ton of gold and 1.56 percent copper.

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

	Year Ended December 31, ⁽¹⁾	
	2013	2014
Mining Operations:		
Ore mined (t)	1,268,781	481,589

Average silver grade (oz./t)	1.41	1.92
Average zinc grade (%)	2.96	3.12
Average lead grade (%)	1.22	1.20
Production:		
Silver (oz.)	1,186,022	603,342
Zinc (t)	24,219	10,126
Lead (t)	9,036	3,459
Recovery rate (silver) (%)	66.00	64.30
Recovery rate (zinc) (%)	64.19	67.06
Recovery rate (lead) (%)	58.23	56.42
Cost applicable to sales per ton of mine ⁽²⁾	US\$ 1,415	1,369

(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 Prospects—Buenaventura—G. Reconciliation of Cost 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 percent of the mine’s production.

	Year Ended December 31, ⁽¹⁾	
	2013	2014 ⁽²⁾
Mining Operations:		
Ore mined (t)	1,880,690	2,773,738
Average silver grade (oz./t)	0.54	0.84
Average gold grade (gr/t)	0.35	0.31
Average copper grade (%)	1.68	1.71
Production:		
Silver (oz.)	603,108	1,463,872
Gold (oz)	9,207	14,134
Copper (t)	27,469	43,282
Recovery rate (silver) in copper (%)	59.79	62.36
Recovery rate (gold) in copper (%)	44.02	56.50
Recovery rate copper (%)	86.09	86.23
Cost applicable to sales per ton of mine ⁽²⁾	US\$ 5,490	5,096

(1) Incorporates losses for mining dilution and recovery.

(2) In addition to the production indicated in this table, El Brocal produced 434,625 ounces of silver and 5,804 tons of copper derived from Type II minerals in 2014.

(3) 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 Prospects—Buenaventura—G. Reconciliation of Cost 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, 2014, our total proven and probable reserves, including our equity share in the proven and probable reserves of El Brocal (54.07%), La Zanja (53.06%), Coimolache (40.10%) and Yanacocha (43.65%), were estimated to be 8.85 million ounces of gold representing a 2.5% decrease compared to our total proven and probable reserves as of December 31, 2013, which were estimated to be 9.08 million ounces of gold.

As of December 31, 2014, our total proven and probable reserves, including our equity share in El Brocal (54.07%), La Zanja (53.06%), Coimolache (Tantahuatay) (40.10%) and Yanacocha (43.65%), were estimated to be 168.10 million ounces of silver, representing a 1.3% increase over our total proven and probable reserves as of December 31, 2013, which were estimated to be 166.02 million ounces of silver.

The following table lists the proven and probable ore reserves, as of December 31, 2014, for each of our consolidated mining operations and the Tantahuatay mine, in which we have a 40.10 percent equity interest, La Zanja mine, in which we have a 53.06 percent equity interest, and Colquijirca & Marcapunta (El Brocal), in which we have a 54.07 percent equity interest.

Proven Ore Reserves at December 31, 2014 ^{1) (2) (3)}

	<u>Orcopampa⁽⁴⁾</u>	<u>Uchucchacua⁽⁵⁾</u>	<u>Julcani⁽⁶⁾</u>	<u>Mallay⁽⁷⁾</u>	<u>Tambomayo⁽⁸⁾</u>	<u>Breapampa⁽⁹⁾</u>	<u>La Zanja⁽¹⁰⁾</u>	<u>Tantahuatay⁽¹¹⁾</u>	<u>Colquijirca⁽¹²⁾⁽¹³⁾</u>	<u>Marcapunta⁽¹²⁾⁽¹⁴⁾</u>	<u>Total/ Average</u>
Ore Reserves (t)	416,950	2,370,705	207,568	76,962	625,855	519,539	2,898,541	57,330,452	43,621,946	5,919,948	113,988,466
Grade:											
Gold (g/t)	15.55	–	0.50	1.187	8.37	0.45	0.73	0.46	–	0.41	0.38
Silver (g/t)	38.17	485.50	624.03	425.37	359.28	17.18	4.39	10.58	27.99	18.35	30.81
Copper (%)	–	–	0.53	–	–	–	–	–	–	2.37	0.12
Zinc (%)	–	1.50	–	7.35	2.37	–	–	–	2.53	–	1.02
Lead (%)	–	1.10	2.19	7.40	1.59	–	–	–	0.86	–	0.37
Content:											
Gold (oz)	208,509	–	3,346	2,938	168,459	7,515	67,768	840,365	–	78,036	1,376,935
Silver (oz)	511,692	37,005,056	4,164,439	1,052,526	7,229,321	286,981	408,898	19,504,755	39,259,751	3,492,769	112,916,187
Copper (t)	–	–	1,096	–	–	–	–	–	–	140,303	421,037
Zinc (t)	–	35,561	–	5,660	14,841	–	–	–	1,103,635	–	1,159,696
Lead (t)	–	25,704	4,535	5,695	9,954	–	–	–	375,149	–	141,398

Probable Ore Reserves at December 31, 2014 ^{(1) (2) (3)}

	<u>Orcopampa⁽⁴⁾</u>	<u>Uchucchacua⁽⁵⁾</u>	<u>Julcani⁽⁶⁾</u>	<u>Mallay⁽⁷⁾</u>	<u>Tambomayo⁽⁸⁾</u>	<u>Breapampa⁽⁹⁾</u>	<u>La Zanja⁽¹⁰⁾</u>	<u>Tantahuatay⁽¹¹⁾</u>	<u>Colquijirca⁽¹²⁾⁽¹³⁾</u>	<u>Marcapunta⁽¹²⁾⁽¹⁴⁾</u>	<u>Total/ Average</u>
Ore Reserves (t)	214,147	1,800,900	102,527	44,876	251,283	00	7,018,849	00	00	16,070,655	25,503,237
Grade:											
Gold (g/t)	16.34	–	0.44	0.918	10.18	0.00	0.69	0.00	–	0.39	0.68
Silver (g/t)	85.71	504.48	646.37	408.55	269.05	0.00	4.20	0.00	0.00	18.97	55.42
Copper (%)	–	–	0.51	–	–	–	–	–	–	2.22	1.40
Zinc (%)	–	1.51	–	8.24	2.68	–	–	–	0.00	–	0.15
Lead (%)	–	1.15	2.14	6.18	2.01	–	–	–	0.00	–	0.12
Content:											
Gold (oz)	112,508	–	1,447	1,324	82,245	00	155,588	00	–	200,990	554,102
Silver (oz)	590,136	29,209,488	2,130,634	589,454	2,173,598	00	948,368	00	00	9,803,100	45,444,779
Copper (t)	–	–	518	–	–	–	–	–	–	356,769	357,286
Zinc (t)	–	27,260	–	3,697	6,737	–	–	–	00	–	37,694
Lead (t)	–	20,620	2,189	2,773	5,046	–	–	–	00	–	30,628

- (1) Geominería S.A.C., an independent consultant company, audits the process used to estimate proven and probable ore reserves in our wholly-owned mines, as of December 31, 2014. MINTEC Inc., an independent consultant, audits the process used for reviewing the conceptual framework used to estimate proven and probable reserves for El Brocal as of December 31, 2014.
- (2) Geominería S.A.C., an independent consultant company, audits the process used to estimate proven and probable ore reserves in our wholly-owned mines, at December 31, 2014. MINTEC Inc., an independent consultant, is auditor in the process used for reviewing the conceptual framework used to estimate proven and probable reserves for El Brocal at December 31, 2014.
- (3) For the year ended December 31, 2014, reserves for our wholly-owned and operated mines by us (which include all of the mines listed above other than Tantahuatay and La Zanja) were calculated using the following prices: US\$1,250 per ounce of gold, US\$20 per ounce of silver, US\$2,200 per metric ton of zinc, US\$2,100 per metric ton of lead and US\$6,630 per metric ton of copper.
- (4) The metallurgical recovery factors that impacted the calculated reserves for Orcopampa at December 31, 2014 were water quality (recycled water contains impurities that can interfere with the chemical reaction of the reagents) and ore grade lower than estimated or expected.
- (5) The metallurgical recovery factors that impacted the calculated reserves for Uchucchacua at December 31, 2014 were the complexity of the ore, the variation of head ore grades and the high manganese content.
- (6) The metallurgical recovery factors that impacted the calculated reserves for Julcani at December 31, 2014 were whether the ore contained iron sulfide (Pyrite) higher than 8% and the quality of water.

- (7) The metallurgical recovery factors that impacted the calculated reserves for Mallay at December 31, 2014 were the high variation in ore grade and the variation in the hardness of the host rocks.
- (8) The metallurgical recovery factors that impacted the calculated reserves for Tambomayo at December 31, 2014 were the complex process to treat polymetallic ore and the variation in the hardness of the host rocks.
- (9) The metallurgical recovery factors that impacted the calculated reserves for Breapampa at December 31, 2013 were the clay content in ore higher than 10% and the iron sulfide (Pyrite) content in ore higher than 3%.
- (10) The reserves shown for La Zanja, in which we owned a 53.06% of equity interest at December 31, 2014, are the total reserves of the mine and do not indicate our equity share. They were calculated using the following metal prices: US\$1,250 per ounce of gold and US\$20 per ounce of silver. The metallurgical recovery factors that impacted the calculated reserves were when the clay content in ore being higher than 10% and the copper presence in the ore.
- (11) The reserves shown for Tantauatay, in which we own a 40.10% of equity interest at December 31, 2014, are the total reserves for the mine and do not indicate our equity share. They were calculated using the following prices: US\$1,250 per ounce of gold and US\$20 per ounce of silver. The metallurgical recovery factors that impacted the calculated reserves were when the clay content in ore being higher than 10% and the iron sulfide (Pyrite) content in ore being higher than 3%.
- (12) El Brocal, in which we own 54.07% controlling equity interest at December 31, 2014, owns the Colquijirca and Marcapunta mines. The reserves shown for Colquijirca and Marcapunta are the total reserves of the mines and do not indicate our shareholdings.
- (13) The metallurgical recovery factors that impacted the calculated reserves for Colquijirca at December 31, 2014 were the high content of clay, and soluble salts in the ore.
- (14) The metallurgical recovery factors that impacted the calculated reserves for Marcapunta at December 31, 2014 were the high content of arsenic in the ore and the hardness of the host rocks.

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

Carachugo – Chaquicocha

Chaquicocha Sur is an 85-hectare gold deposit (ultimate pit) which lies in the east-central part of the Yanacocha district, approximately one kilometer southeast of the mined out Carachugo deposit and 300 meters south of the Chaquicocha Norte pit. Mining at this deposit is expected to be completed by late 2015.

Carachugo is a 90-hectare gold deposit with a leach pad that covers approximately 306 hectares. Carachugo, Yanacocha's first mine, commenced operations in August 1993. Mining was conducted by the open-pit method. The Carachugo open-pit mine ceased mining operations in 2004, although one ore processing facility remains in operation.

Maqui Maqui

Maqui Maqui is a 75-hectare gold deposit with a leach pad covering 67 hectares, located five kilometers northeast of the Carachugo pit. Mining operations at Maqui Maqui began in October 1994 and used the open-pit mining method. Although mining operations at Maqui Maqui ceased in September 2000, gold recovery from the leach pad continues. The Maqui Maqui East expansion commenced operations in 2010 and will continue until the end of 2015.

San José

San José is a 100-hectare gold deposit, located 1.5 kilometers southwest of the Carachugo pit, that shares the leach pad located at Carachugo. Mining operations at San José began in January 1996 using the open-pit mining method. Mining operations at San José temporarily ceased during the fourth quarter of 2002 and reopened in 2005 to complete San José East. San José West started operations in early 2010 and ceased operations in November 2012.

Cerro Yanacocha

Cerro Yanacocha is a 247-hectare gold deposit (ultimate pit) with a leach pad covering approximately 310 hectares. The Cerro Yanacocha pit is located two kilometers northwest of the Carachugo pit. Operations began in the fourth quarter of 1997 using the open-pit mining method. Cerro Yanacocha includes a carbon column gold recovery plant and a Merrill-Crowe-type ore processing facility. Cerro Yanacocha temporarily ceased operations in October 2010 and expects to reopen in 2016.

La Quinua

La Quinua is a 450-hectare gold deposit (ultimate pit) with a leach pad covering 426 hectares. The La Quinua, El Tapado and El Tapado Oeste pits are located three kilometers southwest of the Cerro Yanacocha pit. Operations began in the fourth quarter of 2001 using the open-pit mining method. All solution processing occurs at the Cerro Yanacocha plant following treatment at the La Quinua leach pad and carbon column facility.

The La Quinua mining operation included Cerro Negro Este, a 15-hectare gold deposit (ultimate pit) which is located six kilometers southwest of the La Quinua pit. Cerro Negro Este utilized the La Quinua leach pad. Operations began in April 2004 using the open-pit mining method and all solution processing occurred at the

Cerro Yanacocha plant following treatment at the La Quinoa leach pad and carbon column facility. Mining operations at Cerro Negro Este ceased in March 2005.

Mining operations in Tapado Oeste is expected to be completed by the end of 2015, while the construction of the Tapado Oeste layback was approved in early 2015. The Tapado Oeste layback is expected to begin mining operations in the second quarter of 2015.

Western Oxides

The Western Oxides are comprised of the Cerro Negro Oeste and La Quinoa Sur open-pit mines. Cerro Negro Oeste, a 40-hectare gold deposit, is located 6.5 kilometers southwest of the La Quinoa pit. This pit utilizes the La Quinoa leach pad as its ore facility. La Quinoa Sur, a 110-hectare gold deposit, is located south of the Tapado Oeste pit and is completely covered by La Quinoa gravel. Mining activities started in Cerro Negro West in 2010 and will be finished by 2016. La Quinoa Sur commenced mining activities in May 2014 and is scheduled to cease operations in 2018. The ore mined from this pit will be processed at the La Quinoa leach pad.

Eastern Oxides

The Eastern Oxides consist of the Marleny open-pit mine. The Marleny pit, an 8-hectare deposit, is located to the west of the Carachugo backfill. Marleny started mining operations in May 2013 and ceased operations in April 2014.

Carachugo Alto

The Carachugo Alto pit, a 9-hectare deposit, is located to the east of the Carachugo backfill. Carachugo Alto commenced mining operations in July 2010, and its second phase was completed in October 2013.

China Linda

Yanacocha owns and operates the China Linda lime plant, which is located in Cajamarca, 12 kilometers to the northeast of the Yanacocha installations. Access to the plant from Yanacocha is by a ten-kilometer private, unpaved road. Lime is used in the gold and silver mining process to regulate the alkalinity of the cyanide solutions in the leaching process and for pH control in water treatment applications. Currently, the plant has a production capacity of 78,000 tons of lime per year.

Reserves

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

The following table lists proven and probable reserves and the average grade of ore as of December 31, 2014 for Yanacocha and the Conga project. Calculations with respect to the estimates of proven and probable reserves are based on a gold price of US\$1,300 per ounce and a copper price of US\$3.00 per pound as of December 31, 2014. The proven and probable reserves presented below represent the total quantity of ore to be extracted from the deposits, allowing for mining efficiencies and ore dilution. Ounces of gold and pounds of copper in the districts of Yanacocha's and the Conga project's proven and probable reserves are calculated prior to any losses during metallurgical treatment.

	Proven and Probable Reserves at December 31, 2014[‡]		
	Tonnage (thousands of DST)	Average Gold Grade (oz./DST)	Ounces Contained (thousands of ounces)
Maqui Maqui	1,853	0.039	72.9
.....			
Chaquicocha	2,502	0.028	68.9
.....			
Yanacocha	2,587	0.058	150.5
.....			
Yanacocha Layback	49,231	0.012	567.3
.....			
La Quinoa Sur	58,718	0.013	775.9
.....			
Tapado Oeste (Corimayo)	10,215	0.047	475.8
.....			
Tapado Oeste Layback	27,699	0.034	953.4
.....			
Cerro Negro	17,908	0.016	289.9
.....			
Transition Stockpile	5,295	0.027	144.7
.....			
Deep Transitional Stockpile	9,034	0.064	580.9
.....			
Gold Mill Stockpile	2,613	0.096	251.8
.....			
Maqui Maqui Leach Pad	624	0.045	28.0
.....			
Carachugo Leach Pad	2,548	0.018	44.6
.....			
La Quinoa Leach Pad	21,829	0.021	449.0
.....			
Subtotal Yanacocha	212,656	0.023	4,853.8
.....			
Conga*	590,855	0.021	12,582
.....			
Total	803,511	0.022	17,435.8
.....			

* The Conga project's proven and probable reserves as of December 31, 2014 include 0.6 billion DMT of 0.28 percent grade copper.

‡ Proven and probable reserves, as of December 31, 2014, were calculated using a gold price assumption of \$1,300 per ounce.

As of December 31, 2014, Yanacocha's total proven and probable reserves (excluding the Conga project's proven and probable reserves) were estimated to be 4.9 million ounces of gold, a 17 percent decrease from Yanacocha's proven and probable reserves as of December 31, 2013, which were estimated to be 5.7 million ounces of gold. The decrease in reserves of gold was mainly due to mine depletion, revised pit designs, conversion from resources to reserves, updated block models and leaches and stockpile inventory changes.

As of December 31, 2014, the Conga project's proven and probable reserves were estimated to be 12.6 million ounces of gold and 3.3 billion pounds of copper, unchanged from the gold and copper reserves as of December 31, 2013.

As of December 31, 2014, Yanacocha's total proven and probable reserves (including the Conga project) were estimated to be 17.5 million ounces of gold, representing a 5 percent decrease over Yanacocha's total proven and probable reserves as of December 31, 2013, which were estimated to be 18.3 million ounces of gold. Yanacocha's total proven and probable reserves of copper were 3.3 billion pounds as of December 31, 2014 the same as reported as of December 31, 2013.

Based on the current recovery rate and estimated gold production levels in 2014, Yanacocha's proven and probable reserves as of December 31, 2014 will be depleted by 2020 unless Yanacocha continues to add to its reserves. Yanacocha's management believes that its prospective land positions and mining concessions provide it with potential for future exploration and additions to its reserves.

ITEM 4A. Unresolved Staff Comments

None.

ITEM 5. Operating and Financial Review and Prospects

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 percent partnership interest, followed by information with respect to Cerro Verde, in which we have a 19.58 percent equity interest.

BUENAVENTURA

Introduction

The following discussion should be read in conjunction with the Financial Statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 and the related notes thereto included elsewhere in this Annual Report. The Financial Statements are prepared and presented in accordance with IFRS as issued by the IASB. We present our 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: (i) the Julcani, Mallay, Breapampa, Uchucchacua, Orcopampa, mining units; (ii) the Colquijirca, Marcapunta, and La Zanja mines, which are owned through consolidated subsidiaries; (iii) Chaupiloma, which receives a royalty payment from Yanacocha; (iv) Condesa, which is mainly a holding company for investments in us, Yanacocha and other affiliated mining companies; (v) Conenhua, which is mainly engaged in the transmission of electric power to Yanacocha and other mining companies, (vi) other minor subsidiaries; and (vii) 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. A substantial part of our net income before income tax was derived from our equity interest in Yanacocha. We have a 43.65 percent equity participation in Yanacocha, which is held through our wholly-owned subsidiary, Condesa. Our 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 balance sheets. Although Yanacocha has no fixed dividend policy, there is an understanding among the partners that the net income not required for sustaining capital expenditures or future development projects should be distributed after agreement between the two major shareholders, Newmont Mining and us.

Cerro Verde. As of December 31, 2014, we had a 19.58 percent equity participation in Cerro Verde, which allows us to exercise significant influence over this company. As a result, we account for our investment in Cerro Verde using the equity method. Although Cerro Verde has no fixed dividend policy, there is an understanding that earnings not required for capital expenditures or future development projects are expected to be distributed.

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

Gold and silver price hedging. Our revenues and earnings are strongly influenced by world market prices for gold, silver, zinc and copper that fluctuate widely and over which we have no control. Depending upon the metal markets and other conditions, we may from time to time hedge our gold and silver sales in order to decrease our exposure to fluctuations in the prices of these metals. We and our wholly-owned subsidiaries are currently completely unhedged as to the price at which our gold and silver will be sold. As a result, we are fully exposed to the effects of changes in prevailing market prices of gold and silver.

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

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

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

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

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

Royalties. Royalty expenses consist mainly of payments made by us pursuant to lease agreements relating to mining rights for the Orcopampa and Ishihuinca mines. Specifically, we pay the applicable lessor a royalty of 10 percent of the value of the concentrates produced in the Orcopampa mine and 7 percent of the value of the concentrates produced in the Ishihuinca mine. 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 a new 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, the Company publicly announced its decision to sell four of its mining units: Poracota, Recuperada, Antapite and Shila-Paula. As a consequence, these mining units are presented in the 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. The disposition of these discontinued mining units is expected to be completed by December 31, 2015 through sales to third parties. See Notes 1(e) and 2.4(v) to the 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 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;
- fair value of contingent consideration;
- segment reporting.

Other significant accounting policies include:

- contingencies
- development start date
- production start date

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

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

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. The conceptual framework used to estimate proven and probable reserves for our wholly-owned mines as of December 31, 2012 and 2013 were reviewed by an independent consultant, Algon Investment S.R.L. Algon Investment S.R.L. is in the process of reviewing the framework used to estimate proven and probable reserves for our wholly-owned mines as of December 31, 2014. The conceptual framework used to estimate proven and probable reserves for El Brocal's mines as of December 31, 2012 and 2013 were reviewed by independent consultant MINTEC Inc., which is in the process of reviewing the conceptual framework used to estimate proven and probable reserves for El Brocal's mines as of December 31, 2014.

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 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.

Depreciation and amortization of assets whose useful life is longer than the life of the mine are calculated on a unit-of-production basis over the economically recoverable reserves of the mine. Depreciation and amortization of assets whose useful life is shorter than the life of the mine are calculated using the straight-line method.

The units of production are measured in recoverable tons of concentrate. The unit-of-production rate for depreciation and amortization takes into account expenditures incurred to date.

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, 2014, we have recorded an accrual for mine closure costs of US\$103.0 million in order to comply with governmental requirements for environmental remediation for Buenaventura and its mining subsidiaries. Please see Note 15(b) to the Consolidated Financial Statement.

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 presents 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

During the fourth quarter of 2011, we updated our assessment of the recoverability of the book value of our long-term assets under the procedures established by IAS 36 – “Impairment of Assets” and identified no impairment indication in our long-lived assets.

During the fourth quarter of 2012, we updated 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 and as a result we recorded an impairment loss for three of our mining units (Recuperada, Poracota and Antapite), which resulted in the recognition of asset impairment amounted to US\$3.6 million (recognized as operating expense). These impairment charges had no 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 reflective of the current environment and Management’s projections for long-term average metal prices and operating costs.

During the fourth quarter of 2013, we updated 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 and as a result we recorded an impairment loss for three of our mining units (Recuperada, Poracota and Antapite), which resulted in the recognition of asset impairment amounted to US\$6.6 million (recognized as operating expense). These impairment charges had no 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 reflective of the current environment and Management’s projections for long-term average metal prices and operating costs.

During 2014, we updated 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 and as a result we recorded an impairment loss for one of our mining units (Shila-Paula), which resulted in the recognition of asset impairment amounted to US\$0.8 million (recognized as operating expense). This impairment charge had no 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 reflective of the current environment and Management’s projections for long-term average metal prices and operating costs. As noted above, as of December 31, 2014 and as of the date of this Form 20-F, four of our mining units (Recuperada, Poracota, Shila-Paula and Antapite) were and are held for sale.

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, 2012, 2013 and 2014 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, 2014, 2013 and 2012, our valuation allowance related to the provision for closure of mining units, net totaled US\$4.2 million, US\$6.4 million, and US\$5.3 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;
- Construction and engineering services;
- Energy generation and transmission services;
- Insurance brokerage;
- Rental of mining concessions;
- Holding of investment in shares (mainly in our associate company Minera Yanacocha S.R.L. and our subsidiary S.M.R.L. Chaupiloma Dos de Cajamarca); 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 29 to the Financial Statements.

Contingencies

Contingent liabilities, when identified, are assessed as either remote, possible or probable. Contingent liabilities are recorded in the consolidated financial statements when it is probable that future events will confirm them and when their amount can be reasonably estimated. Contingent liabilities deemed as possible are only disclosed, together with a possible debit range, when determinable, in notes to the Financial Statements.

Contingent assets are not recognized in the financial statements; however, they may be disclosed in notes to the financial statements if it is probable that such contingent assets will be realized. See Note 27(h) to the 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.

The asset's residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Fair value of embedded derivative for concentrate sales

Substantially all of our concentrate sales contracts provide final pricing in a specified period (generally one to four months from the shipment date) based on quoted LME prices. We ultimately receive market prices based on prices in the specified future period, however, the accounting rules applied to these sales result in changes recorded as revenue until the specified future period. We record revenues and invoice customers at the time of shipment based on current LME prices, which result in an embedded derivative on our provisional priced concentrate sales that are adjusted to fair value through earnings of each period until the date of final pricing. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded in each reporting period until the date of final pricing. See Notes 20(a) and 30(b) to the Financial Statements.

Revenues

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

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

Revenues for engineering services rendered by Buenaventura Ingenieros S.A. are recognized based on the progress of the current service contracts.

Revenues for construction services rendered by BISA Construction S.A. are recognized when the outcome of a contract can be estimated reliably. Contract revenue associated with a construction contract is recognized by reference to the stage of completion of the contract activity at the end of the reporting period.

Results of Operations for the Years Ended December 31, 2014 and 2013

Net sales. Net sales in mining decreased by six percent, from US\$1,215.4 million in 2013 to US\$1,138.9 million in 2014. The following tables reflect the average realized prices and volumes of gold, silver, lead, zinc and copper sold during the years ended December 31, 2013 and 2014, as well as the variation in such average realized prices and volumes recorded for the year ended December 31, 2014 as compared to the year ended December 31, 2013:

Average Realized Price	Year ended December 31,		
	2013	2014	Variation*
Gold (US\$/oz.)	1,392.18	1,263.32	(9.26)%
.....			
Silver (US\$/oz.)	22.33	18.65	(16.48)%
.....			
Lead (US\$/t)	2,104.63	2,106.87	0.11%
.....			
Zinc (US\$/t)	1,869.22	2,243.76	20.04%
.....			
Copper (US\$/t)	7,179.50	6,737.78	(6.15)%
.....			

Volume Sold	Year ended December 31,		
	2013	2014	Variation*
Gold (oz.)	458,499	439,093	(4.23)%
Silver (oz.)	16,329,314	19,088,923	16.90%
Lead (t)	26,584	18,820	(29.21)%
Zinc (t)	38,084	21,231	(44.25)%
Copper (t)	25,406	40,263	58.48%

(a) *Gold sales.* Average realized sales prices for gold decreased from US\$1,392.18 per ounce in 2013 to US\$1,263.32 per ounce in 2014. Gold sales volume decreased from 458,499 ounces in 2013 to 439,093 ounces in 2014, mainly due to a decreased gold production at our Orcopampa and Breapampa mining units. The combined effect of these changes resulted in a US\$82.2 million decrease in income from sales of gold in 2014 as compared to 2013.

(b) *Silver sales.* Average realized sales prices for silver decreased from US\$22.33 per ounce in 2013 to US\$18.65 per ounce in 2014. Silver sales volume increased from 16,329,314 ounces in 2013 to 19,088,923 ounces in 2014, mainly due to increased silver production at our Uchucchacua, Colquijirca and Julcani mining units. The combined effect of these changes resulted in a US\$6.8 million decrease in income from sales of silver in 2014 as compared to 2013.

(c) *Lead sales.* Average realized sales prices for lead increased from US\$2,104.63 per ton in 2013 to US\$2,106.87 per metric ton in 2014. Lead sales volume decreased from 26,584 tons in 2013 to 18,820 tons in 2014, mainly due to decreased lead production at our Colquijirca and Uchucchacua mining units. The combined effect of these changes resulted in a US\$16.3 million decrease in income from sales of lead in 2014 as compared to 2013.

(d) *Zinc sales.* Average realized sales prices for zinc increased from US\$1,869.22 per ton in 2013 to US\$2,243.76 per ton in 2014. Zinc sales volume decreased from 38,084 tons in 2013 to 21,231 tons in 2014, mainly due to decreased zinc production at our Colquijirca and Uchucchacua mining units. The combined effect of these changes resulted in a US\$23.5 million decrease in income from sales of zinc in 2014 as compared to 2013.

(e) *Copper sales.* Average realized sales prices for copper decreased from US\$7,179.50 per metric ton in 2013 to US\$6,737.78 per metric ton in 2014. Copper sales volume increased from 25,406 tons in 2013 to 40,263 tons in 2014, mainly due to increased copper production at our Colquijirca mining unit. The combined effect of these changes resulted in a US\$88.9 million increase in income from sales of copper in 2014 as compared to 2013.

Net sales figures are obtained by deducting the refinery charges and penalties incurred (a total of US\$185.1 million of refinery charges and penalties were incurred in 2014, compared with US\$127.1 million incurred in 2013) and revenues from mining units held for sale (a total of US\$5.1 million revenues provided from mining units held for sales in 2014, compared with US\$25.8 million provided in 2013) from the gross sales of all metals sold. See Note 20(a) to the Financial Statements.

Royalty income. In 2014, royalty income received by our subsidiary Chaupiloma amounted to US\$36.9 million, representing a 17 percent decrease from the US\$44.2 million in royalty income received in 2013. This decrease was due to a decrease in 2014 in the net sales of Yanacocha, which was primarily due to a decrease in the average realized price of gold and a decrease in production at Yanacocha. We hold a 60 percent interest in Chaupiloma, to which Yanacocha pays a royalty that corresponds to three percent of its net sales.

Total operating costs. Total operating costs increased by three percent, from US\$918.7 million in 2013 to US\$949.5 million in 2014, due to changes in the following components:

- (a) Cost of sales, excluding depreciation and amortization, decreased by two percent, from US\$627.3 million in 2013 to US\$614.5 million in 2014, due to: (i) a US\$22.8 million decrease in our construction and engineering unit as a result of lower net sales and a lower headcount; (ii) a decrease of US\$14.7 million in our Orcopampa mining unit due to fewer services provided by third parties and a decrease in the consumption of materials and supplies; (iii) a decrease at the Julcani mining unit of US\$8.8 million due to higher silver concentrate inventories, which was partially offset by (iv) a US\$35.6 million increase in the Uchuchacua mining unit due to more r services provided by third parties; and (v) a decrease of US\$6.2 million in the energy generation and transmission segment due to the decline in energy purchases resulting from the Huanza hydroelectric plant beginning operations in 2014.
- (b) The cost of exploration of units in operation decreased by four percent, from US\$101.9 million in 2013 to US\$97.9 million in 2014. This decrease was primarily due to a decrease of US\$6.1 million and US\$2.5 million in diamond drilling activities at the Orcopampa and Breapampa mining units, respectively, which was partially offset by an increase of US\$3.9 million at the Julcani mining unit due to increased exploration efforts at Acchilla. See Note 22 to the Financial Statements.
- (c) Depreciation and amortization costs increased by 31 percent, from US\$159.1 million in 2013 to US\$208.7 million in 2014, due to: (i) higher depreciation and amortization costs incurred in the La Zanja mining unit, which increased from US\$27.9 million in 2013 to US\$72.8 million in 2014 as a result of increased mine development costs and amortization and fixed assets purchases; (ii) higher depreciation and amortization costs incurred in the Julcani and Mallay mining units, which increased from US\$24.9 million in 2013 to US\$36.5 million in 2014 as a result of work-in-progress put into operation; (iii) higher depreciation costs incurred in the Breapampa mining unit, which increased from US\$25.5 million in 2013 to US\$35.7 million in 2014 due to the start of operations in new pad stages; (iv) depreciation costs incurred by our corporate unit, which increased by US\$7.2 million in 2014 due to the start of operations at the Rio Seco subsidiary, which was partially offset by a decrease in depreciation costs incurred in the Colquijirca mine from US\$35.6 million in 2013 to US\$26.9 million in 2014 due to the full depreciation of the R-7 tailing dam in 2013.
- (d) Royalty expenses paid to third parties and the Peruvian government decreased by six percent, from US\$30.4 million in 2013 to US\$28.4 million in 2014. Royalties paid to third parties by Orcopampa amounted to US\$23.8 million and US\$21.7 million in 2013 and 2014, respectively. Royalties paid to the Peruvian government amounted to US\$6.3 million and US\$6.8 million in 2013 and 2014, respectively. The decrease in royalties paid to third parties and the Peruvian government was primarily due to a ten percent decrease in gold production at the Orcopampa mining unit from 224,671 ounces produced in 2013 to 203,226 ounces produced in 2014, and the decrease in the price of gold in 2014, compared with 2013.

Total operating expenses. Operating expenses increased by 23 percent, from US\$125.6 million in 2013 to US\$164.7 million in 2014, due to changes in the following components:

- (a) Administrative expenses increased by 35 percent, from US\$75.1 million in 2013 to US\$101.1 million in 2014, due to an increase of administrative expenses at the corporate unit of US\$21.2 million from the reversal of expenses by US\$20.2 million recorded in 2013 for long-term officers' compensation (stock appreciation rights), and an increase of US\$7.9 million in the construction and engineering unit due to increased labor costs, which was partially offset by a decrease of US\$4.3 million in the Orcopampa mining unit due to a decrease in labor expenses. See Note 24 to the Financial Statements.
- (b) Expenses from the exploration of non-operational areas increased by 52 percent, from US\$32.8 million in 2013 to US\$50.0 million in 2014, due to increased expenditures in exploration activities beginning in 2014, primarily in the Alejandra and Tambomayo projects. See Note 25 to the Financial Statements.

Operating expenses. As a result of the foregoing, operating expenses decreased by 79 percent from US\$124.6 million in 2013 to US\$26.1 million in 2014.

Net share in results of associate companies accounted for under equity method. Loss from equity investments in associates decreased by 35 percent, from US\$114.1 million in 2013 to US\$74.6 million in 2014, primarily due to a decrease in net loss from our equity investment in our associate company, Yanacocha, which was partially offset by a decrease in net income from our equity investment in Cerro Verde. Net loss from our interest in Yanacocha decreased by 30 percent, from US\$251.1 million in 2013 to US\$174.7 million in 2014. Net income from our interest in Cerro Verde decreased by 33 percent, from US\$116.2 million in 2013 to US\$77.9 million in 2014. Finally, net income from our interest in Coimolache increased by seven percent, from US\$20.8 million in 2013 to US\$22.3 million in 2014.

Gain on business combination. In 2014, we recognized a gain of US\$59.9 million in connection with our acquisition of the controlling interest in Canteras del Hallazgo S.A.C. from Minera Gold Fields Peru S.A. due to the revaluation of the previously held equity interest at fair value as of the acquisition date.

Finance costs. Finance costs increased by 14 percent, from US\$9.9 million in 2013 to US\$11.3 million in 2014, primarily due to an increase in the cost of the financial leasing facility related to the construction of the Huanza hydroelectric plant.

Income tax. Provision for income tax decreased by 24 percent, from US\$86.5 million in 2013 to US\$66.0 million in 2014, primarily due to a decrease in the provision for income tax at the corporate unit of US\$18.1 million caused by a decrease in taxable income of that unit, a decrease in the provision for income tax at the La Zanja mining unit of US\$16.8 million and a decrease in other units of US\$1.1 million, which was partially offset by an increase of US\$16.6 million at the Colquijirca mining unit due to higher sales.

Non-controlling interest income. Non-controlling interest income decreased by 48 percent, from US\$27.5 million in 2013 to US\$14.4 million in 2014, primarily due to a decrease in contribution of profits from the La Zanja and Chaupiloma units by US\$18.0 million and US\$2.1 million, respectively. See Note 18(a) to the Financial Statements.

Net loss. As a result of the foregoing, net loss decreased by 23 percent, from US\$79.7 million in 2013 to US\$61.6 million in 2014. Net loss was 7 percent of sales in 2013 and 5 percent of sales in 2014.

Results of Operations for the Years Ended December 31, 2014 and 2013 by Segment

We discuss the operating results for each of our operating segments for the years ended December 31, 2013 and 2014 in more detail in Note 29 to the Financial Statements.

Net Sales-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, 2014 and 2013, as well as the variation in such volumes sold for the year ended December 31, 2014 as compared to the year ended December 31, 2013:

Mining Segment	Volume Sold for the year ended December 31, 2014				
	Gold (oz.)	Silver (oz.)	Lead (mt)	Zinc (mt)	Copper (mt)
Julcani	12	2,851,318	2,057	-	64
Mallay	-	1,121,202	7,253	8,609	-
Breapampa.....	80,358	383,733	-	-	-
Orcopampa	204,862	401,782	-	-	-
Uchucchacua	-	11,940,167	6,530	4,288	-
La Zanja	143,151	418,565	-	-	-
Colquijirca.....	7,874	1,928,243	2,759	8,007	40,198

Mining Segment	Volume Sold for the year ended December 31, 2013				
	Gold (oz.)	Silver (oz.)	Lead (mt)	Zinc (mt)	Copper (mt)
Julcani	378	2,227,960	1,713	-	140
Mallay	-	1,146,442	6,570	7,614	-
Breapampa	80,178	311,634	-	-	-

Orcopampa	221,322	516,033	-	-	-
Uchucchacua	-	9,748,206	6,977	6,340	-
La Zanja	132,992	381,091	-	-	-
Colquijirca	4,619	1,460,681	8,392	20,011	25,266

Mining Segment	2014 vs 2013 Change (%)				
	Gold (oz.)	Silver (oz.)	Lead (mt)	Zinc (mt)	Copper (mt)
Julcani	(97)%	28%	20%	-	(54)%
Mallay	-	(2)%	10%	13%	-
Breapampa	0%	23%	-	-	-
Orcopampa	(7)%	(22)%	-	-	-
Uchucchacua	-	22%	(6)%	(32)%	-
La Zanja	8%	10%	-	-	-
Colquijirca	70%	32%	(67)%	(60)%	59%

Julcani. Net sales increased by US\$3.8 million in 2014 as compared to 2013 due to increases in the volume of silver and lead sold at that unit.

Mallay. Net sales decreased by US\$1.9 million in 2014 as compared to 2013 due to a decrease in the amount of silver sold at that unit and a decline in the average realized price of silver.

Breapampa. Net sales decreased by US\$11.4 million in 2014 as compared to 2013 due to a decline in gold and silver prices.

Orcopampa. Net sales decreased by US\$60.3 million in 2014 as compared to 2013 due to a seven percent decline in gold sold at that unit, from 221,322 ounces sold in 2013 to 204,862 ounces sold in 2014, and a decline in the average realized prices of gold and silver.

Uchucchacua. Net sales decreased by US\$2.7 million in 2014 as compared to 2013 due to decreases in the amount of lead and zinc sold at that unit.

La Zanja. Net sales decreased by US\$8 million in 2014 as compared to 2013 due to a decline in gold and silver prices, which was partially offset by an eight percent increase in the volume of gold sold from 132,992 Au oz. in 2013 to 143,151 Au oz. in 2014.

Colquijirca. Net sales increased by US\$22.2 million in 2014 as compared to 2013 due to a 59 percent increase in the volume of copper sold from 25,266 mt. sold in 2013 to 40,198 mt. sold in 2014.

Net sales - construction and engineering segment. Net sales for the construction and engineering segment decreased by US\$29.7 million in 2014 as compared to 2013 due to a reduction in the development and construction of mining projects.

Net sales - insurance brokerage segment. Net sales for the insurance brokerage segment increased by US\$2.2 million in 2014 as compared to 2013 due to an increase in the number of clients in the insurance portfolio due to our strategic associations with smaller brokers.

Net sales - energy generation and transmission segment. Net sales for the energy and transmission segment increased by US\$5.1 million in 2014 as compared to 2013 due to the increase in the demand of energy from our other operating segments, in particular the Colquijirca mining unit.

Total operating expenses- Mining Segments

Orcopampa. During 2014, total operating expenses decreased by US\$2.2 million due to a decrease in administrative expenses as a result of a decrease in labor expenses, which was partially offset by an increase in selling expenses, each as compared to 2013.

Julcani. During 2014, total operating expenses increased by US\$6.5 million due to increases in administrative expenses and selling expenses, each as compared to 2013.

Breapampa. During 2014, total operating expenses increased by US\$0.57 million due to increases in administrative expenses and selling expenses, each as compared to 2013.

Colquijirca. During 2014, total operating expenses decreased by US\$0.68 million due to decreases in administrative expenses and selling expenses, which were partially offset by an increase in other expenses-net, each as compared to 2013.

La Zanja. During 2014, total operating expenses increased by US\$0.61 million due to increases in administrative expenses and other expenses-net, which were partially offset by a decrease in selling expenses, each as compared to 2013.

Uchucchacua. During 2014, total operating expenses increased by US\$1.9 million due to increases in administrative expenses and selling expenses, each as compared to 2013.

Mallay. During 2014, total operating expenses decreased by US\$0.37 million due to an increase in other expenses-net, which was partially offset by increases in administrative expenses and selling expenses, each as compared to 2013.

Total operating expenses—construction and engineering segment. During 2014, total operating expenses for the construction and engineering segment increased by US\$0.21 million for the year ended December 31, 2014 as compared to 2013 due to an increase in administrative expenses due to increased labor costs.

Total operating expenses—insurance brokerage segment. During 2014, total operating expenses for the insurance brokerage segment increased by US\$1.1 million as compared to 2013 due to an increase in administrative expenses.

Total operating expenses—energy generation and transmission segment. During 2014, total operating expenses for the energy and transmission segment decreased by US\$5.6 million as compared to 2013 due to a decrease of US\$7.7 million in other expenses-net, which was partially offset by increases in administrative expenses and selling expenses.

Results of Operations for the Years Ended December 31, 2013 and 2012

Net sales. Net sales decreased by 15 percent, from US\$1,422.8 million in 2012 to US\$1,215.4 million in 2013. The following tables reflect the average realized prices and volumes of gold, silver, lead, zinc and copper sold during the years ended December 31, 2012 and 2013:

Average Realized Price	Year ended December 31,		Variation
	2012	2013	

Gold (US\$/oz.)	1,677.96	1,392.18	(17.03)%
.....			
Silver (US\$/oz.)	31.07	22.33	(28.13)%
.....			
Lead (US\$/t)	2,075.82	2,104.63	1.39%
.....			
Zinc (US\$/t)	1,918.98	1,869.22	(2.59)%
.....			
Copper (US\$/t)	7,938.49	7,179.50	(9.56)%
.....			

Volume Sold	Year ended December 31,		
	2012	2013	Variation
Gold (oz.)	439,630	458,499	4.29%
.....			
Silver (oz.)	17,483,490	16,329,314	(6.60)%
.....			
Lead (t)	25,587	26,584	3.90%
.....			
Zinc (t)	43,149	38,084	(11.74)%
.....			
Copper (t)	22,348	25,406	13.68%
.....			

(a) *Gold sales.* Average realized sales price for gold decreased from US\$1,677.96 per ounce in 2012 to US\$1,392.18 per ounce in 2013. Gold sales volume increased from 439,630 ounces in 2012 to 458,499 ounces in 2013, mainly due to increased gold production at our Breapampa and La Zanja mining units. The combined effect of these changes resulted in a US\$101.4 million decrease in income from sales of gold in 2013 as compared to 2012.

(b) *Silver sales.* Average realized sales price for silver decreased from US\$31.07 per ounce in 2012 to US\$22.33 per ounce in 2013. Silver sales volume decreased from 17,483,490 ounces in 2012 to 16,329,314 ounces in 2013, mainly due to decreased silver production at our Colquijirca mine. The combined effect of these changes resulted in a US\$182.1 million decrease in income from sales of silver in 2013 as compared to 2012.

(c) *Lead sales.* Average realized sales price for lead increased from US\$2,075.82 per ton in 2012 to US\$2,104.63 per metric ton in 2013. Lead sales volume increased from 25,587 tons in 2012 to 26,584 tons in 2013, mainly due to increased lead production at our Julcani and Mallay mining units. The combined effect of these changes resulted in a US\$3.1 million increase in income from sales of lead in 2013 as compared to 2012.

(d) *Zinc sales.* Average realized sales price for zinc decreased from US\$1,918.98 per ton in 2012 to US\$1,869.22 per ton in 2013. Zinc sales volume decreased from 43,149 tons in 2012 to 38,084 tons in 2013, mainly due to decreased zinc production at our Colquijirca mine. The combined effect of these changes resulted in a US\$11.7 million decrease in income from sales of zinc in 2013 as compared to 2012.

(e) *Copper sales.* Average realized sales price for copper decreased from US\$7,938.49 per metric ton in 2012 to US\$7,179.50 per metric ton in 2013. Copper sales volume increased from 22,348 tons in 2012 to 25,406 tons in 2013, mainly due to increased copper production at our Colquijirca mining unit. The combined effect of these changes resulted in a US\$4.8 million increase in income from sales of copper in 2013 as compared to 2012.

The revenues from gold, silver, lead, zinc and copper mentioned above do not include refinery charges and penalties incurred, which amounted to US\$127.1 million in 2013 as compared to US\$143.7 million in 2012. See Note 20(a) to the Financial Statements.

Net sales figures are obtained by deducting the refinery charges and penalties incurred (a total of US\$185.1 million of refinery charges and penalties were incurred in 2014, compared with US\$127.1 million incurred in 2013) and revenues from mining units held for sale (a total of US\$5.1 million revenues provided from mining units held for sales in 2014, compared with US\$25.8 million provided in 2013) from the gross sales of all metals sold. See Note 20(a) to the Financial Statements.

Royalty income. In 2013, royalty income received by our subsidiary, Chaupiloma, amounted to US\$44.2 million, representing a 34 percent decrease from the US\$67.2 million in royalty income received in 2012. This decrease is due to a decrease in sales at Yanacocha in 2013, which were primarily due to a decrease in the average realized price of gold and a decrease in Yanacocha's production. We hold a 60% interest in Chaupiloma, to which Yanacocha pays a royalty equal to 3% of its net sales.

Total operating costs. Total operating costs increased by 12 percent, from US\$823.0 million in 2012 to US\$918.7 million in 2013, due to changes in the following components:

(a) Cost of sales, excluding depreciation and amortization, increased by 10 percent, from US\$571.2 million in 2012 to US\$627.3 million in 2013, primarily due to a US\$41.5 million increase in services provided by third parties, a US\$22.5 million increase in personnel costs and a US\$15.2 million increase in operating leases, which were partially offset by a US\$18.7 million decrease in the cost of concentrate purchased from third parties and a US\$10.0 million decrease in the consumption of spare parts and supplies. The increases in services provided by third parties, personnel costs and operating leases were primarily due to: (i) new production costs incurred by operations at our Mallay and Breapampa mining units, which commenced in April and November 2012, respectively; (ii) an increase in exploration activities and diamond drilling works during 2013 compared to 2012 in order to maintain our ore reserves level; and, (iii) an increase in the volume of mineral treated in 2013 compared to 2012, especially in the Marcapunta Norte and Tajo Norte mining units.

(b) The cost of exploration in operating units decreased by one percent, from US\$103.2 million in 2012 to US\$101.9 million in 2013. These decreased costs were primarily due to a decrease in exploration projects at the Shila-Paula and Ucchucachua mining units of US\$9.0 million and US\$4.0 million, respectively, which was offset by an increase of US\$8.8 million and US\$2.7 million at our Orcopampa and Breapampa mining units, respectively. See Note 22 to the Financial Statements.

(c) Depreciation and amortization costs increased by 43 percent, from US\$111.0 million in 2012 to US\$159.1 million in 2013, due to (i) higher depreciation and amortization costs incurred in the Breapampa and Mallay mining units from, US\$8.0 million in 2012 to US\$45.8 million in 2013, due to the start of operations at these mining units in November and April 2012, respectively; and (ii) depreciation and amortization costs incurred by the Colquijirca mine increased by US\$ 9.5 million in 2013 due to the full depreciation of the R-7 tailing dam that year.

(d) Mining royalty expenses paid to third parties and the Peruvian government decreased by 19 percent, from US\$37.5 million in 2012 to US\$30.4 million in 2013. Royalties paid to third parties amounted to US\$35.2 million and US\$24.3 million in 2012 and 2013, respectively. Royalties paid to the Peruvian government amounted to US\$2.5 million and US\$6.3 million in 2012 and 2013, respectively. The decrease in royalties paid to third parties and Peruvian government was primarily due to a 14 percent decrease in gold production at the Orcopampa mining unit, from 260,378 ounces produced in 2012 to 224,671 ounces produced in 2013, and a decrease in the price of gold in 2013 compared to 2012.

Total operating expenses. Operating expenses decreased by 33 percent, from US\$188.1 million in 2012 to US\$125.6 million in 2013, due to changes in the following areas:

- (a) Administrative expenses decreased by 20 percent, from US\$94.1 million in 2012 to US\$75.1 million in 2013, due to a decrease at the corporate unit of US\$21.4 million in administrative expenses due to a reversal of expenses by US\$20.2 million recorded in 2013 for long-term officers' compensation (stock appreciation rights), a decrease of US\$3.7 million in the Colquijirca mining unit due to lower professional fees and sundry expenses, which was partially offset by an increase of US\$7.1 million in the Breapampa mining unit due to the start of unit operations in November 2012. See Note 24 to the Financial Statements.
- (b) Expenses from the exploration of non-operational areas decreased by 66 percent, from US\$95.5 million in 2012 to US\$32.8 million in 2013, due to decreased expenditures in exploration areas, primarily in the Tambomayo, Trapiche, San Gregorio, Breapampa, Focus and Consolidada de Hualgayoc projects. See Note 25 to the Financial Statements.

Operating income. As a result of the foregoing, operating income decreased by 55 percent, from US\$478.9 million in 2012 to US\$215.2 million in 2013.

Net share in results of associate companies accounted for under equity method. Income from equity investments in associate companies decreased by 124 percent, from an income of US\$479.0 million in 2012 to a loss of US\$114.1 million in 2013, primarily due to decreases in income from our equity investments in Yanacocha, Cerro Verde and Coimolache. Income from our interest in Yanacocha decreased by 189 percent, from an income of US\$282.8 million in 2012 to a loss of US\$251.1 million in 2013. Income from our interest in Cerro Verde decreased by 26 percent, from US\$156.0 million in 2012 to US\$116.2 million in 2013. Income from our interest in Coimolache decreased by 48 percent, from US\$40.2 million in 2012 to US\$20.8 million in 2013, primarily due to a decrease in the prices of gold and silver and decreased silver production at the Tantahuatay mine.

Finance costs. Finance costs increased by 19 percent, from US\$8.3 million in 2012 to US\$9.9 million in 2013, primarily due to an increase in the energy generation and transmission unit of US\$1.9 million due to interests on finance leases.

Finance Income. Finance income decreased by 30 percent, from US\$9.5 million in 2012 to US\$6.6 million in 2013, primarily due to a decrease in the finance income at the corporate unit of US\$3.6 million due to lower interest income from time deposits.

Income tax. Provision for income tax decreased by 40 percent, from US\$143.0 million in 2012 to US\$86.5 million in 2013, due to a decrease in provisions for income tax at the corporate segment and the rental of mining concessions of US\$43.3 million and US\$7.5 million, respectively, all related to a decrease in taxable income.

Non-controlling interest income. Non-controlling interest income decreased by 54 percent, from US\$59.4 million in 2012 to US\$27.5 million in 2013, primarily due to a decrease in profit contribution from the Colquijirca, Chaupiloma and La Zanja units by US\$20.4 million, US\$6.6 million and US\$4.9 million, respectively. See Note 18(a) to the Financial Statements.

Net profit (loss). As a result of the foregoing, net profit decreased by 111 percent, from a net profit of US\$760.5 million in 2012 to a net loss of US\$79.7 million in 2013. Net loss was seven percent of net sales in 2013 and net profit was 53 percent of net sales in 2012.

Results of Operations for the Years Ended December 31, 2013 and 2012 by Segment

We discuss the operating results for each of our operating segments for the years ended December 31, 2012 and 2013 in more detail in Note 29 to the Financial Statements.

Net Sales-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, 2013 and 2012, as well as the variation in such volumes sold for the year ended December 31, 2013 as compared to the year ended December 31, 2012:

Mining Segment	Volume Sold for the year ended December 31, 2013				
	Gold (oz.)	Silver (oz.)	Lead (mt)	Zinc (mt)	Copper (mt)
Julcani	378	2,227,960	1,713		140
Mallay	-	1,146,442	6,570	7,614	-
Breapampa.....	80,178	311,634	-	-	-
Orcopampa.....	221,322	516,033	-	-	-
Uchucchacua		9,748,206	6,977	6,340	-
La Zanja	132,992	381,091	-	-	-
Colquijirca.....	4,619	1,460,681	8,392	20,011	25,266

Mining Segment	Volume Sold for the year ended December 31, 2012				
	Gold (oz.)	Silver (oz.)	Lead (mt)	Zinc (mt)	Copper (mt)
Julcani	925	2,420,785	2,120	-	69
Mallay	-	544,509	3,883	4,438	-
Breapampa	-	-	-	-	-
Orcopampa	263,695	598,511	-	-	-
Uchucchacua	-	10,646,579	5,841	7,253	-
La Zanja	115,571	363,162	-	-	-
Colquijirca	7,764	2,654,243	10,686	27,734	22,279

Mining Segment	2013 vs 2012 Change (%)				
	Gold (oz.)	Silver (oz.)	Lead (mt)	Zinc (mt)	Copper (mt)
Julcani	(59)%	(8)%	(19)%	-	103%
Mallay	-	111%	69%	72%	-
Breapampa	-	-	-	-	-
Orcopampa	(16)%	(14)%	-	-	-
Uchucchacua	-	(8)%	20%	(13)%	-
La Zanja	15%	5%	-	-	-
Colquijirca	(40)%	(45)%	(21)%	(28)%	(13)%

Julcani. Net sales decreased by US\$ 27.4 million during 2013 as compared to 2012 due to an eight percent decrease in silver sold at the unit, from 2.4 million ounces sold in 2012 to 2.2 million ounces sold in 2013, and realized silver price.

Mallay. Net sales increased by US\$16.7 million during 2013 as compared to 2012 due to increases in the amounts of silver (111%), lead (69%) and zinc (72%) sold.

Breapampa. Net sales increased by US\$119.9 million during 2013 as compared to 2012 due to a higher volume of gold sold given that Breapampa began operations in December 2012.

Orcopampa. Net sales decreased by US\$133.8 million during 2013 as compared to 2012 due to a 16 percent decrease in gold sold at the unit, from 263,645 ounces sold in 2012 to 221,322 ounces sold in 2013, and realized gold price.

Uchucchacua. Net sales decreased by US\$101.1 million during 2013 as compared to 2012 due to a decrease of 8 percent in the volume of silver sold at the unit, which decreased from 10.6 million ounces sold in 2012 to 9.7 million ounces sold in 2013, and a decrease in the realized price for silver.

La Zanja. Net sales decreased by US\$23.5 million during 2013 as compared to 2012 due to a decline in gold and silver realized prices.

Colquijirca. Net sales decreased by US\$80.7 million during 2013 as compared to 2012 due to a decrease in silver (45%), lead (21%) and zinc (28%) sold.

Net sales - construction and engineering segment. Increased by US\$28.8 million due to additional construction activities provided to third parties.

Net sales - insurance brokerage segment. Net sales increased by US\$0.80 million during 2013 as compared to 2012 due to an increase in the number of clients in the insurance portfolio due to our strategic associations with smaller brokers.

Net sales - energy generation and transmission segment. Net sales decreased by US\$1.4 million during 2013 as compared to 2012 due to lower services provided to the La Zanja mine.

Total operating expenses- Mining Segments

Orcopampa. During 2013, total operating expenses decreased by US\$1.3 million as compared to 2012 due to decreases in administrative expenses and selling expenses.

Julcani. During 2013, total operating expenses decreased by US\$1.9 million as compared to 2012 due to decreases in administrative expenses and other expenses-net.

Breapampa. During 2013, total operating expenses increased by US\$1.5 million mainly due to an increase of US\$7.1 million in administrative expenses due to the start of unit operations in November 2012, which was partially offset by a decrease of US\$5.6 million in exploration in non-operating areas.

Colquijirca. During 2013, total operating expenses decreased by US\$16.8 million as compared to 2012 due to a US\$3.7 million decrease in administrative expenses resulting from decreases in professional fees and sundry expenses.

La Zanja. During 2013, total operating expenses increased by US\$2.5 million as compared to 2012 due to increases in exploration in non-operating areas, which was only partially offset by a decrease in administrative expenses.

Uchucchacua. During 2013, total operating expenses decreased by US\$2.6 million as compared to 2012 due to a decrease in selling expenses, which was only partially offset by an increase in administrative expenses.

Mallay. During 2013, total operating expenses decreased by US\$1.7 million as compared to 2012 due to decreases in administrative expenses and selling expenses.

Total operating expenses—construction and engineering segment. During 2013, total operating expenses for the construction and engineering segment decreased by US\$2.2 million as compared to 2012 due to decreases in administrative expenses and other expenses-net.

Total operating expenses—insurance brokerage segment. During 2013, total operating expenses for the insurance brokerage segment increased by US\$1.8 million due to an increase in administrative expenses.

Total operating expenses—energy generation and transmission segment. During 2013, total operating expenses for the energy and transmission segment increased by US\$6.4 million as compared to 2012 due to an increase of US\$7.6 million in other expenses-net.

A. Liquidity and Capital Resources

As of December 31, 2014, we had cash and cash equivalents of US\$78.5 million, compared with US\$51.3 million as of December 31, 2013.

Cash provided by operating activities for the years ended December 31, 2014 and 2013. Net cash and cash equivalents provided by operating activities were US\$162.5 million in 2014, compared with US\$408.7 million in 2013. The decrease in net cash flow provided by operating activities was primarily due to: (i) a decrease in proceeds from sales, from US\$1,351.4 million in 2013 to US\$1,144.4 million in 2014; (ii) a decrease in value-added tax recovered, from US\$66.9 million in 2013 to US\$39.7 million in 2014; and, (iii) a decrease in royalties received from Yanacocha, from US\$50.6 million in 2013 to US\$31.3 million in 2014. These changes were partially offset by: (i) an increase in payments to suppliers and third parties, from US\$752.8 million in 2013 to US\$805.4 million in 2014; (ii) a decrease in income tax paid, from US\$66.4 million in 2013 to US\$33.2 million in 2014; (iii) a decrease in payments to workers, from US\$216.8 million in 2013 to US\$203.5 million in 2014; (iv) a decrease in royalty payments made, from US\$30.6 million in 2013 to US\$22.6 million in 2014, primarily due to fewer royalty payments made to third parties; (v) an increase in dividends received from Coimolache, from US\$9.8 million in 2013 to US\$12.9 million in 2014; and, (vi) a decrease in interest payments made, from US\$11.5 million in 2013 to US\$9.4 million in 2014.

Cash provided by operating activities for the years ended December 31, 2013 and 2012. Net cash and cash equivalents provided by operating activities were US\$408.7 million in 2013, compared with US\$361.2 million in 2012. This increase in net cash flow provided by operating activities was primarily due to: (i) an increase in value-added tax recovered, from US\$40.9 million in 2012 to US\$66.9 million in 2013; (ii) a decrease in payments to third parties, from US\$812.7 million in 2012 to US\$752.8 million in 2013; (iii) a decrease in income tax paid, from US\$136.3 million in 2012 to US\$66.4 million in 2013; and, (iv) a decrease in royalty payments made, from US\$39.0 million in 2012 to US\$30.6 million in 2013, primarily due to a decrease in royalty payments made to third parties. These changes were partially offset by: (i) an increase in payments to workers, from US\$201.5 million in 2012 to US\$216.8 million in 2013; (ii) an increase in interest payments made, from US\$1.5 million in 2012 to US\$11.5 million in 2013; (iii) a decrease in proceeds received from sales, from US\$1,410.1 million in 2012 to US\$1,351.4 million in 2013; (iv) a decrease royalty payments received from Yanacocha, from US\$76.1 million in 2012 to US\$50.6 million in 2013; and, (v) a decrease in dividends received from Coimolache, from US\$16.5 million in 2012 to US\$9.8 million in 2013.

Cash used in investing activities for the years ended December 31, 2014 and 2013. Net cash and cash equivalents used in investing activities were US\$292.7 million in 2014, compared with US\$428.1 million in 2013. The decrease in net cash flow used in investing activities was primarily due to: (i) a decrease in mining concessions, development costs, and property, plant and equipment acquisitions, from US\$503.6 million in 2013 to US\$227.6 million in 2014; and (ii) a decrease in cash contributions granted to associates, from US\$7.0 million in 2013 to US\$2.0 million in 2014. These changes were partially offset by: (i) the payment, net of cash acquired, of US\$80.3 million for the acquisition of a controlling interest in Canteras del Hallazgo S.A.C.; (ii) the inflow of US\$52.9 million in 2013 as a result of the settlement of financial assets at fair value through profit or loss; (iii) a decrease in loan collection from Coimolache, from US\$24.5 million in 2013 to US\$15.6 million in 2014; and (iv) a decrease in income from the sale of mining concessions, development costs, property, plants and equipment, from US\$5.0 million in 2013 to US\$1.7 million in 2014.

Cash used in investing activities for the years ended December 31, 2013 and 2012. Net cash and cash equivalents used in investing activities were US\$428.1 million in 2013, compared with US\$513.0 million in 2012. The decrease in net cash flow used in investing activities was primarily due to: (i) an inflow of US\$52.9 million in 2013 due to the settlement of financial assets at fair value through profit or loss; (ii) US\$24.5 million received from Coimolache in 2013 in loan collections; and, (iii) a decrease in cash contributions granted to associates, from US\$58.6 million in 2012 to US\$7.0 million in 2013. These changes were partially offset by (i) an increase in mining concessions, development costs and property, plant and equipment acquisitions, from US\$468.5 million in 2012 to US\$503.6 million in 2013, in connection with the expansion of the capacity of the refining plant at our subsidiary, El Brocal; (ii) hydroelectric construction at our subsidiary, Huanza; and, (iii) processing plant construction at our subsidiary, Rio Seco.

Cash used in financing activities for the years ended December 31, 2014 and 2013. Net cash and cash equivalents provided by financing activities were US\$157.3 million in 2014, compared with US\$116.1 million in net cash and cash equivalents used in financing activities in 2013. The increase in net cash flow provided by financing activities was primarily due to: (i) a decrease in the payment of financial obligations, from US\$260.2 million in 2013 to US\$42.2 million in 2014; (ii) a decrease in the payment of dividends to shareholders, from US\$78.8 million in 2013 to US\$8.6 million in 2014; (iii) a bank loan received in 2014 for US\$40.0 million; (iv) a decrease in the payment of dividends to non-controlling shareholders, from US\$13.5 million in 2013 to US\$8.9 million in 2014; and, (v) a decrease in financial obligations, from US\$237.0 million in 2013 to US\$177.1 million in 2014.

Cash used in financing activities for the years ended December 31, 2013 and 2012. Net cash and cash equivalents used in financing activities were US\$116.1 million in 2013, compared with US\$132.3 million in 2012. The decrease in net cash flow used in financing activities was primarily due to: (i) an increase in financial obligations, from US\$74.3 million in 2012 to US\$237.0 million in 2013; (ii) a decrease in the payment of dividends to shareholders, from US\$152.7 million in 2012 to US\$78.8 million in 2013; and, (iii) a decrease in the payment of dividends to non-controlling shareholders, from US\$44.9 million in 2012 to US\$13.5 million in 2013. These changes were partially offset by an increase in the payment of financial obligations, from US\$1.1 million in 2012 to US\$260.2 million in 2013.

Long-Term Debt

On December 2, 2009, Banco de Credito del Peru executed a financial lease agreement with Conenhua, Huanza and us in the amount of US\$119.0 million for construction of a hydroelectric power station. The lease was executed in favor of Huanza as lessee, and commits us to act as joint surety of Huanza to guarantee Huanza's payment obligations. The term of the lease is six years from August 2014 and the interest rate is three-month LIBOR plus 4.00 percent. As of December 31, 2014 and 2013, the amount outstanding under this lease was US\$114.2 million and US\$119.0 million, respectively.

On June 30, 2014, Banco de Credito del Peru extended this financial lease agreement with Conenhua, Huanza and us in the amount of US\$108.8 million. The term of the lease is six years from August 2014 and the interest rate is three-month LIBOR plus 4.20 percent. As of December 31, 2014, the amount outstanding under this lease was US\$85.0 million.

On August 22, 2012, El Brocal entered into a medium-term loan contract with Banco de Credito del Peru in the amount of US\$120.0 million. This loan was variable rate (three-month LIBOR plus 3.00 percent) and had a term of four years. The loan was guaranteed by a pledge of one contract for the sale of copper concentrate and one contract for the sale of lead concentrate. The first disbursement of US\$60.0 million was received in November 2012 and the second disbursement of US\$60.0 million was received in May 2013. During the fourth quarter of 2013, this loan was fully repaid using the proceeds provided by the leaseback contract described below and from shareholders' contributions.

On September 25, 2013, El Brocal began the process of entering 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 Credito del Peru during the fourth quarter of 2013. The second disbursement of US\$63.5 million was received in January 2014. The renewable arrangement has 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. The quarterly lease payments have an embedded interest rate of three-month LIBOR plus 5.00 percent. 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 Credito del Peru 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.

Exploration Costs and Capital Expenditures

We have budgeted approximately US\$280 to US\$320 million for capital expenditures for 2015. These budgeted capital expenditures include the following projects: start the construction of the Tambomayo project and continue with the development of the San Gabriel project.

During 2014, we spent US\$50.0 million on "exploration in non-operating areas" and US\$97.9 million on "exploration in units in operations" exploration-related investments in Peru. Our "exploration in non-operating areas" investments mainly focused on the following exploration projects: Alejandra, Marcapunta, Tambomayo, Candelaria-Chancas and Trapiche. Our "exploration in units in operations" investments were mainly focused in the Orcopampa, Uchucchacua and Mallay mining units. In 2014, we financed our exploration program with internal funds.

In 2015, we intend to invest approximately US\$70 to US\$80 million in exploration in units in operations and US\$35 to US\$40 million mainly in the following explorations in non-operating areas: San Gabriel, Marcapunta, Colquemayo, Pisacalla, and Livitaca, among others.

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 Financial Statements in accordance with IFRS as issued by the IASB. For periods up to and including the year ended December 31, 2010, we prepared our financial statements in accordance with Peruvian GAAP. Our consolidated financial statements for the year ended December 31, 2011 were the first that we prepared in accordance with IFRS. We applied IFRS 1 "First-Time Adoption of International Financial Reporting Standards" to the opening balance as of January 1, 2010, the date of our transition to IFRS. The IFRS 1 application implies that all the standards are applied retrospectively at the transition date, including certain mandatory exceptions and voluntary exemptions defined in the standard. In addition, as a foreign private issuer in the United States, we are subject to less intensive reporting requirements and information regarding us may not be as readily disseminated into the market.

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

IFRS 9, “Financial Instruments: Classification and Measurement” In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 would have not significant effect on the classification and measurement of the Company’s financial assets and liabilities.

“IFRS Annual improvements – 2010-2012 Cycle” These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They are related to IFRS 2 “Share-Based Payment” (clarifies various issues relating to the definition of performance and service conditions which are vesting conditions), IFRS 3 “Business Combinations” (clarifies classification of liabilities arising from business combinations and subsequent measurement at fair value), NIIF 8 “Operating Segments” (requires more disclosure about the aggregation criteria of operating segments), and IAS 24 “Related Party Disclosures” (requires more disclosure and clarifies that a management entity is a related party subject to the related party disclosures).

“IFRS Annual improvements – 2011-2013 Cycle” These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They are related to IFRS 3 “Business Combinations” (clarifies that joint arrangements are outside the scope of IFRS 3) and IAS 40 “Investment Property” (clarifies that IFRS 3 and not the ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination).

IFRS 15, “Revenues from Contracts with Customers” IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized 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. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

B. Research and Development

Not applicable.

C. Trend Information

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

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

D. 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.

E. Tabular Disclosure of Contractual Obligations

The following table shows our contractual obligations as of December 31, 2014:

	Payments due by Period (US\$ in millions)				
	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
Long-Term Debt (principal and interest)	—	—	—	—	—
Capital Lease Obligations (*).....	472.9	79.0	71.2	185.3	137.4
Open Purchase Orders.....	—	—	—	—	—
Other Long-Term Obligations.....	—	—	—	—	—
Total Contractual Cash Obligations	472.9	79.0	71.2	185.3	137.4

(*) Capital lease obligations include: (i) US\$251.3 million (including US\$199.2 million in principal and US\$52.1 million interest payments), which relates to a financial lease between Banco de Credito del Peru and Conenhua, Huanza and us for construction of a hydroelectric power station; (ii) US\$201.1 million (including US\$165.0 million in principal and US\$36.1 million interest payments), which relates to a sale and leaseback arrangement between Banco de Credito del Peru and El Brocal; (iii) US\$15.4 million (including US\$14.0 million in principal and US\$1.4 million interest payments), which relates to a financial lease between Banco de Credito del Peru and BISA for construction of administrative offices; and, (iv) US\$5.1 million other minors.

As of December 31, 2014, we had no other commercial commitments.

F. 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 units in operation 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, 2013 and 2014, 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, 2013 and 2014 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 units in operations (by mine and mineral) to consolidated Cost of sales, excluding depreciation and amortization, consolidated Selling Expenses and consolidated Exploration in units in operations expenses, respectively, 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,	
2013	2014
(in thousands of US\$)	

Consolidated Cost of sales excluding depreciation and amortization		614,539
.....	627,285	
Add:		
Consolidated Exploration in units in operation		97,852
.....	101,913	
Commercial Deductions		184,483
.....	137,811	
Consolidated Selling expenses		16,605
.....	14,482	
Consolidated Cost applicable to sales		913,479
.....	881,852	

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

<u>Cost of sales by mine and mineral</u>	<u>For the year ended December 31,</u>	
	<u>2013</u>	<u>2014</u>
	(US\$ in thousands)	
Julcani, Gold	167	3
.....		
Julcani, Silver	15,565	23,114
.....		
Julcani, Lead	1,150	1,891
.....		
Julcani, Copper	316	190
.....		
Mallay, Silver	11,336	8,135
.....		
Mallay, Lead	6,237	5,959
.....		
Mallay, Zinc	6,468	7,497
.....		
Breapampa, Gold	46,541	35,389
.....		
Breapampa, Silver	2,944	2,459
.....		

Orcopampa, Gold	121,665	105,828
Orcopampa, Silver	4,617	3,021
Uchucchacua, Silver	100,290	130,688
Uchucchacua, Lead	6,805	8,028
Uchucchacua, Zinc	5,527	5,557
La Zanja, Gold	84,213	80,495
La Zanja, Silver	3,927	3,460
El Brocal, Gold	2,745	3,491
El Brocal, Silver	13,980	12,331
El Brocal, Lead	7,581	2,051
El Brocal, Zinc	16,030	6,478
El Brocal, Copper	78,503	96,934
Non Mining Units	90,679	71,540
Consolidated Cost of sales, excluding depreciation and amortization	627,285	614,539

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

Exploration in units in operation by mine and mineral	For the year ended December 31,	
	2013	2014
Julcani, Gold.....	67	2

(US\$ in thousands)

	For the year ended December 31,	
Julcani, Silver	6,269	10,072
Julcani, Lead.....	463	824
Julcani, Copper	127	83
Mallay, Silver	4,325	2,942
Mallay, Lead.....	2,380	2,155
Mallay, Zinc	2,468	2,711
Breapampa, Gold.....	2,747	463
Breapampa, Silver	174	32
Orcopampa, Gold.....	54,748	50,378
Orcopampa, Silver	2,077	1,438
Uchucchacua, Silver.....	22,133	24,125
Uchucchacua, Lead.....	1,502	1,482
Uchucchacua, Zinc	1,220	1,026
La Zanja, Gold.....	1,159	115
La Zanja, Silver	54	5
El Brocal, Gold.....	-	-
El Brocal, Silver	-	-
El Brocal, Lead.....	-	-
El Brocal, Zinc.....	-	-
El Brocal, Copper	-	-
Non Mining Units.....	-	-
Consolidated Exploration in units in operation.....	101,913	97,852

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

Commercial Deductions in units in operation by mine and mineral	For the year ended December 31,	
	2013	2014
	(US\$ in thousands)	
Julcani, Gold.....	62	2
Julcani, Silver	5,782	6,148
Julcani, Lead.....	427	502
Julcani, Copper	117	53
Mallay, Silver	4,048	3,687
Mallay, Lead.....	2,227	2,620
Mallay, Zinc	2,310	5,153
Breapampa, Gold.....	104	99
Breapampa, Silver	-	-
Orcopampa, Gold.....	325	288
Orcopampa, Silver	-	1
Uchucchacua, Silver.....	35,240	35,786
Uchucchacua, Lead.....	2,559	2,248
Uchucchacua, Zinc	2,078	3,850
La Zanja, Gold.....	172	240
La Zanja, Silver	-	4
El Brocal, Gold.....	1,903	3,777
El Brocal, Silver	9,689	12,345
El Brocal, Lead.....	5,254	1,317

	For the year ended December 31,	
El Brocal, Zinc.....	11,110	4,105
El Brocal, Copper.....	54,406	102,258
Non Mining Units.....	-	-
Consolidated Commercial Deductions in units in operation	137,813	184,483

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,	
	2013	2014
	(US\$ in thousands)	
Julcani, Gold.....	7	0
Julcani, Silver	684	979
Julcani, Lead.....	51	80
Julcani, Copper.....	14	8
Mallay, Silver	671	661
Mallay, Lead.....	369	484
Mallay, Zinc	383	609
Breapampa, Gold.....	0	367
Breapampa, Silver	0	26
Orcopampa, Gold	3	929
Orcopampa, Silver.....	0	27
Uchucchacua, Silver.....	3,000	3,094
Uchucchacua, Lead.....	204	190
Uchucchacua, Zinc	165	132
La Zanja, Gold.....	505	1,382
La Zanja, Silver	24	59
El Brocal, Gold.....	202	204
El Brocal, Silver	1,031	722
El Brocal, Lead.....	559	120
El Brocal, Zinc	1,182	379
El Brocal, Copper.....	5,789	5,677
Non Mining Units.....	0	475
Consolidated Selling expenses ...	16,605	14,842

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,	2014	For the year ended December 31,	2014	For the year ended December 31,	2014	For the year ended December 31,	2014
	2013	2014	2013	2014	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)							
Cost of Sales, excluding depreciation and amortization	316	190	167	3	1,150	1,891	15,565	23,114
Add: Exploration in units in operation	127	83	67	2	463	824	6,269	10,072

Commercial Deductions	117	53	62	2	427	502	5,782	6,148
Selling expenses	14	8	7	0	51	80	684	979
Cost applicable to sales	575	335	304	7	2,091	3,297	28,299	40,314
Divide:								
Volume Sold	140	64	378	12	1,713	2,057	2,227,960	2,851,318
	4,103	5,195	804	603	1,220	1,603	12.70	14.14

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:

	LEAD (t)		MALLAY SILVER (oz.)		ZINC (t)	
	For the year ended December 31,		For the year ended December 31,		For the year ended December 31,	
	2013	2014	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)					
Cost of Sales, excluding depreciation and amortization	6,237	5,959	11,336	8,135	6,468	7,497
Add:						
Exploration in units in operation	2,380	2,155	4,325	2,942	2,468	2,711
Commercial Deductions	2,227	2,620	4,048	3,687	2,310	5,153
Selling expenses	369	484	671	661	383	609
Cost applicable to sales.....	11,213	11,217	20,380	15,425	11,628	15,970
Divide:						
Volume Sold	6,570	7,253	1,146,442	1,121,202	7,614	8,609
Cost applicable to sales per unit of mineral sold (US\$)..	1,707	1,547	17.78	13.76	1,527	1,855

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 Breapampa mine:

	GOLD (oz.)		BREAPAMPA SILVER (oz.)	
	For the year ended December 31,		For the year ended December 31,	
	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)			
Cost of Sales, excluding depreciation and amortization.....	46,541	35,389	2,944	2,459
Add:				
Exploration in units in operation	2,747	463	174	32
Commercial Deductions	104	99	0	0
Selling expenses	0	367	0	26
Cost applicable to sales.....	49,392	36,318	3,117	2,516
Divide:				
Volume Sold	80,178	80,358	311,634	383,733
Cost applicable to sales per unit of mineral sold (US\$).....	616	452	10.00	6.56

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,	
	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)			
Cost of Sales, excluding depreciation and amortization.....	121,665	105,828	4,617	3,021
Add:				
Exploration in units in operation.....	54,748	50,378	2,077	1,438
Commercial Deductions	325	288	0	1
Selling expenses.....	3	929	0	27
Cost applicable to sales.....	176,741	157,422	6,694	4,487
Divide:				
Volume Sold	221,322	204,862	516,033	401,782
Cost applicable to sales per unit of mineral sold (US\$).....	799	768	12.97	11.17

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,	
	2013	2014	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)					
Cost of Sales, excluding depreciation and amortization	6,805	8,028	100,290	130,688	5,527	5,557
Add:						
Exploration in units in operation	1,502	1,482	22,133	24,125	1,220	1,026
Commercial Deductions	2,559	2,248	35,240	35,786	2,078	3,850
Selling expenses	204	190	3,000	3,094	165	132
Cost applicable to sales	11,069	11,947	160,663	193,694	8,990	10,565
Divide:						
Volume Sold	6,977	6,530	9,748,206	11,940,167	6,340	4,288
Cost applicable to sales per unit of mineral sold (US\$)	1,586	1,830	16.48	16.22	1,418	2,464

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,	
	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)			
Cost of Sales, excluding depreciation and amortization	84,213	80,495	3,927	3,460
Add:				
Exploration in units in operation	1,159	115	54	5
Commercial Deductions	172	240	0	4
Selling expenses	505	1,382	24	59
Cost applicable to sales	86,049	82,231	4,004	3,528
Divide:				
Volume Sold	132,992	143,151	381,091	418,565
Cost applicable to sales per unit of mineral sold (US\$)	647	574	10.51	8.43

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,	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
	(US\$ in thousands except operating and per unit data)									
Cost of Sales, excluding depreciation and amortization	78,503	96,934	2,745	3,491	7,581	2,051	13,980	12,331	16,030	6,478
Add:										
Exploration in units in operation	0	0	0	0	0	0	0	0	0	0
Commercial Deductions	54,406	102,258	1,903	3,777	5,254	1,317	9,689	12,345	11,110	4,105
Selling expenses	5,789	5,677	202	204	559	120	1,031	722	1,182	379

Cost applicable to sales		204,86								
.....	138,698	<u>9</u>	4,850	<u>7,472</u>	13,393	<u>3,488</u>	24,699	<u>25,398</u>	28,322	<u>10,962</u>
Divide:										
Volume Sold										
.....	<u>25,266</u>	<u>40,198</u>	<u>4,619</u>	<u>7,874</u>	<u>8,392</u>	<u>2,759</u>	<u>1,460,681</u>	<u>1,928,243</u>	<u>20,011</u>	<u>8,007</u>
Cost applicable to sales per unit of mineral sold (US\$)										
.....	5,490	5,096	1,050	949	1,596	1,264	16.91	13.17	1,415	1,369

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:

	TOTAL		NON MINING UNITS
	<small>For the year ended December 31,</small>		
	2013	2014	
	<small>(US\$ in thousands)</small>		
Cost of Sales, excluding depreciation and amortization	90,679	71,540	
Add:			
Exploration in units in operation	0	0	
Commercial Deductions	0	0	
Selling expenses	0	475	
Total Cost applicable to sales.....	<u>90,679</u>	<u>72,015</u>	

YANACOCHA

Introduction

The following discussion should be read in conjunction with the Yanacocha Financial Statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 and the related Notes thereto included elsewhere in this Annual Report. The Yanacocha 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 August 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 percent owned by Newmont Mining, through its wholly-owned subsidiary Newmont Second, 43.65 percent by us through our wholly-owned subsidiary Condesa, and 5 percent by IFC. Yanacocha is managed by Newmont Peru S.R.L. See "Item 4. Information on the Company—Yanacocha—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,		
	2014	2013	2012
Gold sales (in thousands of US\$)	1,210,457	1,458,145	2,218,921
Gold sold (oz.) (*)	967,970	1,023,173	1,335,065
Average gold price received (US\$/oz.)	1,250	1,425	1,662
Costs applicable to sales (US\$/oz.)	941	961	623
Other expenses, net (in thousands of US\$)	77,781	77,534	192,869
Net income (loss) (in thousands of US\$)	(400,338)	(575,279)	647,875

(*) Ounces sold included El Tapado Oeste Pit, Cerro Negro Pit, Marleny Pit production and Verde Bioleach Demonstration Facility.

The Verde Bioleach Demonstration Facility relates to a development project, which production pertains to Yanacocha pad and has the following production and sales ounces:

- 2,250 ounces as of December 31, 2014. See composition as follows:

	Q1	Q2	Q3	Q4	YTD
Ounces	-	2,191	47	12	2,250

Gold sales. Gold sales decreased by 17 percent, or US\$248 million, from 2013 to 2014, due to a decrease in the number of ounces sold and a decreased average realized price of gold. Lower ounces sold were proportionate to lower gold production. Gold ounces produced decreased 5 percent due to lower leach grade material placed on the leach pads containing fewer ounces (330,167 oz vs. actual-prior year of 356,088 oz caused also by lower recovery rates mainly in La Quinoa 8A) and higher inventory stored in 2014 vs 2013 (327KOz 2014 vs 235Koz 2013), compared to

the prior year as well as lower mill grade recovery. 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 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) workers' participation profit sharing of 8 percent of pre-tax profits based on Peruvian labor legislation, (iii) write downs of ore on leach pads to net realizable value expense and (iv) other costs. Costs applicable to sales decreased 7 percent or US\$72.5 million from 2013 to 2014. Ounces sold decreased 5.4 percent from 2013 to 2014. Costs applicable to sales per ounce of gold decreased by 2 percent, from US\$961 in 2013 to US\$941 in 2014.

Other expense (net). Other expense (net) increased 0.3 percent or US\$0.2 million from 2013 to 2014, primarily due to higher losses associated with asset sales incurred in 2014 compared to 2013.

Income tax. Yanacocha's financial and operating results included income and mining tax of US\$(30.5) million in 2014 compared to US\$(203,471) million in 2013. The difference was primarily due to Yanacocha's increased profitability as the result of lower expenses compared to the prior year.

Dividends. During the years ended December 31, 2013 and 2014, Yanacocha did not pay dividends to its partners and did not reserve any money related to reinvestment programs.

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 2 to the Yanacocha Financial Statements for a more complete listing Yanacocha's accounting policies.

Currency

The Yanacocha Financial Statements are stated in U.S. dollars, Yanacocha's functional currency, as most of its transactions are traded, collected and paid in such currency. Transactions in other currencies are recorded in U.S. dollars based on exchange rates prevailing at the time of such transactions. Monetary assets and liabilities denominated in other currencies are translated into the U.S. dollar at exchange rates prevailing at the balance sheet dates, and any resulting gains or losses are reflected in current earnings.

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 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 long-term. The major classifications are as follows:

Stockpile. 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 amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

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

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

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

In-process Inventory. In-process inventories represent materials that are currently in the process of being converted to a saleable product. Yanacocha's 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 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.

Precious Metals Inventory. Precious metals include gold dore and/or gold bullion. Precious metals that result from Yanacocha's mining, processing and refining activities are valued at the average cost of the respective in-process inventories incurred prior to the refining process, plus applicable refining costs.

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* 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; the activities are directed at obtaining additional information on the ore body or converting mineralized material to proven and probable reserves. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of *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 de minimis saleable materials may occur during development and are recorded as *Other income*, net of incremental mining and processing costs.

The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in *Costs applicable to sales* in the same period as the revenue from the sale of inventory. Yanacocha's definition of a mine and the mine's production phase may differ from that of other companies in the mining industry resulting in incomparable allocations of stripping costs to deferred mine

development and production costs. Other mining companies may expense pre-stripping costs associated with subsequent pits within a mining complex. Other mining companies may capitalize stripping costs incurred in connection with the production phase.

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.

Stripping activity asset. Stripping costs are incurred during the production phase of surface mining in accordance with IFRIC 20 “Stripping costs in the production phase of a surface mine”, whereby a stripping asset is recognized only if all of the following criteria are met:

- i) It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- ii) The entity can identify the component of the ore body for which access has been improved; and
- iii) 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, Yanacocha allocates the costs associated with improved access to production stripping assets. 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 basis in the “waste-to-ore ratio” are subsequently depreciated using the 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 and included in the adjustments in inventories.

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, either as an individual asset purchase or as part of a business combination.

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; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves; (ii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization, but located within the immediate mine area; (iii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area; (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. Yanacocha’s mineral rights generally are enforceable regardless of whether proven and probable reserves have been established. Yanacocha 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.

Asset Impairment. Yanacocha reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are

estimated based on quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization that is not part of the measured, indicated or inferred resource base, are included when determining the fair value of mine site reporting units at acquisition and, subsequently, in determining whether the assets are impaired. The term “recoverable minerals” refers to the estimated amount of gold or other commodities that will be obtained after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such exploration stage mineral interests are risk adjusted based on management’s relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of future cash flows from other asset groups. Yanacocha’s estimates of future cash flows are based on numerous assumptions and it is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and costs and capital are each subject to significant risks and uncertainties.

Income and Mining Taxes and Profit Sharing

Yanacocha accounts for income and mining taxes and legally required profit sharing using the liability method, recognizing certain temporary differences between the financial reporting basis of Yanacocha’s liabilities and assets and the related income tax basis for such liabilities and assets. This method generates a net deferred income tax liability and profit sharing liability or net deferred income tax asset and profit sharing asset for Yanacocha, as measured by the statutory tax and profit sharing rates in effect as enacted. Yanacocha derives its deferred income tax charge or benefit and profit sharing charge or benefit by recording the change in the net deferred income tax liability and profit sharing liability or net deferred income tax asset and profit sharing asset balance for the year, based on Peruvian income and mining tax and profit sharing rates.

Yanacocha’s deferred income tax assets include certain future tax benefits. Yanacocha records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

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.

Reclamation and Remediation Costs

Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. 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 retirement obligation is based on when spending for an existing environmental disturbance is expected to occur. Yanacocha reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site.

Future remediation costs for inactive mines are accrued based on management’s best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

Recently Adopted Accounting Pronouncements

Reporting of Amounts reclassified out of Accumulated Other Comprehensive Income

In February 2013, ASC guidance was issued related to items reclassified from Accumulated Other Comprehensive Income (Loss). The new standard requires the disclosure, either in a single note or parenthetically on the face of the financial statements, of: (i) the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and (ii) the income statement line items affected by the reclassification. Adoption of the new guidance, effective for Yanacocha's fiscal year beginning January 1, 2013, had no impact on the consolidated financial position, results of operations or cash flows.

Disclosures about Offsetting Assets and Liabilities

In November 2011, ASC guidance was issued related to disclosures about offsetting assets and liabilities. The new standard requires disclosures to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. In January 2013, an update was issued to further clarify that the disclosure requirements are limited to derivatives, repurchase agreements, and securities lending transactions to the extent that they are (i) offset in the financial statements or (ii) subject to an enforceable master netting arrangement or similar agreement.

Adoption of the new guidance, effective for the fiscal year beginning January 1, 2013, had no impact on the consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Pronouncements

Presentation of an Unrecognized Tax Benefit

In July 2013, ASC guidance was issued related to the presentation of an unrecognized tax benefit when a net operating loss carry forward, a similar tax loss or a tax credit carry forward exists. The updated guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss carry forward, a similar tax loss, or tax credit carry forwards. A gross presentation will be required only if such carry forwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax position. The update is effective prospectively for the Yanacocha's fiscal year beginning January 1, 2014. Yanacocha is still evaluating the impact of the updated guidance on the consolidated financial position, results of operations or cash flows.

Results of Operations for the Years Ended December 31, 2014 and 2013

Sales

Gold sales. Gold sales decreased by 17 percent, or US\$247 million, from 2013 to 2014, due to a decrease in the number of ounces sold and a decreased average realized price of gold. Lower ounces sold were proportionate to lower gold production. Gold ounces produced decreased 5 percent due to a decrease in the amount of leach grade material placed on the leach pads compared to prior year as well as lower mill grade and recovery. 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 ⁽¹⁾	2014	2013
	(ounces)	
Cerro Yanacocha	30,713	16,393
Carachugo	286,062	437,095
Maqui Maqui	5,669	5,858
La Quinoa	647,500	557,914
Total	969,944	1,017,259

(1) Ounces produced included El Tapado Oeste Pit, Cerro Negro Pit, Marleny Pit production and Verde Bioleach Demonstration Facility.

The production obtained from Cerro Negro Pit and El Tapado Oeste Pit since January 2013 is included as part of La Quinua pad production, and the production obtained in Marleny Pit is included as part of Carachugo pad production.

Costs related to sales

Costs related to sales for the year ending December 31, 2014 and 2013 comprise:

	<u>2014</u>	<u>2013</u>
Beginning balance of inventories	\$ 522,597	\$ 545,183
Acquisition of supplies	300,810	335,967
Personnel expenses	106,693	134,667
Other services	189,522	214,279
Maintenance	47,090	58,624
Power	30,485	32,549
Insurance and leases	5,415	5,301
Depreciation and amortization	360,334	349,760
Sale of by-product	(9,595)	(8,026)
Workers' profit participation	35,055	49,259
Stripping costs capitalized	(104,487)	(65,677)
Remediation expenses related to Yanacocha leach pad	20,314	-
Net realizable value adjustment (note 10)	(95,859)	(146,051)
Ending balance of inventories	<u>(497,669)</u>	<u>(522,597)</u>
Costs related to sales	<u>\$ 910,705</u>	<u>\$ 983,238</u>

Costs applicable to sales. Costs applicable to sales include: (i) operating costs, consisting primarily of direct production costs such as mining and treatment of the ore, which are the most significant components of costs applicable to sales, (ii) workers' participation profit sharing of 8 percent of pre-tax profits based on Peruvian labor legislation, (iii) write downs of ore on leach pads to net realizable value expense and (iv) other costs. Costs applicable to sales decreased 7 percent or US\$72.5 million from 2013 to 2014. Ounces sold decreased 5.4% from 2013 to 2014. Costs applicable to sales per ounce of gold increased by 2 percent, from US\$961 in 2013 to US\$941 in 2014.

Operating costs decreased by 13 percent from US\$776.1 million in 2013 to US\$674.6 million in 2014. Operating costs consist primarily of drilling, blasting, loading, hauling and milling costs. These costs decreased in 2014 primarily as a result of lower expenses in supplies, (including a decline in diesel prices beginning in the third quarter of 2014 and minor usage of CAT 785 for advance works in Marleny Pit Mining) and lower personnel expenses due to lower headcount. The volume of commercial tons mined decreased from 161.8 million DST in 2013 to US\$118.8 million DST for the year ended December 31, 2014.

Workers' profit participation decreased by 29 percent, from US\$49 million in 2013 to US\$35 million in 2014. This decrease is directly related to the decrease in Yanacocha's taxable income from 2013 to 2014. 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 decreased from US\$146 million in 2013 to US\$95.8 million in 2014 due to lower costs of inventory compared to the prior year.

Inventory variation decreased by 43 percent, from US\$123.5 million in 2013 to US\$70.9 million in 2014, due to lower stock of ounces at the beginning of year and lower costs per ounce compared to the prior year.

Depreciation, depletion and amortization increased by 3 percent from US\$349.7 million in 2013 to US\$ 360 million in 2014. This increase was attributable principally to leach pad inventory write-downs combined higher depreciation associated with assets retirement costs and deferred mine development

Administrative expenses

Administrative expenses for the year ended December 31, 2014 and 2013 where comprised of:

	<u>2014</u>	<u>2013</u>
Management expenses	\$ 19,938	\$ 17,480
Community development expenses and external affairs	15,653	46,482
Mining royalties to the government	8,291	7,135
Exploration and advance project	58,880	64,510
Other	<u>2,671</u>	<u>3,102</u>
	<u>\$ 38,262</u>	<u>\$ 67,064</u>

Other operating expense (net)

Other expenses, net for the years ended December 31 were as follows:

	<u>2014</u>	<u>2013</u>
Exploration and advance project	\$ 58,880	\$ 64,510
Severance program	16,438	19,323
Disposal of fixed assets	13,530	6,562
Other income	(6,149)	(8,924)
Others, net	<u>(4,918)</u>	<u>(3,966)</u>
	<u>\$ 77,781</u>	<u>\$ 77,534</u>

Exploration costs decreased by 23 percent, from US\$20.0 million in 2013 to US\$15.4 million in 2014. This decrease was attributable principally to lower drilling works in 2014 for Chaquicocha Underground and other minor exploration activities.

Advanced projects costs also decreased from US\$44.5 million in 2013 to US\$43.5 million in 2014. This decline was primarily due to lower activities in YTD 2014 than YTD 2013 for projects as Geotechnical Investigation Project and Verde Stage 2 Study project.

Impairment.

The 2014 financial results included an impairment loss of US\$541million related exclusively to the Conga project. The discount interest rate used in the impairment calculations under the fair value less costs of sale methodology was 8.04% after taxes, which was based on a peer group of mining companies adjusted for Peru country risk. The rate is a “real” versus “nominal” rate as the cash flow models were not escalated for inflation. This discount rate was used for both segments Yanacocha and Conga.

Income tax provision.

Yanacocha’s financial and operating results included income and mining tax expense of US\$30.5 million in 2014 compared to US\$203.5 million in 2013. The difference was primarily due to Yanacocha’s increased profitability as the result of lower expenses compared to the prior year.

Net income.

As a consequence of the foregoing, net income increased in US\$184 million, from US\$(575) million in 2013 to US\$(400) million in 2014.

Results of Operations for the Years Ended December 31, 2013 and 2012

Sales

Gold sales. Gold sales decreased by 34 percent, or US\$744 million, from 2012 to 2013, due to a decrease in the number of ounces sold and a decreased average realized price of gold. Lower ounces sold were proportionate to lower gold production. Gold ounces produced decreased 24% due to a decrease in the amount of leach grade material placed on the leach pads compared to prior year as well as lower mill grade and recovery. 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:

<u>Mine</u>	<u>2013</u>	<u>2012</u>
	(ounces)	
Cerro Yanacocha	16,393	141,038
Carachugo	437,095	698,602
Maqui Maqui	5,856	5,810
La Quinua	<u>557,915</u>	<u>500,524</u>
Total	<u>1,017,259</u>	<u>1,345,992</u>

Costs applicable to sales

Costs applicable to sales include: (i) operating costs, consisting primarily of direct production costs such as mining and treatment of the ore, which are the most significant components of costs applicable to sales, (ii) workers' participation profit sharing of 8 percent of pre-tax profits based on Peruvian labor legislation, (iii) credit from by-product sales, mainly in connection with silver sales, (iv) third party royalties, (v) write downs of ore on leach pads to net realizable value expense and (vi) other costs. Costs applicable to sales increased 2% or US\$13.5 million from 2012 to 2013 despite a 23 percent decline in ounces sold. Offsetting the decline in ounces sold were higher mining costs due to the completion of major development projects in late 2012, leach pad write-downs and lower by-product credits; partially offset by reductions in workers' profit participation and labor costs. Costs applicable to sales per ounce of gold increased by 34 percent, from US\$517 in 2012 to US\$692 in 2013.

Operating costs increased by 15 percent from US\$549.9 million in 2012 to US\$ 634.7 million in 2013. Operating costs consist primarily of drilling, blasting, loading, hauling and milling costs. These costs increased in 2013 primarily as a result of the completion of major mine development projects in late 2012 under which certain mining costs were capitalized. The volume of commercial tons mined increased from 51.3 million DST in 2012 to 156.5 million DST for the year ended December 31, 2013. This increase was also associated with the completion of the mine development projects in late 2012.

Royalty expense was US\$44.2 million in 2013 as compared to US\$66.6 million in 2012. The decrease in the royalty expense paid to Chaupiloma, which equals 3 percent of Yanacocha's net sales, was directly related to the decrease in Yanacocha's sales revenues.

Workers' profit participation decreased by 72 percent, from US\$74.0 million in 2012 to US\$20.8 million in 2013. This decrease is directly related to the decrease in Yanacocha's taxable income from 2012 to 2013. 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\$6.5 million in 2012 to US\$106.6 million in 2013 due to the decline in the price of gold during the year. As a result of the significant price declines, certain ore on leach pad inventory carrying costs exceeding their net realizable value resulting in a charge to costs applicable to sales.

Depreciation, depletion and amortization

Depreciation, depletion and amortization increased by 32 percent from US\$252.9 million in 2012 to US\$333.0 million in 2013. This increase was attributable principally to leach pad inventory write-downs combined higher depreciation associated with assets retirements costs and deferred mine development.

Exploration and Advanced project expenses

Exploration costs decreased by 50 percent, from US\$40.0 million in 2012 to US\$20.0 million in 2013. This decrease was attributable principally to lower exploration regarding the Yanacocha Verde project combined with an overall reduction in district exploration activities.

Advanced projects costs also decreased from US\$81.7 million in 2012 to US\$44.5 million in 2013. This decline was primarily due to reduced activities associated with the Conga project.

Other expense (net).

Other expense (net) decreased 29 percent or US\$32.9 million from 2012 to 2013 primarily due to lower employee severance program costs incurred in 2013 associated with a program to align Yanacocha's organization with future business needs. In addition, lower losses associated with asset sales were incurred during 2013 compared to 2012.

Income tax provision.

Yanacocha's financial and operating results included income and mining tax expense of US\$107.6 million in 2013 compared to US\$361.9 million in 2012. The difference was primarily due to Yanacocha's decreased profitability as the result of lower ounces sold and lower average realized average gold prices received.

Net income.

As a consequence of the foregoing, net income decreased by 77.5 percent, or US\$485.5 million, from US\$626.5 million in 2012 to US\$141.0 million in 2013. As a percentage of sales, net income decreased from 29 percent in 2012 to 10 percent in 2013.

B. Liquidity and Capital Resources

As of December 31, 2014, Yanacocha had cash and cash equivalents of US\$787.0 million, substantially all of which were held in U.S. Dollars, as compared to US\$587.0 million as of December 31, 2013.

Cash provided by operating activities

Yanacocha's operations generated a net cash flow from operations of US\$415.8 million in 2014 and US\$362 million in 2013. The net cash flow from operations in 2014 was 15% or US\$53.8 million higher than in 2013. The increase was primarily driven by lower sales revenues offset by higher prices per ounce of gold, and an increase in reclamation liabilities and depreciation, accretion and amortization.

Cash used in investing activities

Net cash used in investing activities was US\$216.1 million in 2014 and US\$393.1 billion in 2013. In 2014, Yanacocha's capital expenditures from its formation in 1992 through 2014 have related principally to:

- The construction of the Carachugo, Chaquicocha, Maqui Maqui, San José, Cerro Yanacocha, La Quinoa Complex (La Quinoa, El Tapado and Tapado Oeste), Cerro Negro Este, Western Oxide pits (La Quinoa Sur and Cerro Negro Oeste), Eastern Oxide pits (Quecher Norte and Marleny) and Carachugo Alto mining operations;

- The construction of two plants at Carachugo and Yanacocha, each of which includes a leach solution processing facility and a smelter;
- The construction of four carbon column plants at Cerro Yanacocha and La Quinua;
- The acquisition of both new and used mining equipment;
- The construction of two dams, the construction of one agglomeration plant at La Quinua, the construction of the Yanacocha Gold Mill, and several expansions of the leach pads located at the Carachugo, Maqui Maqui, Cerro Yanacocha, La Quinua mining operations;
- The construction of Gold Mill Tailing Pipeline and equipment components. Yanacocha's capital expenditures from its formation through December 31, 2014 totaled approximately US\$5,821 million, including capital expenditures of US\$1,148 million in 2012, US\$311 million in 2013 and US\$117 million in 2014.

In 2014, Yanacocha's principal capital expenditures included US\$37.2 million associated with the Conga Project (water first approach), US\$27.5 million for equipment components, US\$16.2 million for mine development at El Tapado Oeste and the Western Oxides deposits, US\$10 million for the residual water treatment project, US\$9.3 million for gold mill tailings improvements, US\$4 million for gold mill plant improvements and US\$13 million for other minor projects.

Cash used in financing activities

Net cash used in financing activities was US\$0 million in both 2014 and 2013. In 2014 and 2013, Yanacocha carried no debt and accordingly had no financing costs.

C. Research and Development

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

D. Trend Information

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

E. Off-Balance Sheet Arrangements

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

F. Tabular Disclosure of Contractual Obligations

The following table shows Yanacocha's contractual obligations as of December 31, 2014:

	Payments due by Period (US\$ in millions)				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt	-	-	-	-	-

Capital Lease Obligations	-	-	-	-	-
Reclamation and Remediation Liability	557.4	15.1	60.5	77.7	404.1
Open Purchase Orders receipt	12.9	12.9	-	-	-
Other Long-Term Obligations (*)	28.7	3.0	18.2	7.5	-
Total Contractual Cash Obligations	<u>599.0</u>	<u>31.0</u>	<u>78.7</u>	<u>85.2</u>	<u>404.1</u>

(*) Other Long-Term Obligations includes obligations relating to social development projects and commitments.

CERRO VERDE

Introduction

The following discussion should be read in conjunction with the Cerro Verde Financial Statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013, and 2014 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 percent 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 prior to 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.

Cerro Verde’s current operations consist of an open-pit copper mine, a 120,000 metric ton-per-day concentrator and leaching facilities. Leach-copper production is derived from a 39,000 metric ton-per-day crushed leach facility and a leach system. This leaching operation has a capacity of approximately 200 million pounds of copper per year.

Cerro Verde has sufficient equipment to move an average of 308,000 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, 2012, 2013, and 2014:

	As of and for the year ended December 31,		
	2012	2013	2014
Income statement data ⁽¹⁾			
Total revenues (US\$ in thousands)			
.....	2,127,023	1,811,488	1,467,097
Net income (US\$ in thousands)			
.....	796,584	613,262	377,606
Proven and Probable Reserves ⁽²⁾			
<u>Proven:</u>			
Leachable ore reserves (tons in thousands)			
.....	64,462	52,676	46,426
Millable ore reserves (tons in thousands)			
.....	995,134	1,123,205	881,338

	As of and for the year ended December 31,		
	2012	2013	2014
Probable:			
Leachable ore reserves (tons in thousands)	137,691	114,990	121,954
Millable ore reserves (tons in thousands)	2,997,250	2,756,501	2,903,516
Average copper grade of leachable ore reserves (%)	0.34	0.33	0.37
Average copper grade of millable ore reserves (%)	0.38	0.37	0.38
Production ⁽³⁾			
Cathodes (in thousands of recoverable pounds)	118,703	104,314	124,804
Concentrates (in thousands of recoverable pounds)	475,771	452,925	375,438
Average realized price of copper sold (US\$ per pound payable)	3.61	3.24	2.93

- (1) Derived from Cerro Verde's financial statements filed with the *Superintendencia del Mercado de Valores*, or the SMV. See the Cerro Verde Financial Statements, including the notes thereto, appearing elsewhere in this Annual Report.
- (2) Reserve calculations are derived from the audited financial statements filed by Cerro Verde with the SMV. Cerro Verde used US\$2.00 per pound of copper to determine copper reserves as of December 31, 2014. See the Cerro Verde Financial Statements, including the notes thereto, appearing elsewhere in this Annual Report. The calculation or estimation of proven and probable ore reserves for Cerro Verde may differ in some respects 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 Cerro Verde's financial statements filed with the SMV. See the Cerro Verde Financial Statements, including the notes thereto, appearing elsewhere in this Annual Report.

Cerro Verde Mining Royalties

SUNAT, the Peruvian national tax authority, has assessed mining royalties on ore processed by the Cerro Verde concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2007 and the years 2008 and 2009. In July 2013, the Peruvian Tax Tribunal issued two decisions affirming SUNAT's assessments for the period December 2006 through December 2008. Decisions by the Tax Tribunal end the administrative stage of the appeal procedures for the assessments. In September 2013, Cerro Verde filed judiciary appeals related to the assessments because it continues to believe that its 1998 stability agreement exempts all minerals extracted from its mining concession from royalties, irrespective of the method used for processing those minerals. With respect to the judiciary appeal related to the assessment for the year 2008, on December 17, 2014, the Eighteenth Contentious Administrative Court rendered its decision upholding the Company's position and nullifying SUNAT's assessment and the Tax Tribunal's resolution (S/ 106.4 million Nuevos Soles). On December 31, 2014, SUNAT and the Tax Court appealed this decision. The court's position also invalidates all penalties and interest assessed by SUNAT for that period (S/ 139.7 million Nuevos Soles). The only aspect that the court denied was the refund of all payments made under protest; however, once the Company presents the court with sufficient evidence, the Company believes the court will render a decision that these payments be refunded.

If Cerro Verde is ultimately found responsible for these assessments, it may also be liable for penalties and interest, which accrues at rates that range from approximately 7 percent to 18 percent based on the year accrued and the currency in which the amounts would be payable.

On October 1, 2013, SUNAT served Cerro Verde with a demand for payment totaling 492 million Peruvian nuevos soles (US\$165 million based on exchange rates as of December 31, 2014, including interest and penalties of US\$97 million) based on the Peruvian Tax Tribunal's July 2013 decisions for the period December 2006 through December 2008. As permitted by law, Cerro Verde requested and was granted an installment payment program that defers payment for six months and thereafter satisfies the amount via sixty-six equal monthly payments. As of December 31, 2014, the Company has made payments totaling 113 million Nuevo Soles (US\$39.7 million) under the installment program which are presented as Other accounts receivable –Long Term in the statement of financial position. In July 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year. As of December 31, 2014, the aggregate amount of the assessments, including interest and penalties, for the year 2009 was 226 million Peruvian Nuevo soles (US\$76 million based on exchange rates as of December 31, 2014). SUNAT may make additional assessments for mining royalties and associated penalties and interest for the years 2010 through 2013, which Cerro Verde will contest. No amounts were accrued for these assessments or the installment payment program as of December 31, 2014, because Cerro Verde believes its 1998 stability agreement exempts it from these royalties and believes any payments will be recoverable.

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

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

The estimation of recoverable reserves is based on factors such as estimated exchange rates, commodity prices, future requirements of capital and production costs, together with geological hypotheses and judgments made when estimating the size and quality of ore. Revisions in reserve or resource estimates may have an impact on the value of mining properties, property, plant and equipment, provisions for cost of mine closure, recognition of assets for deferred taxes and depreciation and amortization of assets.

Units of Production ("UOP") Depreciation

Estimates of recoverable reserves are used in determining the depreciation and amortization of mine assets. This results in a depreciation/amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, takes into account its physical life limitations and the present assessments of economically recoverable reserves. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves that may be recovered.

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, 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. 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 solution form 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 blasthole 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 sampling. The recoverable copper in mill stockpiles, once entered into the production process, can be produced into copper concentrate almost immediately.

Estimated copper recovery rates for leach stockpiles are determined using small-scale laboratory tests, historical trends and other factors. Ultimate recovery of copper contained in leach stockpiles can vary significantly depending on several variables, including the type of copper recovery, mineralogy and particle size of the rock. Processes and recovery rates are monitored continuously, and recovery rates are adjusted periodically as additional information becomes available and as related technology changes.

Mine Closure Provision

Cerro Verde assesses its mine closure provision annually. 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, and interest rates and inflation rates. As discussed in Note 2.2(h) to the Cerro Verde Financial Statements, estimated changes in the fair value of the mine closure provision 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." If any change in the estimate results in an increase to the mine closure provision and related ARC, Cerro Verde will consider whether or not this is an indicator of impairment of the assets and apply impairment tests in accordance with IAS 36, "Impairments of Assets."

Impairment of Long-lived Assets

Cerro Verde has determined that its operation consists of one cash generating unit, which is the operation as a whole. Therefore, the Cerro Verde operation is evaluated annually in order to determine if there are any 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 risks specific to the asset. See Note 2.2(g) to the Cerro Verde Financial Statements for further discussion.

Contingencies

By their nature, contingencies will only be resolved when one or more future events do or do not occur. Determining contingencies inherently involves the exercise of judgment and calculation of the estimated results 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 a stripping activity asset, where certain criteria are met.

Once Cerro Verde has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. 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 also to determine the expected volumes (e.g., 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, 2014 and 2013

Net sales. Net sales, including and mark-to-market adjustments for pounds of copper pending settlement, decreased by 19 percent, from US\$1,811.5 million in 2013 to US\$1,467.1 million in 2014, principally due to a decrease in average realized copper prices during 2014 and lower volume of copper sold. The following table reflects the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2013 and 2014:

	<u>Year ended December 31,</u>		<u>Variation</u>
	<u>2013</u>	<u>2014</u>	
<u>Average price</u>			
Copper (US\$/MT)			
.....	\$7,137	\$6,452	-10%
<u>Volume sold</u>			
Copper (MT)			
.....	253,828	227,402	-10%

Average realized copper prices per metric ton decreased from US\$7,137 in 2013 to US\$6,452 in 2014. The volume of copper sold decreased from 253,828 tons in 2013 to 227,402 tons in 2014, due to a decrease in the volume of copper concentrates sold. The combined effect of these changes resulted in a US\$344.4 million decrease in income from sales of copper in 2014 compared to 2013.

Total costs of sales. Total costs of sales increased from US\$795.1 million in 2013 to US\$797.5 million in 2014, due mainly to the net effect of the following:

- (a) Material and supplies consumption cost increased by 3 percent, from US\$324.9 million in 2013 to US\$333.5 million in 2014, mainly due to increased consumption of supplies in the mine area (associated with haulage and mining equipment);
- (b) Labor costs, including workers' profit sharing, decreased by 20 percent, from US\$215.4 million in 2013 to US\$171.6 million in 2014, mainly due to a charge of US\$35.2 million related to bonuses paid to employees in connection with the newly signed Union Workers collective labor agreement in 2013, and lower profit sharing in 2014 as compared to 2013 due to lower profits;
- (c) The variation of in process inventories increased from US\$57.9 million in 2013 to US\$70.5 million in 2014 as a result of the current mining plan of processing high grade concentrates first and then low grade concentrates;
- (d) Depreciation and amortization costs increased by 52 percent, from US\$109.3 million in 2013 to US\$166.6 million in 2014, mainly due to amortization of deferred stripping assets by US\$ 44.9 million;
- (e) Repair and maintenance services decreased by 5 percent, from US\$91.9 million in 2013 to US\$87.5 million in 2014; and
- (f) Energy costs increased by 22 percent, from US\$73.9 million in 2013 to US\$90.2 million in 2014, mainly due to an increase in the unit cost per kilowatt during 2014 as compared to 2013.

Total operating expenses. Operating expenses decreased by 15 percent, from US\$68.3 million in 2013 to US\$57.8 million in 2014, due mainly to changes in the following components:

- (a) Selling expenses decreased by 21 percent, from US\$68.4 million in 2013 to US\$54.2 million in 2014, due mainly to lower copper sales during 2014; and
- (b) Other expenses increased by US\$ 3.7 in 2014 mainly due to disposal losses associated with fixed assets.

Income tax. Income tax expense, including current and deferred expense, decreased by 28 percent, from an expense of US\$333.3 million in 2013 to an expense of US\$238.5 million in 2014. Net current income tax expense (including mining taxes) decreased by US\$50.9 million due to lower taxable income. and lower deferred tax expense by 43.9 million (mainly related to a temporary tax difference associated with the depreciation of fixed assets).

Net income. As a result of the foregoing, net income decreased by 38 percent, from US\$613.3 million in 2013 to US\$377.6 million in 2014. As a percentage of net sales, net income was 26 percent in 2014, compared with 34 percent in 2013.

Results of Operations for the Years Ended December 31, 2013 and 2012

Net sales. Net sales, including mark-to-market adjustments for pounds of copper pending settlement, decreased by 15 percent, from US\$2,127.0 million in 2012 to US\$1,811.5 million in 2013, principally due to a decrease in average realized copper price during 2013 and lower volume of copper sold. The following table reflects the average realized price and volume sold of copper (both cathode and concentrate) during the years ended December 31, 2012 and 2013:

	Year ended December 31,		Variation
	2012	2013	
<u>Average price</u>			
Copper (US\$/MT)			
.....	US\$ 7,965	US\$ 7,137	10%
<u>Volume sold</u>			
Copper (MT)			
.....	267,040	253,828	5%

Average realized copper prices per metric ton decreased from US\$7,965 in 2012 to US\$7,137 in 2013. The volume of copper sold decreased from 267,040 tons in 2012 to 253,828 tons in 2013, due to a decrease in the volume of copper concentrates and copper cathodes sold. The combined effect of these changes resulted in a US\$315.6 million decrease in income from sales of copper in 2013 compared to 2012.

Total costs of sales. Total costs of sales increased by 4 percent, from US\$765.8 million in 2012 to US\$795.1 million in 2013, due mainly to the net effect of the following:

- (a) Material and supplies consumption costs decreased by 1 percent, from US\$327.3 million in 2012 to US\$324.9 million in 2013, mainly due to the decrease in certain materials consumption used in the concentrator process;
- (b) Labor costs, including workers' profit sharing, increased by 21 percent, from US\$177.7 million in 2012 to US\$215.4 million in 2013, due mainly to a charge of US\$35.2 million related to bonuses paid to employees in connection with the newly signed Union Workers collective labor agreement;
- (c) The variation of in process inventories decreased from US\$32.5 million in 2012 to US\$57.9 million in 2013 as a result of the current mining plan of processing high grade concentrates first and then low grade concentrates;
- (d) Depreciation and amortization costs increased by 14 percent, from US\$95.9 million in 2012 to US\$109.3 million in 2013, due mainly to depreciation charges as the level of fixed assets increased (machinery and equipment);
- (e) Repair and maintenance services increased by 8 percent, from US\$85.4 million in 2012 to US\$91.9 million in 2013; and
- (f) Energy costs increased by 1 percent, from US\$73.1 million in 2012 to US\$73.9 million in 2013, mainly due to an increase in the unit cost per kilowatt during 2013.

Total operating expenses. Operating expenses decreased by 37 percent, from US\$108.2 million in 2012 to US\$68.3 million in 2013, due mainly to changes in the following components:

- (a) Selling expenses decreased by 13 percent, from US\$78.7 million in 2012 to US\$68.4 million in 2013, due mainly to lower copper sales during 2013; and
- (b) In 2012 Cerro Verde incurred a charge of US\$19.6 million related to expenses associated with the construction of the water treatment plant. No charges were recorded in 2013.

Operating income. As a result of the foregoing, operating income decreased by 24 percent, from US\$1,253.0 million in 2012 to US\$948.1 million in 2013.

Income tax. Income tax expense, including current and deferred expense, decreased by 27 percent, from an expense of US\$454.6 million in 2012 to an expense of US\$333.3 million in 2013. Net current income tax expense (including mining taxes) decreased by US\$50.9 million due to lower taxable income, and lower deferred taxes decreased by 70.34 million (mainly related to higher deferred expense in 2012 related to the construction of the water treatment plant and mark-to-market adjustments)

Net income. As a result of the foregoing, net income decreased by 23 percent, from US\$796.6 million in 2012 to US\$613.3 million in 2013. As a percentage of net sales, net income was 34percent in 2013, compared with 37 percent in 2012.

B. Liquidity and Capital Resources

As of December 31, 2014, Cerro Verde had cash and cash equivalents of US\$19.6 million, compared to US\$854.6 million at December 31, 2013.

Cash provided by operating activities for the years ended December 31, 2014 and 2013. Net cash and cash equivalents provided by operating activities were US\$318.1 million in 2014 and US\$768.3 million in 2013. This decrease in net cash flow provided by operating activities in 2014 compared with 2013 was mainly attributable to the following factors: (i) a decrease in proceeds from sales from US\$1,691 million in 2013 to US\$1,976 million in 2014; (ii) an increase in payment of income tax from US\$275 million in 2013 to US\$315 million in 2014 , and (iv) an increase in payments under protest related to tax assessments from SUNAT from US\$ 44 million in 2013 to US\$ 166 million in 2014.

Cash provided by operating activities for the years ended December 31, 2013 and 2012. Net cash and cash equivalents provided by operating activities were US\$768.3 million in 2013 and US\$697.3 million in 2012. The increase in net cash flow provided by operating activities in 2013 compared with 2012 was mainly attributable to the following factors: (i) an increase in proceeds from sales from US\$1,961 million in 2012 to US\$1,976 million in 2013; (ii) an increase in payments to suppliers and salaries from US\$805 million in 2012 to US\$1,137 million in 2013 and (iii) a decrease in payment of income tax from US\$413 million in 2012 to US\$275 million in 2013.

Cash used in investing activities for the years ended December 31, 2014 and 2013. Net cash used in investing activities increased from US\$1,340.5 million in 2013 to US\$1,600.9 million in 2014, mainly due to: an increase in purchases of property, plant and equipment mainly related to the expansion of production at Cerro Verde from US\$1,066 million in 2013 to US\$1,772 million in 2014, which was partially offset by the cancellation in 2014 of a time deposit in the amount of US\$225 million in a local bank to endorse a guarantee letter as an injunction to SUNAT in 2013.

Cash used in investing activities for the years ended December 31, 2013 and 2012. Net cash used in investing activities increased from US\$653.4 million in 2012 to US\$1,340.5 million in 2013, mainly due to: (i) an increase in purchases of property, plant and equipment for the expansion of production at Cerro Verde from US\$601 million in 2012 to US\$1,066 million in 2013 and (ii) the establishment of a time deposit in the amount of US\$225 million in a local bank to endorse a guarantee letter as an injunction to SUNAT in 2013.

Cash used in financing activities for the years ended December 31, 2014 and 2013. Net cash and cash equivalents used in financing activities was US\$447.8 million in 2014, mainly associated with withdrawals in the amount of US\$425 million from the US\$1.8 billion under a syndicated credit facility that we entered into in March 2014. Net cash used in financing activities was US\$0.8 million in 2013.

Cash used in financing activities for the years ended December 31, 2013 and 2012. Net cash and cash equivalents used in financing activities was US\$0.8 million in 2013 and US\$0 in 2012

Long-term Debt

As of December 31, 2014, Cerro Verde had total long term debt of US\$425 million in connection with amounts drawn from a five year US\$1.8 billion unsecured credit facility and financial lease contract liability amounting to US\$0.5 million (US\$0.2 million as current portion and US\$0.3 million as non-current portion).

C. Research and Development

Not applicable.

D. Trend Information

Expansion of operations

During 2010, Cerro Verde completed its concentrator plant expansion to increase the treatment of copper concentrate from 108,000 to 120,000 tons per day. During the second half of 2011, Cerro Verde completed the feasibility study for a major expansion of its concentrator and leaching facilities. The approximately US\$4.6 billion project which are expected to expand the concentrator facilities from 120,000 tons per day of ore to 360,000 tons per day, targeting incremental annual production of approximately 600 million pounds of copper and 15 million pounds of molybdenum beginning in 2016. Cerro Verde submitted the EIS to the Peruvian authorities for review and approval in December 2011 and received approval from the MEM in December 2012. In 2012, Cerro Verde continued with the execution of its unit of production expansion by undertaking detailed engineering studies and procuring long-lead items. As of December 31, 2014, the physical progress in the execution of the expansion project is 51.7% and the company has invested a total of US\$ 3.1 billion.

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, 2014:

	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	120	-	-	120
Other Current and Long-Term Contractual Obligations	874	471	403	-
Total Contractual Cash Obligations	994	471	403	120

ITEM 6. Directors, Senior Management and Employees

A. Board of Directors and Senior Management

Our Board of Directors is responsible for policy decisions and our overall direction and other corporate matters in accordance with our By-laws and the Peruvian Companies Law. Our executive officers oversee our business and are responsible for the execution of the policy decisions of the Board of Directors. The Board of Directors, which must be comprised of seven members, is elected at the annual obligatory meeting of shareholders, or the Annual Obligatory Meeting, for a three-year term. The last election took place in March 2014, and the next election is scheduled for March 2017. 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	60	Chairman of the Board	1980	March 2017
Jose Miguel Morales ⁽¹⁾	69	Director	2012	March 2017
Igor Gonzales	60	Director	2014	March 2017
Felipe Ortiz-de-Zevallos	67	Director	2003	March 2017
Carlos del Solar	74	Director	2011	March 2017
Germán Suárez	73	Director	2005	March 2017
Executive Officers				
Roque Benavides ⁽¹⁾	60	President and Chief Executive Officer	2001	
Carlos E. Gálvez	61	Vice President and Chief Financial Officer	2001	
Raúl Benavides ⁽¹⁾	59	Vice President Business Development	2014	
Alejandro Hermoza	53	Vice President Community Relations	2008	
Igor Gonzales	63	Vice President Operations	2014	
Gulnara la Rosa	50	General Counsel	2012	
Leandro Garcia	46	General Comptroller and Compliance Officer	2011	

(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, President and Chief Executive Officer and member of the Nominating Committee. Mr. Benavides has been a director since July 2004 and was our Chief Financial Officer from 1985 to February 2001, when he was appointed President and Chief Executive Officer. Prior to that time, he served as Assistant to our Chairman of the Board from 1980 to 1985 and as a Project Engineer from 1977 to 1979. Mr. Benavides also has been an alternate member of the Executive Committee of Yanacocha since 1992. In addition, he is an alternate board member of Cerro Verde and was the General Manager of Recuperada S.A., formerly one of our majority-owned subsidiaries that has since merged into us, from 1981 to 1996. He currently is serving as an executive officer and as a director of several of our related companies. He also has served as a director of the *Sociedad Nacional de Minería, Petróleo y Energía* (National Association of Minerals, Petroleum and Energy) since 1988, serving as Chairman of the Board from 1993 to 1995. Mr. Benavides served as chairman of the *Confederación Nacional de Instituciones Empresariales Privadas* (National Confederation of Private Companies, or CONFIEP) from 1999 to March 2001. In 2001, Mr. Benavides was appointed Vice Chairman of the World Gold Council and Vice Chairman of the Silver Institute in 2007. Mr. Benavides received a B.S. in Engineering from *Pontificia Universidad Católica del Perú* (Pontifical Catholic University of Peru) in Lima, Peru in 1977 and an M.B.A. from Henley, The Management College of Brunel University in 1980, and completed the Program for Management Development at the Harvard Business School in 1985 and the Advanced Management Program at Templeton College of Oxford University in 1997. He is a board member of Banco de Crédito and UNACEM, both Peruvian companies.

Timothy Snider, Director and member of the Nominating/Corporate Governance Committee. Mr. Snider was appointed a director in March 2011. He serves as Chairman of Cupric Canyon Capital, LLC., a private equity company

seeking investments in copper mining. In addition, he is a director of Compass Minerals International, Inc., and is Chairman of the Institute for Mineral Resources, a research organization sponsored by the University of Arizona. Mr. Snider is also a board member of the Northern Arizona University Foundation. Mr. Snider's career in the copper business spans 41 years, the vast majority of which were with Phelps Dodge Corporation (now Freeport-McMoRan Copper and Gold). He began his career in 1970 as an underground mine laborer in the Copper Queen operation in Bisbee, Arizona, and held numerous operational, technical, and exploration positions at several of Phelps Dodge's operations in the United States and Chile. He led Phelps Dodge in the application of hydrometallurgical processing during the 1980s and 1990s. In 1998, Mr. Snider was appointed President of Phelps Dodge Mining Company and in 2003 was promoted to President and Chief Operating Officer of Phelps Dodge Corporation. In these roles, he led the operational and technical integration of Phelps Dodge's Cyprus-AMAX acquisition, led several greenfield and brownfield expansion projects, and helped to establish Phelps Dodge as one of the industry leaders in technology development and operational excellence. In early 2007, he assumed the role of President and Chief Operating Officer of Freeport-McMoRan Copper and Gold, Inc. upon Freeport's acquisition of Phelps Dodge, a position he held until the end of the first quarter of 2008. Mr. Snider holds a B.S. in Geology and Chemistry from Northern Arizona University and is a graduate of the Wharton Advanced Management Program at the University of Pennsylvania.

José Miguel Morales, Director and member of the Nominating/Corporate Governance Committee. Mr. Morales was our General Counsel from 1973 to 2012 and was appointed a member of the Board in 2012. From 1992 to 1995, Mr. Morales served as an alternate member of the Executive Committee of Yanacocha. Mr. Morales has also served as a member of the Executive Committee of Yanacocha since 1995. Mr. Morales currently serves as a director of seven of our nineteen mining and mining-related subsidiaries or affiliates. In addition, he has served as a director of the *Instituto Nacional de Derecho de Minería y Petróleo* (National Institute of Mining and Petroleum Law), serving as its President from 1989 to 1990 and as a director of the *Sociedad de Minería y Petróleo del Perú* (Mining and Petroleum Society of Peru) since 1998, serving as its vice chairman since 2000. He has been a director of the following non-mining related companies: *Almacenera del Perú S.A.* from 1992, *Inversiones Cosepa S.A.* from 1979, *Hotel Costa del Pacífico S.A.* from 1994 and *El Pacífico—Peruana Suiza Compañía de Seguros* from 1979. Since 1973, he also has been a partner of *Estudio Aurelio García Sayán Abogados*, a Lima law firm. In February 2003, Mr. Morales was elected president of the *Sociedad Nacional de Minería, Petróleo y Energía* (National Association of Minerals, Petroleum and Energy). On January 31, 2005, Mr. Morales ended his tenure as President of *Sociedad Nacional de Minería, Petróleo y Energía* and was elected on March 16, 2005 President of *Confederación Nacional de Instituciones Empresariales Privadas* (National Confederation of Private Companies, or CONFIEP) until 2007. Mr. Morales received his law degree from *Pontificia Universidad Católica del Perú* in 1968 and completed the Sloan Program at Stanford University's Graduate School of Business in 1976.

Igor Gonzales, Director, Vice President Operations and member of the Nominating/Corporate Governance Committee. Mr. Gonzales is a Chemical Engineer from San Antonio Abad University, Cusco, Peru, with 35 years of experience. He is currently a Managing Partner at Magris Resources. He has been a director since February 27, 2014. He was Vice President and General Manager of Pierina Mine Peru, President of Barrick South America, Chief Operating Officer of Barrick Gold Corporation and worked for Southern Peru Copper Corporation Toquepala –Perú from 1980 to 1997. He has been a director of Hudbay Minerals Incorporated, Sierra Metals and Minera Corona. Mr. Gonzales received an M.S. in Extractive Metallurgy from New Mexico Institute of Mining and Technology – Socorro, N.M U.S.A. in 1983 and completed the Advance Management Programme at Henley Management College-England in 2007.

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

Carlos del Solar, Director, member of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. Mr. del Solar was appointed a director in March 2011. He graduated with degrees in Geology and Geological Engineering from the National University of San Marcos, earned a Master of Science degree from Stanford University, California and completed the Advanced Executive Management Program

at the University of Piura. He started his professional career as an exploration geologist for Mobil Oil in Peru and Central America. Between 1977 and 1998 he worked for Occidental Petroleum in Peru as Exploration Vice President, California as Regional Exploration Manager for Latin America and the Caribbean. Then as Exploration Vice President in Malaysia, Regional Operations Manager for Latin America and later, President and General Manager of the Business Unit in Venezuela. Between 1998 and 2001, Mr. del Solar served as President and General Manager of ARCO for Brazil, Colombia, Peru, and Trinidad. In April 2001, he joined Hunt Oil in Peru as President and General Manager and participated in the development of the Camisea gas project and the LNG export project. From January 2005 through January 2007, he served as President of the National Society of Mining, Petroleum and Energy and as First Vice President of the Peruvian Confederation of Private Business Associations (CONFIEP) from March 2007 through March 2009. From March 2010 to March 2012 Mr. del Solar has served as Second Vice President of the Peruvian Exporters Committee (COMEXPERU). He is currently a director and member of the Executive Committees of the National Society of Mining, Petroleum and Energy, and of COMEXPERU. Mr. del Solar also serves as President of the Advisory Council of the Graduate School of the Peruvian University of Applied Sciences (UPC).

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

Carlos E. Gálvez, Vice President and Chief Financial Officer. Mr. Gálvez was the Deputy Manager, Finance and Information Systems, from 1985 to February 2001, when he was appointed Vice President and Chief Financial Officer. He served as Deputy Manager of our Treasury from 1980 to 1985, and as Treasurer from 1978 to 1980. Mr. Gálvez has also served as director of Colquirrumi, our subsidiary, and was appointed director and General Manager of Conenhua in 2000, Director and General Manager of Empresa de Generación Huanza in 2007, director of *Compañía Minera Condessa* in 2010, director of El Brocal in 2002, director of Contacto S.A. in 2005 and other three related companies. He has served as an alternate member of the Executive Committee of Yanacocha since 2005, Minera La Zanja since 2012 and an alternate board member of Cerro Verde since 2005. He also has served as director of the *Sociedad de Minería, Petróleo y Energía del Perú* (Mining, Petroleum and Energy Society of Peru) since 2000. Prior to joining us, Mr. Gálvez served as Managerial Adjunct for Finance and Credit from 1971 to 1978 at *Banco Minero del Perú* (Mining Bank of Peru). He has also served as a board member of the Comité de Operación Económica del Sistema Eléctrico Nacional (Committee of Economic Operation of the National Electric System). Mr. Gálvez received his B.A. in Economics from the *Universidad Nacional Federico Villarreal* in 1976, his M.B.A. from the *Universidad del Pacífico de Lima* in 1980 and completed the Program for Management Development, in 1997, and the Advanced Management Program, in 2005, at The Harvard Business School.

Raúl Benavides Ganoza, Vice President Explorations. Mr. Benavides has been Vice President of Explorations since 2014. Prior to serving in his role as Vice President of Explorations, he was Vice President of Business Development since 1992. He is also a member of the Executive Committee of Yanacocha and board member of Cerro Verde and several of our related companies. From 1984 to 1996 he was General Manager (CEO) of *Compañía de Minas Orcopampa*. Prior to that time, Mr. Benavides was Manager of Operations from 1983 to 1984 and Mine Manager from 1980 to 1983 at Colquirrumi. Since 1995, he has been a professor of mining administration at *Pontificia Universidad Católica del Perú*. Mr. Benavides also has served as President of the *Instituto de Ingenieros de Minas* (Institute of Mining Engineering), was also the Founder and President of the *Instituto de Seguridad Minera del Perú* (Mining Safety Institute of Peru) from 1996 to 2000. Mr. Benavides received a B.S. in Mining Engineering from the University of Missouri-Rolla in 1980, an M.S. in Mineral Engineering-Management from Pennsylvania State University in 1984 and completed the Advanced Management Program at The Harvard Business School in 2001.

Alejandro Hermoza Maraví, Vice President Community Relations. A Mechanical Engineer graduated from the University of Maryland, Mr. Hermoza also holds an MSc in Engineering from the same University and an MBA from the *Universidad de Ciencia Aplicadas* (UPC). He worked as Development Manager for the *Confederación Nacional de Instituciones Empresariales Privadas* (CONFIEP), and later joined us in 2003, where he began as Deputy Manager for Administration and Human Resources. In 2011, Mr. Hermoza completed the Advance Management Program at Harvard Business School.

Leandro Garcia, General Comptroller and Compliance Officer. Mr. Garcia received his Bachelor in Business Administration and Bachelor in Accounting from Universidad del Pacifico and his M.B.A. from the University of Miami, Florida. Mr. Garcia worked at Buenaventura from 1990 to 1997, where he served as Head of Treasury. He performed as CFO in *Sociedad Minera El Brocal* until 2000. He was also Manager of BTL Drugstores until 2005 and General Manager of *Inkafarma Drugstores* until June 2011. He rejoined Buenaventura as General Comptroller in July 2011.

Gulnara La Rosa, General Counsel. Ms. La Rosa has worked at Buenaventura since 1990. She was the Legal Director from 2006 to June 2012 and was appointed as Legal Manager and General Counsel in July 2012. Ms. La Rosa served as Head of the Legal Department from 1997 to 2006 and as a lawyer from 1991 to 1997. 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, Perú, 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.

B. Compensation

During the year ended December 31, 2014, the aggregate amount of compensation that we paid to all directors and executive officers was approximately US\$11.4 million, including director's fees accrued in 2013 and paid in 2014. We do not disclose to our shareholders or otherwise make public information with respect to the compensation of our individual directors or executive officers.

We have a long-term stock appreciation program, with a term of ten years once initiated, that allows certain executives to receive a cash remuneration equivalent to any excess of the market value at a future date over a stated price of a stated number of our ADSs. This program is in effect as long as the executives are employed by us at the settlement date of the program. See Note 15(c) to the Financial Statements.

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 of Directors in the appointment of independent auditors, upon delegation of such responsibility by the shareholders at the general meeting of shareholders, or the General Meeting, and reviewing the scope of internal and external audits. The Audit Committee also reviews compliance with internal control systems, reviews our annual and quarterly financial statements, reviews financial statements before their presentation to the *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), or 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 currently Messrs. Suárez, Ortiz-de-Zevallos and del Solar.

Compensation Committee

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

Nominating/Corporate Governance Committee

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

D. Employees

As of December 31, 2014, we, including our subsidiaries and Coimolache, had 3,292 employees (including 32 employees from our mining trainee program). In addition, we have entered into arrangements with independent contractors which employed 12,456 persons who worked at our operations. We have sought to strengthen our workforce by implementing a qualifications-based hiring policy and, with respect to employees working in the mines, reducing the average age of the workforce. As of December 31, 2014, the average tenure of Buenaventura's permanent laborers was approximately 11 years.

Of the 2,740 permanent employees employed by Buenaventura and its subsidiaries directly, approximately 46 percent are members of 11 different labor unions (including four unions for clerical workers, six unions for laborers), which represent all clerical workers and laborers in collective bargaining negotiations with us. There are also five unions for workers employed by independent contractors that were formed over the last five years in our mines at Uchucchacua, Orcopampa-Poracota, La Zanja, Julcani and El Brocal.

Each of the labor unions is a company-based union with an affiliation to a national union. Administrative personnel are not represented by unions. Labor relations for unionized and non-unionized employees in our production facilities, including compensation and benefits, are governed by collective bargaining agreements, the terms and length of which are negotiated throughout the year as the various collective bargaining agreements come up for renewal. These collective bargaining agreements are typically one year in length and set wages for the applicable period, including increases as negotiated and certain other employee benefits, such as overtime, bonuses and family benefits.

During 2014, we experienced strikes in three of our mines. Between January and March, we had three strikes at Uchucchacua mine; two claiming the rehearing of a syndicate leader (9 days) and the last one related to the death of a contractor's employee (2 days). In April and May of 2014, El Brocal experienced a four day work stoppage at the Colquijirca mine in connection with salary negotiations and the collective bargaining agreement. Finally, in July, 2014 we experienced a strike at the Orcopampa mine that lasted for three days and was staged by workers' and contractors' unions claiming unsuitable working conditions. The Peruvian Ministry of Labor declared Uchucchacua's and Orcopampa's work stoppages illegal.

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 percent of the annual pre-tax profits of their employer, 50 percent of such profits to be distributed based on the number of days each employee worked during the preceding year and the remaining 50 percent of such profits to be distributed based on the aggregate annual salary of each employee. Effective January 1, 1997, the annual payment to each employee under the profit sharing plan cannot exceed 18 times such employee's monthly salary, and any difference between the Employee Profit Sharing Amount and the aggregate amount paid to employees must be contributed by us to the FONDO-EMPLEO, a fund established to promote employment and employee training.

Under Peruvian law, we may dismiss workers for cause by following certain formal procedures. We may dismiss a worker without cause, provided that we pay such worker a layoff indemnification in an amount equal to one and a half month's salary for each full year worked plus the pro rata portion for any uncompleted year, not to exceed in the aggregate 12 months' salary. Several decisions adopted by the Peruvian Constitutional Court, holding that an employee is entitled for reinstatement if no cause for dismissal is expressed by the employer or for failure to present evidence supporting the employer's grounds, have limited our ability to dismiss a worker without cause. However, all employees are entitled to a severance payment upon termination of their employment, regardless of the reason for such termination, equal to approximately one month's salary for each full year worked plus the pro rata portion for any uncompleted year. Pursuant to the Peruvian labor laws enacted in 1992, we deposit funds for severance payments in a bank account selected by each employee and for the benefit of such employee, in both May and November of each year.

Our permanent employees receive the benefit of one of two types of pension arrangements. All workers can choose to enroll in the ONP (a public pension fund managed by the state) or in an AFP (private pension funds). We are required to withhold from each of the salaries of the employees enrolled in the ONP system 13 percent of such employee's salary, and pay such amount to the ONP system and withhold from the salary of each employee enrolled in the AFP system approximately 12.5 percent of such employee's salary, and pay such amounts to the respective AFP (exact amount varies from one AFP to another). Additionally, for workers involved in mining and metallurgical processes, an additional 2 percent is withheld from their salaries, and we contribute an additional 2 percent to increase their pension funds. We have no liability for the performance of these pension plans. In addition, our independent contractors are responsible for covering severance and pension payments with respect to their employees.

In addition, we pay ESSALUD 9 percent 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 percent of the payroll of covered employees for employment-related incapacity and death for blue collar employees and other employees exposed to mining-related hazards.

E. Share Ownership

As of March 31, 2015, our directors and executive officers, as a group, owned 41,588,448 Common Shares, representing 16.36 percent of all the 254,186,867 Common and Investment Shares outstanding. Our directors and executive officers do not own any Investment Shares.

The share ownership of the Company's directors and executive officers on an individual basis as of March 31, 2015 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	5.47
Timothy Snider	—	—	—	—	—	—
José Miguel Morales †	13,813,836	5.44			13,813,836	5.43
Igor Gonzalez	—	—	—	—	—	—
Felipe Ortiz-de- Zevallos	—	—	—	—	—	—
Carlos del Solar	—	—	—	—	—	—
Germán Suárez	—	—	—	—	—	—
Raúl Benavides †	13,813,836	5.44		—	13,813,836	5.43
Carlos E. Gálvez.	48,770	0.02	—	—	48,770	0.02
Alejandro Hermoza	—	—	—	—	—	—
Gulnara la Rosa	—	—	—	—	—	—
Leandro Garcia	—	—	—	—	—	—
Directors and Executive Officers as a Group †	41,588,448	16.39			41,588,448	16.36

† Includes Common Shares owned by the applicable Benavides family member and his or her spouse.

ITEM 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

As of March 31, 2015, we had 274,889,924 Common Shares outstanding, including 21,144,734 treasury shares, and 744,640 Investment Shares, including 272,963 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, 2015, with respect to each shareholder known to us to own more than 2.5 percent of the outstanding Common Shares and with respect to all directors and executive officers as a group.

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⁾
Benavides Family ⁽⁵⁾	69,187,744	27.27	—	—	69,187,744	27.22
Market Vectors ETF Trust						
Gold Miners ETF	19,784,969	7.79			19,784,969	7.78
Van Eck Associates Corp						
.....	16,720,870	6.59	--	—	16,720,870	6.57
Templenton Asset						
Management Ltd. Hong Kong	12,532,458	4.94	----	---	12,532,458	4.93
T. Rowe Price Associates In.	7,974,078	3.14	----	--	7,974,078	3.13
BlackRock Fund Advisors	7,029,000	2.77	----	---	7,029,000	
BlackRock Investment Management (UK) Ltd.	6,802,157	2.68	----	----	6,802,157	2.76

(1) The table above excludes treasury shares. As of March 31, 2015 Buenaventura held 14,474 common shares and 1,230 Investment Shares and our wholly-owned subsidiary, Condesa, held 21,160,260 Common Shares and 271,733 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 417,677 Investment Shares outstanding, which excludes 272,963 treasury shares.

(4) Percentage calculated on the basis of 254,186,867 Common Shares and Investment Shares outstanding, which excludes 21,447,697 treasury shares.

(5) These Common Shares are owned by certain members, and their spouses, of the immediate and extended family of Elsa Ganoza Benavides (spouse of the late Alberto Benavides de la Quintana, our founder and former Chairman).

As of March 31, 2015, we estimate that 185,756,736 ADSs were held in the United States, which represented approximately 73.21 percent of Common Shares outstanding. The number of institutional record holders of our Common Shares (or of ADSs representing our Common Shares) in the United States was 69 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\$4.7 million in 2013 and US\$2.8million in 2014.

Chaupiloma is the legal owner of the mineral rights operated by Yanacocha and receives a 3 percent royalty based on quarterly sales, after deducting refinery and transportation costs. Royalties amounted to US\$67.2 million, US\$44.2 million and US\$36.9 million in 2012, 2013 and 2014, respectively, and are presented as royalty income in our consolidated statements of income.

Condesa did not receive a cash dividend from Yanacocha in 2012, 2013 or 2014.

We did not receive a cash dividend from Cerro Verde in 2012, 2013 or 2014.

We received cash dividends from Coimolache of approximately US\$9.8 million in 2013 and US\$12.9 million in 2014.

In March 2002, Buenaventura Ingenieros S.A. signed a technical service agreement with Yanacocha to perform a number of specialized activities and services. Pursuant to the agreement, the services performed relate to the construction of mining projects and include completion of analysis and studies, work plan design, and functions related to planning, monitoring and administrating the infrastructure projects required by Yanacocha in its operations.

In November 2000, Conenhua signed an agreement with Yanacocha for the construction and operation of a 220 kW transmission line between Trujillo and Cajamarca, a 60 kW transmission line between Cajamarca and La Pajuela, and the Cajamarca Norte substation; this agreement also encompassed activities necessary to enlarge the Trujillo substation. Pursuant to this contract, the construction work was completed in October 2001. Concurrently, we and Yanacocha signed a 10-year agreement covering electric energy transmission and infrastructure operation beginning in November 2001. In exchange for us operating and managing the transmission project, Yanacocha pays an annual fee of US\$3.7 million. The revenues for these services amounted to approximately US\$1.7 million in 2012, US\$0.9 million in 2013, and US\$0.9 million in 2014.

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

The Board of Directors, following the end of each fiscal year, makes a recommendation at the annual obligatory shareholders’ meeting regarding the amount and timing of payments, if any, to be made as dividends on our Common Shares and Investment Shares.

The dividend policy establishes that 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 shareholders’ 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 percent of the total Common Shares outstanding can request a dividend of 50 percent 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 percent 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 has been 30 percent since January 1, 2004. Such rate has been reduced to 28% for 2015 and 2016, to 27% for 2017 and 2018 and to 26% for 2019 and thereon. Not less than 10 percent of such after-tax net profits must then be allocated to a legal reserve, which is not available thereafter except to cover future losses or for use in future capitalizations. Amounts reserved are nevertheless included in taxable income. The obligation to fund this reserve continues until the reserve constitutes 20 percent of the paid-in share capital. In addition, the holders of Common Shares can agree to allocate any portion of the net profits to any special reserve. The remainder of the net profits is available for distribution to shareholders. Any dividend approved by a shareholders’ meeting after December 31, 2002 has been subject until 2014 to an additional withholding tax at the rate of 4.1 percent of the total amount of dividends distributed to shareholders who are either (i) individuals, whether domiciled or non-domiciled in Peru, or (ii) non-domiciled companies or entities. For dividends paid out from our accumulated net profits after December 31, 2014, such withholding rate has been increased to 6.8% for 2015 and 2016, to 8.0% for 2017 and 2018 and to 9.3% for 2019 and thereon. Dividends paid to domiciled companies or entities are not subject to such withholding tax. If any tax or other governmental charge will become payable by Scotiabank Peru, as custodian, the Depositary or us with respect to any ADR or any deposited securities represented by the ADSs evidenced by such ADR, such tax or other governmental charge will be payable by the owner or beneficial owner of such ADR to the Depositary.

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

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

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

To the extent that we declare and pay dividends on the Common Shares, owners of the ADSs on the relevant record date are entitled to receive the dividends payable in respect of the Common Shares underlying the ADSs, subject to the terms of the Amended and Restated Deposit Agreement. Cash dividends are paid to the Depositary in Nuevos Soles and, except as otherwise described under the Amended and Restated Deposit Agreement, are converted by the Depositary into U.S. Dollars and paid to owners of ADRs net of currency conversion expenses. Under the Amended and Restated Deposit Agreement, the Depositary may, and will if we so request, distribute stock dividends in the form of additional ADRs evidencing whole ADSs resulting from a dividend or free distribution of Common Shares by us received by the Depositary. Cash dividends paid with respect to the Common Shares and amounts distributed with respect to ADSs have been subject until 2014 to a Peruvian withholding income tax of 4.1 percent. Such withholding rate has been increased for dividends paid out from our accumulated net profits after December 31, 2014 to 6.8% for 2015 and 2016, to 8.0% for 2017 and 2018 and to 9.3% for 2019 and thereon. 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. In order to adjust the book value of each share to equal or approximate the nominal value, we periodically issue new shares that are distributed as stock dividends to each existing shareholder in proportion to such shareholder’s existing holdings, unless it increases the nominal value of the existing shares. These stock dividends (which under the Peruvian income tax law are not considered dividends) do not change a stockholder’s percentage of interest in us. In addition, we may from time to time capitalize profits and, in such case, we have to distribute stock dividends representing the profits capitalized.

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

Under Peruvian law, each company may make formal cash distributions only out of net distributable income (calculated on an individual, unconsolidated basis and demonstrated by a 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 financial statements which show the existence of net distributable income obtained during the current fiscal year. In the event that, following such an interim provisional payment, we suffer a loss or if we finish the fiscal year with a net income that is lower than the amount of provisional dividends paid during such fiscal year, we could legally require all shareholders (including holders of ADRs) to return such payment to us with interest. However, it has been and continues to be our policy not to require shareholders to return such payment of provisional dividends, but rather to cover such contingency through a “dividends paid in advance” account to be offset by future net distributable income.

The following table sets forth the amounts of interim and final cash dividends and the aggregate of cash dividends paid with respect to the years 2011 to 2014. Dividends with respect to the years 2011 to 2014 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
2011	0.230	0.400	0.630	0.230	0.400	0.630	0.230	0.400	0.630
2012	0.200	0.300	0.500	0.200	0.300	0.500	0.200	0.300	0.500
2013	0.010	0.011	0.021	0.010	0.011	0.021	0.010	0.011	0.021
2014	0.023	0.000	0.023	0.023	0.000	0.023	0.023	0.000	0.023

(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 Shareholders' Meeting, or (2) the expiration of the three-month period after the end of the prior fiscal year in which such Annual Obligatory Shareholders' 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 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 and that the holder of the shares can instruct us to deposit the dividends in a specific bank account. 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.

B. Significant Changes

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

ITEM 9. The Offer and Listing

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 Nuevos Soles. The table also includes the trading volume and the high and low closing prices of the ADSs representing the Common Shares in U.S. Dollars for the same periods.

	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									
2011.....	2.50	136.00	98.72	323.19	49.53	35.33	0.02	110.00	98.00
2012.....	2.14	117.00	82.55	236.34	43.90	30.86	0.22	109.30	75.00
2013.....	2.06	90.99	29.70	472.08	36.58	10.54	0.00	30.00	30.00
2014.....	0.44	39.80	28.11	467.73	14.82	8.64	0.001	26.00	26.00
Quarterly highs and lows									
2013									
1st quarter.....	0.60	90.09	63.80	82.42	36.58	24.00	0.00	-	-
2nd quarter.....	0.90	65.05	37.00	106.66	26.11	13.38	0.00	-	-
3rd quarter.....	0.34	42.50	31.20	143.18	15.64	11.20	0.001	30.00	30.00
4th quarter.....	0.22	40.81	29.70	139.98	14.99	10.54	0.00	-	-
2014									
1st quarter.....	0.22	39.00	31.45	136.12	14.12	11.08	0.001	26.00	26.00
2nd quarter.....	0.04	38.00	28.11	111.12	13.88	9.75	-	-	-
3rd quarter.....	0.15	39.80	29.40	93.37	14.82	10.71	-	-	-
4th quarter.....	0.02	34.00	29.40	127.130	12.28	8.64	-	-	-
Monthly highs and lows									
2014									
October.....	0.007	34.00	33.40	41.01	12.28	9.04	-	-	-
November.....	0			39.80	10.35	8.64	-	-	-
December.....	0.008	31.55	29.40	46.31	10.91	8.90	-	-	-
2015									
January.....	0.056	34.60	31.55	11.88	11.88	9.30	-	-	-

February	0.095	35.51	32.30	11.60	11.60	10.21	-	-	-
March	0.097	35.44	31.00	11.76	11.76	9.80	-	-	-

(1) Source: Lima Stock Exchange

(2) Source: Bloomberg; Yahoo Finance

As of March 31, 2015, the share capital with respect to the Common Shares was S/.2,748,899,240 represented by 274,889,924 shares and the share capital with respect to the Investment Shares was S/.7,446,400 represented by 744,640 shares. The Common Shares represent 100 percent of our outstanding share capital. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. As of March 31, 2015, there were 1,191 owners of record of the Common Shares and 902 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 of Directors 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 of Directors, which must be comprised of seven members, is elected at the Annual Obligatory Meeting. Any changes in the Board of Directors require the approval of the shareholders. The removal of the Board of Directors must be approved at a shareholders' meeting, attended by holders of 75 percent of the Common Shares in the first summons and 70 percent of the Common Shares in the second summons, by resolution approved by at least two thirds of the total number of Common Shares outstanding. In the case of resignation of Directors, the Board of Directors may appoint substitute Directors who will serve until the next shareholders' meeting.

Directors are elected as a group for a term of three years and may be reelected indefinitely. Pursuant to Article 29 of our By-laws, Directors are not required to be shareholders. The Board of Directors, in its first meeting after the Annual Obligatory Meeting during which elections are held, must choose from among its members a Chairman and a Vice Chairman. The Peruvian Companies Law requires that all companies (*sociedades anónimas*) provide for the representation of 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 we may enter into with 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 of Directors or a shareholders' meeting upon the request of any shareholder or any member of the Board.

Our By-laws also do not contain any provisions with respect to the power of the Directors to vote upon matters relating to their own compensation. Nevertheless, Article 30 of the By-laws requires that the Board of Directors receive compensation of no more than 4 percent of the profits of each fiscal year after making deductions for workers' profit sharing, taxes, reinvestment of profits for tax benefits and legal reserves. This amount will be submitted for ratification by the General Meeting during the annual obligatory meeting, at which time it approves the 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 in the event that 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 of Directors. Directors are jointly liable to the company and the company's creditors for contracts, credit, loans or securities executed or granted without complying with Article 179 of the Peruvian Companies Law. 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 percent of our outstanding share capital. The Investment Shares have no voting rights and are not, under Peruvian law and accounting rules, characterized as share capital. The Common Shares and the Investment Shares may be either physical share certificates in registered form or book-entry securities in the CAVALI ICLV S.A. book-entry settlement system, also in registered form.

Holders of Common Shares are entitled to one vote per share, with the exception of the election of the Board of Directors, where each such holder is entitled to one vote per share per nominee. Each holder's votes may be cast all for a single nominee or distributed among the nominees at the holder's discretion. Holders of Common Shares may attend and vote at 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 percent of capital to the extent such accumulated losses are not offset by accumulated earnings and capital increases within the following fiscal year. Capital increases and reductions must be communicated to the SMV, the Lima Stock Exchange and the *Superintendencia Nacional de Administración Tributaria* (SUNAT) and published in the official gazette *El Peruano* and in a widely circulated newspaper in the city in which we are located.

The Investment Shares do not represent our stock obligations. Holders of Investment Shares are neither entitled to exercise voting rights nor to participate in 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.

Changes in the Rights of Shareholders

Our By-laws do not contain special provisions relating to actions necessary to change the rights of holders of the classes of shares. However, Article 88 of the Peruvian Companies Law establishes that all shares of a same class must have the same rights and obligations, and that in the event that we decide to establish different rights and obligations we must create a different class of shares, which creation will be agreed upon by the General Meeting in accordance with the requirements for modification of the By-laws. The Common Shares are the only class of shares representing 100 percent of our share capital, and, therefore, each Common Share has the same rights and obligations of each other Common Share. These requirements are described under "—Shares and Voting Rights" above.

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

Shareholders' Meetings

Pursuant to Peruvian law and our By-laws, the Annual Obligatory Meeting must be held during the three-month period after the end of each fiscal year. Additional General Meetings may be held during the year. Because we are a *sociedad anónima abierta*, we are subject to the special control of the SMV, as provided in Article 253 of the Peruvian Companies Law. Shareholders' meetings are convened by the Board of Directors when deemed convenient for us or when it is requested by the holders of at least 5 percent 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 percent of the Common Shares, the shareholders' meeting is not convened by the Board of Directors within 15 business days of the receipt of such request, such holders of at least 5 percent 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 percent 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 prior to any shareholders' meeting, in El Peruano and in a widely circulated newspaper in the city in which we are located. The notice requirement may be waived at the shareholders' meeting by holders of 100 percent 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 percent of our capital stock, a merger, division, reorganization, transformation or dissolution, are subject to a first, second and third quorum call, each of the second and third quorum to occur upon the failure of the preceding one. A quorum for the first call requires the presence of shareholders holding 50 percent of our total voting shares. For the second call, the presence of shareholders holding at least 25 percent of our total voting shares constitutes a quorum, and for the third call there is no quorum requirement. These decisions require the approval of the majority of the voting shares represented at the 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 of Directors, at least 75 percent and 70 percent 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 respectively. Provided such quorum is attained, the affirmative vote of no less than two thirds of the total number of Common Shares outstanding is required to effect the removal of members of the Board of Directors. The special quorum and voting requirements described above cannot be modified at a shareholders' meeting called for the purpose of considering the removal of members of the Board of Directors.

Under our By-laws, the following actions are to be taken at the annual obligatory shareholders' meetings: approval of our 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 of Directors; and any other matters submitted by the Board of Directors. The following actions are to be taken at the same annual shareholders' meetings if the quorum and majority requirements are met or at any other shareholders' meeting: any amendment of 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 the 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 and Regulation No. 05-2009-EF-94.01.1 of the SMV, when an individual or financial group acquires, in one act or various successive acts, a significant percentage (more than 25 percent) of the voting shares of a company, as well as upon any person or group increasing its ownership above the 50 percent and 60 percent thresholds, a procedure known as *Oferta Pública de Adquisición*, or Takeover Bid, must be followed. This has the effect of alerting other shareholders and the market that an individual or financial group has acquired a significant percentage of a company's voting shares, and gives other shareholders the opportunity to sell their shares at the price offered by the purchaser. The purchaser is obliged to launch a Takeover Bid unless it is exempt pursuant to Regulation No. 009-2006-EF.94.10 of the 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 percent 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 (*matricula de acciones*) or in CAVALI ICLV S.A.

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. Prior to August 1990, the Peruvian foreign exchange market consisted of several alternative exchange rates. Additionally, during the 1990s, the Peruvian currency has experienced a significant number of large devaluations, and Peru has consequently adopted, and operated under, various exchange rate control practices and exchange rate determination policies, ranging from strict control over exchange rates to market determination of rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares of Peruvian companies to receive and repatriate 100 percent of the cash dividends distributed by such companies. Such investors are allowed to purchase foreign exchange at free market currency rates through any member of the Peruvian banking system and transfer such foreign currency outside Peru without restriction.

E. Taxation

The following summarizes the material Peruvian and United States tax consequences under present law of the purchase, ownership and disposition of ADSs or Common Shares. The discussion is not a full description of all tax considerations that may be relevant to a decision to purchase ADSs or Common Shares. In particular, this discussion deals only with holders that hold ADSs or Common Shares as capital assets and that have the U.S. Dollar as their functional currency. The summary does not address the tax treatment of certain investors that may be subject to special tax rules, such as banks, securities dealers, insurance companies, tax-exempt entities, persons that will hold ADSs or Common Shares as a position in a "straddle" or "conversion transaction" for tax purposes and holders of 10 percent or more of our voting shares. This discussion does not address any U.S. state or local taxes, 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 United States, except for a treaty to exchange tax information. The information to be exchanged

is defined in such treaty as any data or declaration that may be relevant or essential to the administration and application of taxes. Accordingly, the discussions below of Peruvian and U.S. tax considerations are based on the domestic law of each of Peru and the United States which are subject to change and possibly with retroactive effect.

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

Peruvian Tax Considerations

Cash Dividends and Other Distributions

Cash dividends paid with respect to Common Shares and amounts distributed with respect to ADSs are currently subject to a Peruvian withholding Income Tax, at a rate of 4.1 percent over the dividend paid (as long as such dividend is paid out from our accumulated net profits as of December 31, 2014), when the dividend is 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. If the dividend distribution is paid out from our net profits after December 31, 2014, the Peruvian withholding Income Tax rate will increase to 6.8 percent, if the distribution is approved during 2015 and 2016, to 8 percent if it is approved during 2017 and 2018, and to 9.3 percent if it is approved in 2019 or later.

Law No. 30296, enacted on December 31, 2014, established certain amendments to the Peruvian Income Tax Law, or the ITL, effective from January 1, 2015. The most significant changes are the following: (i) a gradual increase of Peruvian withholding income tax over dividends paid from 4.1 percent to 6.8 percent in 2015 and 2016, to 8.0 percent in 2017 and 2018, and to 9.3 percent in 2019 and beyond. These tax rates will apply to profit distribution adopted or made available in cash or in kind, whichever occurs first, since January 1, 2015; and (ii) Peruvian withholding income tax of 4.1 percent will be applied to retained earnings or other items subject to generate taxable dividends, obtained up to December 31, 2014, and forming part of dividends distribution or any other profit distribution.

Capital Gains

Pursuant to Article 6 of the Peruvian Income Tax Law, or 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, prior to 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 prior to 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) prior to 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. For non-resident entities or individuals, capital gains will be subject to an Income Tax rate of either 5 percent or 30 percent, depending where the transaction takes place. If the transaction is consummated within Peru, the Income Tax rate is 5 percent; if the transaction is consummated outside of Peru, capital gains are taxed at a rate of 30 percent.

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.

Prior to 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 percent Corporate Income Tax rate.

Furthermore, prior to 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 five percent 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 five percent 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 subsequent to 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.

Other Considerations

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

United States Federal Income Tax Considerations

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

Cash Dividends and Other Distributions

Cash dividends paid with respect to Common Shares or Common Shares represented by ADSs generally are includible in the gross income of a U.S. Holder as ordinary income. Dividends generally are treated as foreign source income. Dividends paid to a U.S. Holder that is a corporation are not eligible for the dividends received deduction available to corporations. Under current law, a maximum 20 percent U.S. tax rate is imposed on the dividend income of an individual U.S. holder with respect to dividends paid by a domestic corporation or "qualified foreign corporation" if certain holding period requirements are met. A qualified foreign corporation generally includes a foreign corporation if (i) its shares are readily tradable on an established securities market in the U.S. or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. Clause (i) will apply with respect to ADSs if such ADSs are readily tradable on an established securities market in the U.S. The ADSs are traded on the New York Stock Exchange. As a result, we believe that we should be treated as a qualified foreign corporation and, therefore, dividends paid to an individual U.S. holder with respect to ADSs for which the minimum holding period requirement is met should be taxed at a maximum rate of 20 percent. Dividends paid in Nuevos Soles are includible in a United States dollar amount based on the exchange rate in effect on the date of receipt (which, in the case of ADSs, will be the date of receipt by the Depository) whether or not the payment is converted into U.S. Dollars at that time. Any gain or loss recognized upon a subsequent sale or conversion of the Nuevos Soles for a different amount of U.S. Dollars will be United States source ordinary income or loss. Distributions to U.S. Holders of additional Common Shares or preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax but in other circumstances may constitute a taxable dividend.

A U.S. Holder will be entitled to a foreign tax credit for Peruvian taxes imposed by withholding or otherwise, subject to generally applicable limitations and restrictions. In the case of U.S. individuals for whom the reduced rate of tax on dividends applies, such limitations and restrictions will appropriately take into account the rate differential under rules similar to section 904(b)(2)(B) of the Internal Revenue Code. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisors regarding their application to the particular circumstances of such holder.

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

Capital Gains

U.S. Holders will recognize capital gain or loss on the sale or other disposition of ADSs or Common Shares (or preemptive rights with respect to such shares) held by the U.S. Holder or by the Depository. U.S. Holders will not recognize gain or loss on deposits or withdrawals of Common Shares in exchange for ADSs or on the exercise of preemptive rights. Any gain recognized by a U.S. Holder generally will be treated as United States source income. Consequently, in the case of a disposition of Common Shares or ADSs in a transaction subject to Peruvian tax, the U.S. Holder may not be able to claim the foreign tax credit for any Peruvian tax imposed on the gain unless it has sufficient foreign source income from other sources against which it can apply the credit. Generally, gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for such Common Shares or ADSs exceeds one year. Long-term capital gain for an individual U.S. Holder is generally subject to a reduced rate of tax.

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

Passive Foreign Investment Company

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

If we were a PFIC in any year during which a U.S. Holder owned ADSs or Common Shares, we would not be treated as a "qualified foreign corporation" for purposes of qualifying dividends paid to a U.S. Holder for the preferential 20 percent maximum U.S. tax rate noted above and the U.S. Holder would be subject to additional taxes on any excess distributions received from us and any gain realized from the sale or other disposition of ADSs or Common Shares (regardless of whether we continued to be a PFIC). A U.S. Holder has an excess distribution to the extent that distributions on ADSs or Common Shares during a taxable year exceed 125 percent of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the ADSs or Common Shares). To compute the tax on an excess distribution or any gain, (i) the excess distribution or the gain is allocated ratably over the U.S. Holder's holding period for the ADSs or Common Shares, (ii) the amount allocated to the current taxable year is taxed as ordinary income and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

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

Information Reporting and Backup Withholding

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

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 United States 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\$/Nuevo Sol exchange rates and to market risk related to interest rate fluctuation on our cash balances.

Commodity Contracts

Gold, silver, lead and copper hedging and sensitivity to market price

Our revenues and 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, 2015, we had no fixed price commitments for the sale of our metals. As of March 31, 2015, we had no silver derivative contracts or gold convertible put option contracts in place.

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, 2015.

Foreign currency risk

We buy and sell our products and obtain capital facilities and investment in U.S. Dollars. The assets and liabilities in different currencies from the U.S. Dollar (Nuevos Soles) are not significant. We estimate that the future exchange

rate fluctuations of Peruvian currency versus the U.S. Dollar will not significantly affect the results of our future operations.

Interest Rate Sensitivity

We reduce our exposure to the risks due to variations in interest rates by engaging in financial obligations and capital leasing with fixed interest rates. See Note 31 to the Financial Statements. Consequently, we do not use derivative instruments to manage this risk and we do not expect to incur significant losses based on interest risks.

ITEM 12. Description of Securities Other Than Equity Securities

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)	<ul style="list-style-type: none"> • Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • 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	<ul style="list-style-type: none"> • Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders
Registration or transfer fees	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. Dollars

Taxes and other governmental charges the Depository or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes • As necessary

Any charges incurred by the Depository or its agents for servicing the deposited securities • As necessary

Fees Incurred in Past Annual Period

From January 1, 2014 to April 30, 2015, we received no fees from the Depository related to our ADR facility, including continuing annual stock exchange listing fees, standard out-of-pocket maintenance costs for the ADRs (consisting of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls), any applicable performance indicators relating to the ADR facility, underwriting fees and legal fees.

Fees to be Paid in the Future

The Depository has agreed to reimburse us for expenses we incur that are related to establishment and maintenance expenses of the ADS program. The Depository has agreed to reimburse us for our continuing annual stock exchange listing fees. The Depository has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual and interim financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. In certain instances, the Depository has agreed to provide additional payments to us based on any applicable performance indicators relating to the ADR facility. There are limits on the amount of expenses for which the Depository will reimburse us, but the amount of reimbursement available to us is not necessarily tied to the amount of fees the Depository collects from investors.

The Depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The Depository may collect its annual fee for depository services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The Depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

PART II

ITEM 13. Defaults, Dividend Arrearages and Delinquencies

Not applicable.

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

Not applicable.

ITEM 15. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of December 31, 2014, 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 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, 2014. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission in *Internal Control—Integrated Framework* (1992). Our management concluded that based on its assessment, our internal control over financial reporting was effective as of December 31, 2014.

Our independent registered public accounting firm, Paredes, Zaldívar, Burga & Asociados S.Civil de R.L., has issued an attestation report on our internal control over financial reporting, which is included below.

Attestation Report of the Independent Registered Public Accounting Firm

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

We have audited Compañía de Minas Buenaventura S.A.A.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)" - the COSO criteria. Compañía de Minas Buenaventura S.A.A.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Compañía de Minas Buenaventura S.A.A. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial position of Compañía de Minas Buenaventura S.A.A. and subsidiaries as of December 31, 2014 and 2013, and 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, 2014 of Compañía de Minas Buenaventura S.A.A. and subsidiaries and our report dated April 29, 2015, expressed an unqualified opinion thereon.

Lima, Peru,

April 29, 2015

/s/ Paredes, Zaldívar, Burga Asociados & S.Civil de R.L.
Countersigned by:

/s/ Victor Burga
Victor Burga
C.P.C.A. Register No. 14859

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2014 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, or 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 and controller, or persons performing similar functions, as well as all other employees. Our code of business conduct and ethics is posted on, and within five days following the date of any amendment or waiver we intend to disclose any amendments to or waivers from our code of business conduct and ethics on, our website, which is located at <http://www.buenaventura.com>. The information on our website is not a part of, nor incorporated into, this document.

ITEM 16C. Principal Accountant Fees and Services

The Audit Committee proposed at the General Meeting that Paredes, Zaldívar, Burga & Asociados S.Civil de R.L., a member firm of Ernst & Young Global, be elected as the independent auditor for 2014. Paredes, Zaldívar, 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, 2013 and 2014, for which audited financial statements appear in this annual report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by Paredes, Zaldívar, Burga & Asociados S.Civil de R.L. for 2013 and 2014.

Year ended December 31,	
2013	2014
_____	_____

Audit Fees	US\$	1,248,382	US\$	1,359,777
Tax Fees	US\$	175,586	US\$	294,757
All other fees	US\$	28,658	US\$	68,735
Total	US\$	1,452,626	US\$	1,723,269

Audit Fees. Audit fees in the above table are the aggregate fees billed by Paredes, Zaldívar, Burga & Asociados S.Civil de R.L. in connection with the audit of our annual financial statements, the review of our quarterly financial statements and statutory and regulatory audits. In addition, the amounts in the above table includes fees that were incurred in connection with the audit of internal control over financial reporting in 2013 and 2014.

Tax Fees. Tax fees in the above table are fees billed by Paredes, Zaldívar, 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 prior to commencement of the specified service. The requests for pre-approval are submitted to the Audit Committee by the Chief Financial Officer and following approval by audit committee members an engagement letter is executed. The Audit Committee approved all audit and tax fees in 2013 and 2014.

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, 2014, 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 United States domestic companies under the NYSE, listing standards. The NYSE listing standards provide that the board of directors of a United States domestic listed company must consist of a majority of independent directors and that certain committees must consist solely of independent directors. Under Peruvian corporate governance practices, a Peruvian company is not required to have a majority of the members of the board of directors be independent.

The listing standards for the NYSE also require that United States domestic companies have an audit committee, a nominating/corporate governance committee and a compensation committee. Each of these committees must consist solely of independent directors and must have a written charter that addresses certain matters specified in the listing standards. Peruvian corporate governance practices permit the Board of Directors of a Peruvian company to form

special governance bodies in accordance with the needs of such company and do not require that these special governance bodies be composed partially or entirely of independent directors. We maintain three committees, which include the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee. Our Board of Directors has determined that our Audit Committee is composed entirely of independent directors, as defined in the NYSE's Listed Company Manual.

The NYSE's listing standards also require United States domestic companies to adopt and disclose corporate governance guidelines. In July 2002, the SMV and a committee comprised 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. Financial Statements

Not applicable.

ITEM 18. Financial Statements

Please refer to Item 19.

ITEM 19. Exhibits

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(a) Index to Financial Statements and Schedules	
COMPAÑÍA DE MINAS BUENAVENTURA S.A.A. AND SUBSIDIARIES .; Error! Marcador no definido.	
MINERA YANACOCHA S.R.L.	Error! Marcador no definido.
SOCIEDAD MINERA CERRO VERDE S.A.A.....	Error! Marcador no definido.8
(b) Index to Exhibits	
1.1 By-laws (<i>Estatutos</i>) of Compañía de Minas Buenaventura S.A.A., as amended April 30, 2002 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).	
1.2 By-laws (<i>Estatutos</i>) of Minera Yanacocha S.R.L., as amended October 18, 1999 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2002, filed on June 25, 2003).	
4.1 Shareholders Agreement among SMM Cerro Verde Netherlands B.V., Sumitomo Metal Mining Co., Ltd., Sumitomo Corporation, Summit Global Management B.V., Compañía de Minas Buenaventura S.A.A., Cyprus Climax Metals Company, Phelps Dodge Corporation and Sociedad Minera Cerro Verde S.A.A., dated June 1, 2005 (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2005, filed on June 6, 2006).	
11 Code of Conduct and Ethics (incorporated by reference from Compañía de Minas Buenaventura S.A.A. Annual Report on Form 20-F for the year ended December 31, 2013, filed on April 30, 2014).	
12.1 Certification of Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†	
12.2 Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.†	
13.1 Certification of Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†	
13.2 Certification of Chief Financial Officer of Compañía de Minas Buenaventura S.A.A. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.†	

† Filed herewith.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

COMPAÑÍA DE MINAS BUENAVENTURA S.A.A.

By: /s/ CARLOS E. GÁLVEZ PINILLOS
Carlos E. Gálvez Pinillos
Chief Financial Officer

Dated: April 30, 2015

Exhibit Index

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

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

Consolidated Financial Statements for the years 2014, 2013 and 2012, together with the Report of Independent Registered Public Accounting Firm

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

Consolidated Financial Statements for the years 2014, 2013 and 2012, together with the Report of Independent Registered Public Accounting Firm.

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated financial statements of Compañía de Minas Buenaventura S.A.A. (a Peruvian public corporation) and subsidiaries (together the “Group”), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of profit or loss, statements of other comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2014, 2013 and 2012. These consolidated financial statements are the responsibility of the Group's Management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Minera Yanacocha S.R.L (an associate in which the Company has a 43.65% interest through its subsidiary, Compañía Minera Condesa S.A.). In the consolidated statements of financial position, the Group's investment in Minera Yanacocha S.R.L. , is stated at US\$1,186 million and US\$1,361 million as of December 31, 2014 and 2013, respectively; and the Group's equity in the results of Minera Yanacocha S.R.L. is stated at a loss of US\$175 million and US\$251 million for the years ended December 31, 2014 and 2013, respectively and a profit of US\$283 million for the year ended December 31, 2012. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Minera Yanacocha S.R.L., is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Compañía de Minas Buenaventura S.A.A. and Subsidiaries as of December 31, 2014 and 2013, and their results of operations and their cash flows for each of the years ended on December 31, 2014, 2013 and 2012, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

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Report of Independent Registered Public Accounting Firm (continued)

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Compañía de Minas Buenaventura S.A.A.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission "(1992 framework)" and our report dated April 29, 2015 expressed an unqualified opinion thereon.

Lima, Peru,
April 29, 2015

Countersigned by:

/s/ Victor Burga
Victor Burga
C.P.C.A. Register No. 14859

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

Consolidated statements of financial position

As of December 31, 2014 and 2013

	Note	2014 US\$(000)	2013 US\$(000) Note 2.1
Assets			
Current assets			
Cash and cash equivalents	7	78,512	51,276
Trade and other receivables, net	8(a)	281,604	263,583
Inventories, net	9(a)	150,284	175,719
Income tax credit		53,746	37,370
Prepaid expenses		16,954	14,597
Embedded derivative for sale of concentrates, net	30(b)	-	1,857
Derivative financial instruments	30(a)	<u>3,688</u>	<u>-</u>
		584,788	544,402
Assets held for sale	1(e)	<u>18,683</u>	<u>-</u>
		<u>603,471</u>	<u>544,402</u>
Non-current assets			
Trade and other receivables, net	8(a)	26,651	28,079
Long-term inventories	9(a)	34,088	23,366
Investments in associates	10(a)	2,224,381	2,350,302
Mining concessions, development costs, property, plant and equipment, net	11	1,715,452	1,515,460

Investment properties, net	12	11,200	-
Deferred income tax asset, net	26(a)	47,675	83,525
Intangibles, net		4,592	490
Other assets		4,764	6,643
		<u>4,068,803</u>	<u>4,007,865</u>
Total assets		<u>4,672,274</u>	<u>4,552,267</u>
Liabilities and shareholders' equity, net			
Current liabilities			
Bank loans	13	40,000	-
Trade and other payables	14(a)	254,000	301,811
Current provisions	15(a)	67,895	69,800
Income tax payable		3,556	2,140
Embedded derivatives for sale of concentrate, net	30(b)	9,072	-
Financial obligations	16(a)	69,950	11,370
Derivative financial instruments	30(a)	-	1,093
		<u>444,473</u>	<u>386,214</u>
Liabilities directly associated with the assets held for sale	1(e)	28,890	-
		<u>473,363</u>	<u>386,214</u>
Non-current liabilities			
Trade and other payables	14(a)	15,240	12,229
Other non-current provisions	15(a)	63,571	106,376
Financial obligations	16(a)	313,355	223,027
Contingent consideration liability	5	23,026	-
Deferred income tax liabilities, net	26(a)	21,594	-
		<u>436,786</u>	<u>341,632</u>
Total liabilities		<u>910,149</u>	<u>727,846</u>
Shareholders' equity, net	17		
Capital stock		750,497	750,497
Investment shares		1,396	1,396
Additional paid-in capital		219,055	219,055
Legal reserve		162,710	162,663
Other reserves		269	269
Retained earnings		2,328,423	2,413,130
Other reserves of equity		1,755	104
Shareholders' equity, net attributable to owners of the parent		<u>3,464,105</u>	<u>3,547,114</u>
Non-controlling interest	18(a)	298,020	277,307
Total shareholders' equity, net		<u>3,762,125</u>	<u>3,824,421</u>
Total liabilities and shareholders' equity, net		<u>4,672,274</u>	<u>4,552,267</u>

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

Consolidated statements of profit or loss
For the years ended December 31, 2014, 2013 and 2012

	Note	2014 US\$(000)	2013 US\$(000) Note 2.1	2012 US\$(000) Note 2.1
Continuing operations				
Operating income				
Net sales	20(a)	1,138,913	1,215,421	1,422,843
Royalty income	28(a)	<u>36,867</u>	<u>44,185</u>	<u>67,178</u>

Total operating income		1,175,780	1,259,606	1,490,021
Operating costs				
Cost of sales, excluding depreciation and amortization	21	(614,539)	(627,285)	(571,243)
Exploration in operating units	22	(97,852)	(101,913)	(103,215)
Depreciation and amortization		(208,698)	(159,140)	(111,025)
Mining royalties	23	(28,440)	(30,402)	(37,496)
Total operating costs		<u>(949,529)</u>	<u>(918,740)</u>	<u>(822,979)</u>
Gross profit		<u>226,251</u>	<u>340,866</u>	<u>667,042</u>
Operating expenses				
Administrative expenses	24	(101,102)	(75,118)	(94,118)
Exploring in non-operating areas	25	(50,007)	(32,805)	(95,491)
Selling expenses		(16,605)	(14,842)	(15,491)
Excess of workers' profit sharing		-	(704)	(2,164)
Other, net		3,059	(2,154)	19,172
Total operating expenses, net		<u>(164,655)</u>	<u>(125,623)</u>	<u>(188,092)</u>
Operating profit		<u>61,596</u>	<u>215,243</u>	<u>478,950</u>
Other income (expense), net				
Share in the results of associates under equity method	10(b)	(74,600)	(114,145)	478,987
Finance costs		(11,318)	(9,896)	(8,290)
Net gain (loss) from currency exchange difference		(8,452)	(7,192)	1,855
Gain on business combination	5	59,852	-	-
Finance income		8,408	6,621	9,486
Total other income (expenses), net		<u>(26,110)</u>	<u>(124,612)</u>	<u>482,038</u>
Profit before income tax		<u>35,486</u>	<u>90,631</u>	<u>960,988</u>
Current income tax	26(c)	(19,006)	(57,328)	(130,507)
Deferred income tax	26(c)	(47,006)	(29,154)	(12,451)
Net profit (loss) from continuing operations		<u>(30,526)</u>	<u>4,149</u>	<u>818,030</u>
Discontinued operations				
Loss from discontinued operations	1(e)	(31,114)	(83,885)	(57,510)
Profit (loss) for the year		<u>(61,640)</u>	<u>(79,736)</u>	<u>760,520</u>
Attributable to:				
Owners of the parent		(76,065)	(107,257)	701,100
Non-controlling interest	18(a)	14,425	27,521	59,420
		<u>(61,640)</u>	<u>(79,736)</u>	<u>760,520</u>
Basic and diluted profit (loss) per share attributable to equity holders of the parent, stated in U.S. dollars	17(f)	(0.30)	(0.42)	2.76
Profit (loss) for continuing operations, basic and diluted per share attributable to equity holders of the parent, expressed in US dollars	17(f)	(0.18)	(0.09)	2.98

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

Consolidated statements of other comprehensive income
For the years ended December 31, 2014, 2013 and 2012

	Note	2014 US\$(000)	2013 US\$(000) Note 2.1	2012 US\$(000) Note 2.1
Net profit (loss)		<u>(61,640)</u>	<u>(79,736)</u>	<u>760,520</u>

Other comprehensive profit (loss)**Other comprehensive income to be reclassified to profit or loss in subsequent periods**

Net change in unrealized gain (loss) on cash flow hedges of a subsidiary	4,781	(1,093)	(1,283)
Loss on available-for-sale investments	(80)	(434)	(715)
Income tax effect	(1,581)	378	439
	<u>3,120</u>	<u>(1,149)</u>	<u>(1,559)</u>
Total other comprehensive income (loss)	<u><u>(58,520)</u></u>	<u><u>(80,885)</u></u>	<u><u>(758,961)</u></u>
Attributable to:			
Equity holders of the parent	(74,414)	(108,078)	699,957
Non-controlling interests	15,894	27,193	59,004
	<u><u>(58,520)</u></u>	<u><u>(80,885)</u></u>	<u><u>758,961</u></u>

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Compañía de Minas Buenaventura S.A.A. and Subsidiaries**Consolidated statements of changes in equity**

For the years ended December 31, 2014, 2013 and 2012

	Attributable to equity holders of the parent										
	Number of shares outstanding	Capital stock, net of treasury shares 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, 2012	253,729,664	750,540	2,019	225,978	162,639	269	2,050,832	2,068	3,194,345	262,198	3,456,543
Net profit	-	-	-	-	-	-	701,100	-	701,100	59,420	760,520
Other comprehensive loss	-	-	-	-	-	-	-	(1,143)	(1,143)	(416)	(1,559)
Total other comprehensive income	-	-	-	-	-	-	701,100	(1,143)	699,957	59,004	758,961
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(152,666)	-	(152,666)	(44,881)	(197,547)
Capital reduction in Minera La Zanja S.R.L., note 17(e)	-	-	-	-	-	-	-	-	-	(12,674)	(12,674)
Treasury shares purchase	-	-	(620)	(6,507)	-	-	-	-	(7,127)	-	(7,127)
Expired dividends	-	-	-	-	24	-	-	-	24	-	24
As of December 31, 2012, note 2.1	253,729,664	750,540	1,399	219,471	162,663	269	2,599,266	925	3,734,533	263,647	3,998,180
Net loss, note 2.1	-	-	-	-	-	-	(107,257)	-	(107,257)	27,521	(79,736)

Other comprehensive loss	-	-	-	-	-	-	-	(821)	(821)	(328)	(1,149)
Total other comprehensive income	-	-	-	-	-	-	(107,257)	(821)	(108,078)	27,193	(80,885)
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(78,879)	-	(78,879)	(13,533)	(92,412)
Treasury shares purchase	(14,474)	(43)	(3)	(416)	-	-	-	-	(462)	-	(462)
As of December 31, 2013, note 2.1	253,715,190	750,497	1,396	219,055	162,663	269	2,413,130	104	3,547,114	277,307	3,824,421
Net profit (loss)	-	-	-	-	-	-	(76,065)	-	(76,065)	14,425	(61,640)
Other comprehensive profit	-	-	-	-	-	-	-	1,651	1,651	1,469	3,120
Total other comprehensive profit (loss)	-	-	-	-	-	-	(76,065)	1,651	(74,414)	15,894	(58,520)
Dividends declared and paid, note 17(d)	-	-	-	-	-	-	(8,642)	-	(8,642)	(8,880)	(17,522)
Expired dividends	-	-	-	-	47	-	-	-	47	-	47
Increases in non-controlling interest	-	-	-	-	-	-	-	-	-	13,699	13,699
As of December 31, 2014	253,715,190	750,497	1,396	219,055	162,710	269	2,328,423	1,755	3,464,105	298,020	3,762,125

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

Consolidated statements of cash flows

For the years ended December 31, 2014, 2013 and 2012

	2014 US\$(000)	2013 US\$(000) Note 2.1	2012 US\$(000) Note 2.1
Operating activities			
Proceeds from sales	1,144,394	1,351,359	1,410,120
Value added tax recovered	39,685	66,921	40,940
Royalty received	31,252	50,562	76,106
Dividends received	12,938	9,803	16,467
Interest received	8,333	8,235	8,606
Payments to suppliers and third parties	(805,413)	(752,813)	(812,721)
Payments to employees	(203,496)	(216,799)	(201,494)
Payments of mining royalties	(22,631)	(30,623)	(38,985)
Income tax paid	(33,161)	(66,427)	(136,336)
Interest paid	(9,405)	(11,494)	(1,485)
Net cash and cash equivalents provided by operating activities	<u>162,496</u>	<u>408,724</u>	<u>361,218</u>
Investing activities			

Proceeds from settlement of financial assets at fair value through profit or loss	-	52,944	-
Proceeds from collection of loan to an associate	15,553	24,537	-
Proceeds from sale of mining concessions, development costs, property, plant and equipment	1,681	5,010	255
Additions to mining concessions, development costs, property, plant and equipment	(227,564)	(503,576)	(468,456)
Payments for acquisition of shares in associate, net of cash acquired	(80,316)	-	-
Contributions in associates	(2,012)	(6,988)	(58,594)
Decrease in time deposits	-	-	10,121
Proceeds from sale of shares	-	-	3,658
Net cash and cash equivalents used in investing activities	(292,658)	(428,073)	(513,016)
Financing activities			
Proceeds from financial obligations	177,125	236,975	74,258
Proceeds from bank loans	40,000	-	-
Payments of financial obligations	(42,205)	(260,231)	(1,068)
Dividends paid to controlling shareholders	(8,642)	(78,836)	(152,666)
Dividends paid to non-controlling shareholders	(8,880)	(13,533)	(44,881)
Purchase of treasury shares	-	(462)	-
Capital stock reduction paid to non-controlling interest	-	-	(7,980)
Net cash and cash equivalents provided by (used in) financing activities	157,398	(116,087)	(132,337)
Increase (decrease) in cash and cash equivalents for the year, net	27,236	(135,436)	(284,135)
Cash and cash equivalents at beginning of year	51,276	186,712	470,847
Cash and cash equivalents at year-end	78,512	51,276	186,712

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

Notes to the consolidated financial statements

For the years 2014, 2013 and 2012

1. Identification and business activity of the Group

(a) Identification -

Compañía de Minas Buenaventura S.A.A. (hereafter “the Company”) 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 Group operates directly five operating mining units in Peru (Uchucchacua, Orcopampa, Julcani, Mallay and Breapampa), four mining units held for sale (Poracota, Recuperada, Antapite and Shila-Paula), and two mining units under development stage (Tambomayo and San Gabriel, the latter was recently acquired from Gold Fields, see Note 5). In addition, the Group has a controlling interest in Sociedad Minera El Brocal S.A.A. (hereinafter “El Brocal”), which operates the Colquijirca mining

unit; Minera La Zanja S.R.L. (hereinafter “La Zanja”), which operates La Zanja mining unit; Molle Verde S.A. which operates Trapiche, a mining unit at the development stage; and other entities dedicated to energy generation and transmission services, construction and engineering services and other activities.

(c) Approval of consolidated financial statements -

The consolidated financial statements as of December 31, 2014 were approved by the Company’s Management on April 29, 2015 and, in its opinion, will be approved without modifications in the Board of Directors and Shareholders’ Meetings within the terms established by Law.

The consolidated financial statements as of December 31, 2013 and 2012 were approved on February 24, 2014 and February 28, 2013, respectively.

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Notes to the consolidated financial statements (continued)

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

Holding of investment in shares, rental of mining concessions, exploration and development projects and production and sale of minerals	Country of incorporation and business	Ownership			
		December 31, 2014		December 31, 2013	
		Direct %	Indirect %	Direct %	Indirect %
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	2.71	51.36	2.71	51.36
Inversiones Colquijirca S.A. (*)	Peru	99.99	-	99.99	-
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.	México	100.00	-	100.00	-
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	-
Metalúrgica Los Volcanes S.A.	Peru	100.00	-	100.00	-
Compañía de Minas Cerro Hablador S.A.C.	Peru	99.00	1.00	99.00	1.00
Minera Azola S.A.C.	Peru	99.00	1.00	-	-
Compañía Minera Nueva Italia S.A.	Peru	-	93.08	-	93.08
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
Empresa de Generación Huaura S.A.C.	Peru	0.01	99.99	0.01	99.99
Construction, engineering services and insurance brokerage					
Buenaventura Ingenieros S.A.	Peru	99.99	0.01	99.99	0.01
BISA Construcción S.A.	Peru	-	100.00	-	100.00
Contacto Corredores de Seguros S.A.	Peru	0.02	99.98	0.02	99.98
Bisa Argentina S.A. (before Minera San Francisco)	Argentina	56.42	43.58	56.42	43.58

Industrial activities

Procesadora Industrial Rio Seco S.A.	Peru	100.00	-	100.00	-
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(*) As of December 31, 2014 and 2013, the participation of the Company in the voting rights of El Brocal is 53.72 percent. Inversiones Colquijirca S.A. (hereafter “Colquijirca”), a Group’s subsidiary (99.99 percent as of December 31, 2014 and 2013), has a 51.06 percent interest in El Brocal’s capital stock, through which the Company holds an indirect participation in El Brocal of 51.36 percent as of December 31, 2014 and 2013.

(e) Discontinued operations

In 2014, the Group publicly announced its decision to sell its four paralyzed mining units mentioned in note 1(b); as a consequence, they are presented 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. The sale of these discontinued mining units is expected to be completed as of December 31, 2015 through sale to third parties.

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Notes to the consolidated financial statements (continued)

The major classes of assets and liabilities of these four mining units held for sale as of December 31, 2014 and 2013 are presented below:

	2014 US\$(000)
Asset	
Cash	18
Trade and other receivables, net	849
Inventory, net	2,581
Prepaid expenses	197
Mining concessions, development costs, property, plant and equipment, net	15,038
Assets classified as held for sale	<u>18,683</u>
Liabilities	
Trade and other payables	(5,224)
Provisions	<u>(23,666)</u>
Liabilities directly associated with the assets held for sale	<u>(28,890)</u>

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Notes to the consolidated financial statements (continued)

The results of the four mining units held for sale for the years 2014, 2013 and 2012 are presented below:

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Operating income			
Net sales	<u>5,117</u>	<u>25,835</u>	<u>73,506</u>

Total income	5,117	25,835	73,506
Operating costs			
Cost of sales, excluding depreciation and amortization	(28,566)	(26,094)	(53,321)
Exploration	(2,853)	(65,230)	(49,803)
Depreciation and amortization	(823)	(6,337)	(12,018)
Mining royalties	(47)	(221)	(171)
Total operating costs	(32,289)	(97,882)	(115,313)
Gross loss	(27,172)	(72,047)	(41,807)
Operating expenses, net			
Administrative expenses	(523)	(2,358)	(5,177)
Selling expenses	(201)	(1,193)	(2,599)
Impairment loss	(794)	(6,594)	(3,617)
Other, net	(1,763)	(669)	(2,892)
Total operating expenses	(3,281)	(10,814)	(14,285)
Operating loss	(30,453)	(82,861)	(56,092)
Other expenses, net			
Finance income	1	2	-
Finance costs	(799)	(1,074)	-
Net gain (loss) from currency exchange difference	145	180	(140)
Total other expenses, net	(653)	(892)	(140)
Loss before income tax	(31,106)	(83,753)	(56,232)
Income tax	(8)	(132)	(1,278)
Loss associated with the mining units classified as held for sale	(31,114)	(83,885)	(57,510)

The net cash flows used by the four mining units held for sale for the years 2014, 2013 and 2012 are presented below:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Operating activities	261	5,195	5,395
Investing activities	(296)	(5,325)	(5,674)
Financing activities	-	-	-
Net cash (outflow)	<u>(35)</u>	<u>(130)</u>	<u>(279)</u>

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Notes to the consolidated financial statements (continued)

Basic and diluted earnings per share for the years 2014, 2013 and 2012, resulting from the discontinued operations are as follow:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Basic and diluted loss per share	<u>(0.12)</u>	<u>(0.33)</u>	<u>(0.23)</u>

2. Basis for preparation, consolidation and accounting policies

2.1. Basis of preparation -

The consolidated financial statements of the Group 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, except for financial assets and liabilities at fair value through profit or loss, which include the derivative financial instruments, 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 require 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.

In 2014, the Company modified the 2013 consolidated financial statements to give effect to: (i) discontinued operations as described in note 1(e), (ii) the correction of the investment and equity income of the associate company Minera Yanacocha S.R.L. which resulted in a reduction of US\$8,108,000 in the “Investments in associates” caption and a reduction of US\$5,602,000 and US\$2,446,000 in the “Share in the results of associates under equity method” caption of the 2013 and 2012 years, respectively and (iii) reclassification of US\$10,622,000 from cash to tax deposits, which are bank deposits only available to pay taxes.

2.2. Basis of consolidation -

The consolidated financial statements comprise the financial statements of the company and its subsidiaries to the date of the 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.

Notes to the consolidated financial statements (continued)

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 for the first time certain standards and amendments which are effective for annual periods beginning on or after January 1, 2014. Certain standards and amendments were related to an exception to the consolidation requirement for investment entities, offsetting of financial assets and liabilities, novation of derivatives and amendments to the IFRS 13 "Fair value measurement". These new and amended standards had no impact in the Group.

2.4. Summary of significant accounting policies –

- (a) Foreign currencies -
The consolidated financial statements are presented in US dollars, which is also the Company's functional currency.

For each entity, the Group determines the functional currency and the items included in the financial statements of each entity are measured using that functional currency.

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 Superintendencia 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.

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Notes to the consolidated financial statements (continued)

- (b) Financial instruments - Initial recognition and subsequent measurement -
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives designated as hedging instruments in an effective

hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement -

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables.
- Held-to-maturity investments.
- Available-for-sale financial investments.

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. 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 as defined by IAS 39.

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 presented as finance costs (negative changes) or finance revenue (positive changes) in the consolidated statements of profit or loss.

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Notes to the consolidated financial statements (continued)

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value, with changes in fair value recognized in profit or loss.

Loans and receivables -

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. The losses arising from impairment are recognized in the consolidated statements of profit or loss.

This category generally applies to trade and other receivables, net.

Held-to-maturity investments -

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. The Group did not have any held-to-maturity investment as of December 31, 2014 and 2013.

Available-for-sale financial assets -

The available-for-sale financial assets include equity investments and debt securities. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those 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. The Group does not have these financial assets as of December 31, 2014 and 2013.

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.
- 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 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 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.

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Notes to the consolidated financial statements (continued)

Impairment of financial assets -

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

For financial assets carried at amortized cost, the Group first assesses whether impairment exists for financial assets that are individually significant, or collectively for financial assets that are individually insignificant.

The amount of any impairment loss in the impairment identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discount at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statements of profit or loss. Interest income (recorded as revenue in the statements of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of a future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statements of profit or loss.

(ii) Financial liabilities –

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, accounts payable, financial obligations, 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 interest-bearing loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial obligations, derivatives financial instruments and embedded derivatives.

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Notes to the consolidated financial statements (continued)

Subsequent measurement -

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss -

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. 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.

Except for the embedded derivative for concentrate sales, the Group has not designated any financial liability in this category.

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.

Derecognition -

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of profit or loss.

- (iii) **Offsetting of financial instruments -**
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Notes to the consolidated financial statements (continued)

- (c) **Cash and cash equivalents -**

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks and on hand.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

- (d) **Inventories -**

Materials and supplies 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.

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).

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Notes to the consolidated financial statements (continued)

(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 acquiree.

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 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 IAS 39 Financial Instruments: Classification and Measurement, 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 IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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 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 profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, this difference is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill

disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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Notes to the consolidated financial statements (continued)

(f) Investments in associates -

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. The Group's investments in associates are accounted for using the equity method. Under this method, the investment in an associate 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 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 statements of profit or loss reflects the Group's share of the results of operations of the associate.

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, 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 are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statements of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate 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 investment in the associate is 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, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

(g) 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 for qualifying assets, borrowing costs. The capitalized value of a finance lease is also included in this caption.

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Notes to the consolidated financial statements (continued)

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 profit or loss as incurred.

Depreciation -

Unit-of-production method:

Depreciation of assets directly related to the operation of the mine, whose useful life is greater than the life of the mining unit, is calculated using the units-of-production method, which is based on economically recoverable reserves of the mining unit.

Straight-line method:

Depreciation of assets whose useful life is shorter than the life of the mining unit 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.

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Notes to the consolidated financial statements (continued)

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.

(h) 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.

Operating lease payments are recognized as operating expenses in the statements of profit or loss on a straight-line basis over the lease term.

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.

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Notes to the consolidated financial statements (continued)

(i) 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 an acquisition.

At end of each year, the Group evaluates if there is any indicator. If any impairment 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.

(j) Exploration and mine development costs –

Exploration expenditure –

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.

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Notes to the consolidated financial statements (continued)

(k) 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 surges from an accumulation of costs 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.

(l) 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 an 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.

Transfers are made to (or from) investment property only when there is a change in use.

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Notes to the consolidated financial statements (continued)

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.

(m) 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.

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's 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.

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Notes to the consolidated financial statements (continued)

(n) Share-based payments -

Senior executives of the Group receive remuneration in the form of share appreciation rights, which can only be settled in cash. For these transactions, the amount of the liability is estimated at each reporting date until settlement.

The cost of share-based payments program is measured initially at fair value at the grant date using a binomial model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is re-measured to fair value at each reporting date up to, and including the settlement date, with changes in fair value recognized in its 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 specific to the liability, in addition, the capitalized cost is depreciated and/or amortized based on the useful life of the asset. Any gain or loss resulting from the settlement of the obligation is recorded in the current results.

Changes in the estimated timing of 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.

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Notes to the consolidated financial statements (continued)

(q) Revenue recognition -

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognized:

Sales of concentrates and metals -

Revenue from sale of concentrates and metals is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Contract terms for the Company's sale of metal in concentrate to customers allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. 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 (the quotation period). Adjustments to the sales price occurs based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

Sales contracts for metal in concentrate that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted with

final liquidations. The embedded derivative is originated by the metals prices since the date of issuance of the provisional liquidation until the date of issuance of the final liquidation.

The embedded derivative, which does not qualify for hedge accounting, is initially recognized at fair value, with subsequent changes in the fair value recognized in the consolidated statements of profit or loss until final settlement, and presented as part of net sales. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices.

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Notes to the consolidated financial statements (continued)

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 agreements.

Dividends -

Revenue is recognized when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

Revenue from engineering and construction services -

Revenue is recognized based on the stage of completion of contracts for existing services. The stage of completion is measured by reference to costs incurred to date as a percentage of total costs to be incurred by each contract.

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) *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.

(s) *Taxes –*

Current income tax -

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to 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.

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Notes to the consolidated financial statements (continued)

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 it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in 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:

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Notes to the consolidated financial statements (continued)

- (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.

(t) Fair value measurement

The Group measures its financial instruments, such as, derivatives and embedded derivatives, 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.

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Notes to the consolidated financial statements (continued)

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.

(u) Derivative financial instruments and hedge accounting -

Initial recognition and subsequent measurement –

The Group uses derivative instruments (forward commodity contracts) to hedge its commodity price 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.

The documentation includes identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in 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.

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 interest expense caption.

(v) Discontinued operations –

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through sale rather than through continuing use. Such disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the

plan will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations

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Notes to the consolidated financial statements (continued)

- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale.

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.

(w) Participation in joint operations-

The Group has interests in joint ventures which are jointly controlled entities where participants maintain a contractual arrangement establishes joint control over the economic activities of the entity. The contract requires unanimity in making financial and operating decisions by members of the joint operation. The Company recognized in relation to its interest in a joint operation its:

- Assets, including its share of any assets held jointly,
- Liabilities, including its share of any liabilities incurred jointly,
- Revenue from the sale of its share of the output arising from the joint operation,
- Share of the revenue from the sale of the output by the joint operation, and
- Expenses, including its share of any expenses incurred jointly.

The financial statements of the joint venture are prepared for the same reporting period as the Group. If necessary, adjustments in order to align the accounting policies of the joint operation with the Group are performed.

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Notes to the consolidated financial statements (continued)

3. Significant judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The estimates and assumptions are continuously evaluated and based on Management's experience and other facts, including the expectations about future events which are reasonable under current situation. Uncertainty about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of assets and liabilities affected in future periods. Further information on each of these areas and how they 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:

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Notes to the consolidated financial statements (continued)

- 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.

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 mainly 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.

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Notes to the consolidated financial statements (continued)

(c) Mine rehabilitation provision -

The Group 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 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.

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Notes to the consolidated financial statements (continued)

4. Standards issued but not effective

The 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 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 would have not significant effect on the classification and measurement of the Group's financial assets and liabilities.

IFRS annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They are related to IFRS 2 "Share-Based Payment" (clarifies various issues relating to the definition of performance and service conditions which are vesting conditions), IFRS 3 "Business Combinations" (clarifies classification of liabilities arising from business combinations and subsequent measurement at fair value), NIIF 8 "Operating Segments" (requires more disclosure about the aggregation criteria of operating segments), and IAS 24 "Related Party Disclosures" (requires more disclosure and clarifies that a Management entity is a related party subject to the related party disclosures).

IFRS annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They are related to IFRS 3 "Business Combinations" (clarifies that joint arrangements are outside the scope of IFRS 3) and IAS 40 "Investment Property" (clarifies that IFRS 3 and not the ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination).

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized 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. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

5. Business combination

Acquisition of controlling interest in Canteras del Hallazgo S.A.C.

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.

Canteras del Hallazgo is a privately-held entity incorporated in 2009 and 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.

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Notes to the consolidated financial statements (continued)

The purchase consideration amounted to:

	US\$(000)
Cash paid	81,000

Contingent consideration liability	23,026
As of December 31, 2014	<u>104,026</u>

Moreover, the Group has recognized a gain of US\$59,852,000 in the consolidated statements of profit or loss as a result of re-measuring the previously held equity interest (US\$40,094,000) at its acquisition date fair value (US\$99,946,000) in accordance with IFRS 3.

Assets acquired and liabilities assumed -

The fair values of the identifiable assets and liabilities assumed of Canteras del Hallazgo S.A.C. as at the date of acquisition were:

	US\$(000)
Assets	
Cash and cash equivalents	684
Income tax credit	29
Value added tax credit	10,599
Mining concessions, property, plant and equipment, net	<u>202,658</u>
	<u>213,970</u>
Liabilities	
Deferred income tax liabilities, net	9,235
Trade and other payables and provisions	<u>724</u>
	<u>9,959</u>
Total identifiable net assets at fair value	<u>204,011</u>

At December 31, 2014, the Group Management has determined a deferred income tax liability of US\$9,235,000, based on the preliminary value of the tax base of the mining concessions, property, plant and equipment, net.

Contingent consideration –

The purchase and sale agreement considers 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 unobservable valuation inputs are provided below:

Annual average of future sales of mineral (US\$000)	231,217
Useful life of mining properties	12
Discount rate (%)	10

Notes to the consolidated financial statements (continued)

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 and own non-performance risk 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 income statement.

As of December 31, 2014, it is highly probable that the Group reaches the projected future sales. The fair value of the contingent consideration determined as of December 31, 2014 reflects this assumption.

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

Merger –

On September 22, 2014, the General Shareholders' meeting of the Company approved the merger between the Company (absorbing entity) and its subsidiary Canteras del Hallazgo S.A.C. (absorbed entity).

Statements of profit or loss for the eleven-month period ended December 3, 2014

	US\$(000)
Administrative expenses	(2,344)
Net gain (loss) from currency exchange difference	(2,319)
Net loss	(4,663)

6. Transactions in Nuevos Soles

Transactions in Nuevos Soles are completed using exchange rates published by the Superintendent of Banks, Insurance and AFP. As of December 31, 2014, the exchange rates for U.S. dollars published by this Institution were US\$0.3355 for buying and US\$0.3346 for selling (US\$0.3579 for buying and US\$0.3577 for selling as of December 31, 2013) and have been applied by the Group for the assets and liabilities accounts, respectively.

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Notes to the consolidated financial statements (continued)

As of December 31, 2014 and 2013, the Group had the following assets and liabilities denominated in Nuevos Soles:

	2014 S/.(000)	2013 S/.(000)
Asset		
Cash and cash equivalents	30,431	48,866
Trade and other receivables	399,914	450,655
Income tax credit	160,647	104,487
Prepaid expenses	68,883	30,159
	<u>659,875</u>	<u>634,167</u>
Liabilities		
Trade and other payables	(386,036)	(947,354)
Provisions	(78,215)	(116,600)
	<u>(464,251)</u>	<u>(1,063,954)</u>
Net asset (liability) position	<u>195,624</u>	<u>(429,787)</u>

7. Cash and cash equivalents

This caption is made up as follows:

	2014 US\$(000)	2013 US\$(000)
Cash	1,371	753
Bank accounts	33,115	50,523
Time deposits	44,026	-

78,512 51,276

Bank accounts earn interest at floating rates based on market rates.

As of December 31, 2014, time deposits were kept in prime financial institutions, which generated interest at annual rates ranging from 0.10 to 4.00 percent and had original maturities of six to seven days, according to the immediate cash needs of the Group.

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Notes to the consolidated financial statements (continued)

8. Trade and other receivables, net

(a) This caption is made up as follows:

	2014 US\$(000)	2013 US\$(000)
Trade receivables, net (b)		
Domestic clients	107,638	108,836
Foreign clients	59,377	55,926
Related entities, note 28(b)	15,081	9,421
	<u>182,096</u>	<u>174,183</u>
Allowance for doubtful accounts	(21,741)	(21,741)
	<u>160,355</u>	<u>152,442</u>
Other receivables		
Value added tax credit	76,532	72,668
Refund application of value added tax (c)	30,529	13,727
Tax deposits (d)	13,843	10,622
Receivables from third parties	13,853	16,669
Claims to third parties	3,764	14
Advances to suppliers	720	3,630
Loans to personal	1,588	1,427
Related entities, note 28(b)	334	15,890
Other	6,737	4,573
	<u>147,900</u>	<u>139,220</u>
Total trade and other receivables, net	<u>308,255</u>	<u>291,662</u>
Classification by maturity:		
Current portion	281,604	263,583
Non-current portion	26,651	28,079
Total trade and other receivables, net	<u>308,255</u>	<u>291,662</u>

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Notes to the consolidated financial statements (continued)

(b) The ageing analysis of trade receivables is as follows:

Total	Neither past due nor impaired	<u>Past due but not impaired</u>	
		From 1 to 120 days	More than 120 days

	US\$(000)	US\$(000)	US\$(000)	US\$(000)
2014	160,355	153,652	5,089	1,614
2013	152,442	152,095	-	347

- (c) This item mainly corresponds to value added tax pending to be refunded as of December 31, 2014 and 2013. In November 2013 and January 2015, Buenaventura filed claims procedures by S/.19,500,000 (equivalent to US\$6,541,000) and by S/.71,100,000 (equivalent to US\$23,851,000), respectively, in connection with undue offsets made by the tax authorities against tax debts of prior years. In September 2014, the Group filed an appeal against a claim which was declared unfounded by the tax authorities in August 2014.

In the opinion of the Group's legal advisors, the adjustments made by the tax authorities have no legal support, so there are enough arguments to obtain a favorable outcome.

- (d) Corresponds to deposits held in the Banco de la Nacion which only can be used to offset tax obligations.
- (e) The provision for doubtful accounts has shown no movement during the years 2014, 2013 and 2012. In the opinion of the Group's Management, the balance of the provision for doubtful accounts is sufficient to cover adequately the risks of failure to date of the consolidated statement of financial position. The trade receivables past due but not impaired are within normal ranges in the industry, and are mainly related to pending final settlement provisional settlements.

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Notes to the consolidated financial statements (continued)

9. Inventory, net

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

	2014 US\$(000)	2013 US\$(000)
Finished goods	32,375	45,617
Products in process	119,239	112,287
Spare parts and supplies	40,493	47,828
	<u>192,107</u>	<u>205,732</u>
Provision for impairment of value of inventory (b)	<u>(7,735)</u>	<u>(6,647)</u>
	<u>184,372</u>	<u>199,085</u>
Classification by use:		
Current portion	150,284	175,719
Non-current portion	<u>34,088</u>	<u>23,366</u>
	<u>184,372</u>	<u>199,085</u>

Products in process include mineral deposits located in the Tajo Norte mining unit. The detail of this mineral as of December 31, 2014 and 2013 is presented below:

2014		2013	
US\$(000)	TMS	US\$(000)	TMS

Type I and II (copper)	1,261	68,782	2,883	369,564
Type III (lead/zinc)	45,963	2,746,634	39,978	2,369,576
	<u>47,224</u>	<u>2,815,416</u>	<u>42,861</u>	<u>2,739,140</u>
Classification by use:				
Current portion	13,136		19,495	
Non-current portion	34,088		23,366	
	<u>47,224</u>		<u>42,861</u>	

As part of the preparation of the mining unit to extract and process ore at a volume of 18,000 DMT/day, Management of El Brocal decided to accumulate mineral with metal content in the proximity of the Tajo Norte mine, which will be treated from the first quarter of 2015.

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Notes to the consolidated financial statements (continued)

- (b) The provision for impairment of value of inventory had the following movement during the years 2014, 2013 and 2012:

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Beginning balance	6,647	3,244	3,053
Provision for impairment of finished goods	3,722	3,403	212
Provision for impairment of spare parts and supplies	1,663	1,265	268
Reversal of provision for impairment of spare parts and supplies	(708)	(1,265)	(289)
Transfer to assets classified as held for sale	(1,559)	-	-
Write-offs of products in process	(2,030)	-	-
Final balance	<u>7,735</u>	<u>6,647</u>	<u>3,244</u>

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.

10. Investments in associates

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

	Share in equity		As of December 31,	
	2014 %	2013 %	2014 US\$(000)	2013 US\$(000)
Minera Yanacocha S.R.L.	43.65	43.65	1,185,971	1,360,689
Sociedad Minera Cerro Verde S.A.A.	19.584	19.584	982,206	904,315
Compañía Minera Coimolache S.A.	40.095	40.095	52,685	43,367
Canteras del Hallazgo S.A.C.	-	49.00	-	39,231
Other minor investments			<u>3,519</u>	<u>2,700</u>

2,224,381 2,350,302

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

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Minera Yanacocha S.R.L.	(174,747)	(251,109)	282,797
Sociedad Minera Cerro Verde S.A.A.	77,891	116,160	156,003
Compañía Minera Coimolache S.A.C.	<u>22,256</u>	<u>20,804</u>	<u>40,187</u>
	<u>(74,600)</u>	<u>(114,145)</u>	<u>478,987</u>

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Notes to the consolidated financial statements (continued)

Investments held by the Group in its associates Minera Yanacocha S.R.L. (through its subsidiary Compañía Minera Condesa S.A.) and Sociedad Minera Cerro Verde S.A.A., represent the most significant investments of the Group. Its operations are strategic to the Group's activities and participation in their results has been important in relation to profits (losses) of the Group in the years 2014, 2013 and 2012. The following relevant information on these investments is as follows:

Investments in Yanacocha –

The Company, through its subsidiary Compañía Minera Condesa S.A., has an interest of 43.65 percent of 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, with which signed a contract of use of mineral rights.

During the last several years, Yanacocha is developing the Conga project, which consists in two deposits of gold and porphyry of copper located at northeast of the 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.

The table below presents key financial data from the financial statements of Minera Yanacocha S.R.L. under IFRS:

	2014 US\$(000)	2013 US\$(000)
Statements of financial position		
Current assets	1,275,288	940,998
Non-current assets	2,207,908	2,813,694
Current liabilities	(229,838)	(226,147)
Non-current liabilities	<u>(573,581)</u>	<u>(448,495)</u>
Shareholders' equity, reported	<u>2,679,777</u>	<u>3,080,050</u>
Groups' interest (43.65%)	1,169,723	1,344,441
Goodwill	<u>16,248</u>	<u>16,248</u>

1,185,971 1,360,689

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Notes to the consolidated financial statements (continued)

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Statements of profit or loss			
Net sales	1,210,457	1,458,145	2,218,921
Costs of sales	(890,390)	(983,238)	(832,116)
Other operating income	20,705	29,181	22,861
Operating expenses	(22,422)	(28,672)	(22,069)
Administrative expenses	(128,347)	(156,822)	(210,309)
Selling expenses	(41,325)	(47,925)	(71,676)
Finance income (costs)	850	2,153	(764)
Impairment loss	(541,142)	(1,038,548)	-
Other expenses, net	(39,215)	(13,024)	(71,146)
Profit before income tax	(430,829)	(778,750)	1,033,702
Income tax	30,556	203,471	(385,827)
Net profit	(400,273)	(575,279)	647,875
Group's interest (43.65%)	(174,747)	(251,109)	282,797

During the years 2014 and 2013, Yanacocha recorded impairment charges of its long-lived assets, net of tax, of US\$378,799,000 and US\$726,984,000, respectively, which reduced Yanacocha's net equity and, therefore, the equity participation of the Group in this associate in the past two years. This impairment loss resulted from the postponement of the development activities due to the serious difficulties to get the social license to operate the Conga project. It is not expected to record additional significant impairment losses to this project in the future.

Investment in Sociedad Minera Cerro Verde S.A.A. (Cerro Verde) –

Sociedad Minera Cerro Verde SAA (hereinafter "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:

	2014	2013
	US\$(000)	US\$(000)
Statements of financial position as of December 31:		
Current assets	677,652	1,453,386
Non-current assets	5,094,332	3,374,815
Current liabilities	(552,572)	(427,314)
Non-current liabilities	(754,322)	(313,403)
Shareholders' equity, reported	4,465,090	4,087,484
Adjustments to conform to the accounting policies of the Group	-	(20,124)
Shareholders' equity, adjusted	4,465,090	4,067,360
Group's interest (19.584%)	874,443	796,552
Goodwill	107,763	107,763

982,206 904,315

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Notes to the consolidated financial statements (continued)

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Statements of profit or loss for the years ended December 31:			
Revenue	1,467,097	1,811,488	2,127,023
Cost of sales	(797,481)	(795,064)	(765,789)
Sales expenses	(54,210)	(68,448)	(78,674)
Costs related to water plant	-	-	(19,606)
Other operating income (expenses)	(3,629)	147	(9,898)
Finance costs	(369)	(1,843)	(6,951)
Finance income	2,443	2,178	1,886
Exchange difference	2,284	(1,858)	3,149
Profit before income taxes	616,135	946,600	1,251,140
Income tax	(238,529)	(333,338)	(454,556)
Net profit, reported	377,606	613,262	796,584
Adjustments to conform to the accounting policies of the Group	20,124	(20,124)	-
Net profit, adjusted	397,730	593,138	796,584
Group's interest (19.584)	77,891	116,160	156,003

As of December 31, 2014 and 2013, total market capitalization of 68,554,969 shares maintained by the Group in Cerro Verde was US\$1,645,319,000 and US\$1,679,597,000, respectively (market capitalization value of US\$24.00 and US\$24.50 per unit, 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.

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Notes to the consolidated financial statements (continued)

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

	2014 US\$(000)	2013 US\$(000)
Statements of financial position as of December 31:		
Current assets	69,640	74,867
Non-current assets	139,421	128,882
Current liabilities	(37,115)	(55,685)

Non-current liabilities	(18,607)	(13,857)
Shareholders' equity, reported	153,339	134,207
Adjustments to conform to the accounting policies of the Group	(21,939)	(26,047)
Shareholders' equity, adjusted	131,400	108,160
Group's interest (40.095%)	52,685	43,367

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Statements of profit or loss for the years ended December 31:			
Revenue	192,369	209,636	262,597
Costs of sales	(100,649)	(124,325)	(113,866)
Administrative expenses	(2,073)	(1,843)	(2,344)
Sales expenses	(1,077)	(522)	(701)
Other operating income, net	929	779	361
Finance income	47	335	353
Finance costs	(583)	(2,385)	(5,463)
Gain (loss) from exchange difference	(1,465)	(524)	1,305
Profit before income taxes	87,498	81,151	142,242
Income taxes	(36,090)	(34,156)	(50,995)
Net profit, reported	51,408	46,995	91,247
Adjustments to conform to the accounting policies of the Group	4,099	4,892	8,983
Net profit, adjusted	55,507	51,887	100,230
Group's interest (40.095%)	22,256	20,804	40,187

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Notes to the consolidated financial statements (continued)

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

(a) Below is presented the movement in cost:

	Balance as of January 1, 2013	Additions	Retirements	Sales	Transfers	Balance as of December 31, 2013	Additions	Retirements	Sales	Transfers	Merger with Cantera	Transfer to assets held for sale	Balance as of December 31, 2014
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost													
Lands	6,029	6,044	-	(4)	-	12,069	10,590	(357)	-	129	130	(560)	22,001
Mining lands	7,215	-	-	-	-	7,215	-	-	-	-	-	-	7,215
Mining concessions	137,309	-	-	-	-	137,309	67	(6,061)	-	-	74,005	(14,526)	190,794
Development costs	272,906	81,603	-	-	-	354,509	138,527	(2,586)	-	2,575	127,809	(89,377)	531,457
Buildings, construct	505,749	4,864	(151)	(798)	6,340	516,004	3,467	(2,222)	(1,536)	521,960	688	(40,170)	998,191

ions and other														
Machinery and equipment	459,921	93,810	(2,566)	(11,572)	28,285	567,878	6,716	(6,893)	(20)	214,808	840	(33,246)	750,083	
Transportation units	11,967	1,295	(26)	(680)	680	13,236	484	(1,230)	(658)	78	-	(960)	10,950	
Furniture and fixtures	12,256	720	(26)	(140)	799	13,609	1,587	(79)	(5)	1,208	5	(3,300)	13,025	
Units in transit	43,672	8,292	(1,371)	-	(14,119)	36,474	3,233	(19,450)	-	(8,421)	-	-	11,836	
Work in progress	431,836	297,852	(288)	-	(21,985)	707,415	114,151	(30,272)	-	(732,337)	-	(1,037)	57,920	
Stripping activity asset	44,623	35,029	-	-	-	79,652	6,069	-	-	-	-	-	85,721	
Mine closure costs	56,218	38,117	(4,804)	-	-	89,531	1,031	(11,464)	-	-	-	(15,012)	64,086	
	1,989,701	567,626	(9,232)	(13,194)	-	2,534,901	22	(80,614)	(2,219)	203,477	7	(198,188)	2,743,279	
Accumulated depreciation and amortization														
Mining lands	3,202	-	-	-	-	3,202	-	(3,202)	-	-	-	-	-	
Mining concessions	74,283	9,776	-	-	-	84,059	5,058	-	-	-	-	(11,721)	77,396	
Development costs	201,017	30,667	-	-	-	231,684	35,480	(2,492)	-	-	-	(80,394)	184,278	
Buildings, construction and other	216,797	72,151	(151)	(677)	(6,719)	281,401	65,962	(932)	-	-	246	(32,632)	314,045	
Machinery and equipment	280,819	62,233	(693)	(6,103)	6,719	342,975	87,215	(5,058)	(8)	-	571	(25,934)	399,761	
Transportation units	7,771	1,312	(26)	(652)	-	8,405	842	(684)	(562)	-	-	(725)	7,276	
Furniture and fixtures	7,055	1,086	(25)	(137)	-	7,979	1,253	(143)	-	-	2	(2,770)	6,321	
Stripping activity asset	2,285	854	-	-	-	3,139	3,343	-	-	-	-	-	6,482	
Mine closure costs	24,250	13,336	-	-	-	37,586	4,216	(365)	-	-	-	(9,169)	32,268	
	817,479	191,415	(895)	(7,569)	-	1,000,430	203,369	(12,876)	(570)	-	819	(163,345)	1,027,827	
Provision for impairment of long-lived assets														
Mining concessions	2,805	-	-	-	-	2,805	-	-	-	-	-	(2,805)	-	
Property, plant and equipment	4,735	-	-	-	-	4,735	794	-	-	-	-	(5,529)	-	
Development costs	4,877	3,912	-	-	-	8,789	-	-	-	-	-	(8,789)	-	
Mine closure costs	-	1,668	-	-	-	1,668	-	-	-	-	-	(1,668)	-	
Work in progress	-	1,014	-	-	-	1,014	-	-	-	-	-	(1,014)	-	
	12,417	6,594	-	-	-	19,011	794	-	-	-	-	(19,805)	-	

Net cost	1,159,80 <u>5</u>	1,515,460	1,715,452
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Notes to the consolidated financial statements (continued)

- (b) During the year 2014, the Group recognized impairment losses of certain assets by US\$794,000, as a result of the decrease in the level and quality of reserves of the mining units Poracota, Recuperada, Shila-Paula and Antapite (US\$6,594,000 in 2013 and US\$3,617,000 in 2012). The recoverable amounts were determined based on their values in use and were calculated at each mining unit. The discount rate used, before taxes, was 11.37 percent. Management believes that there will not be significant changes in the discount rate that may increase the impairment loss.

In the opinion of the Group's Management, the balance of the provision for impairment of long-lived assets is sufficient to cover adequately the risks of impairment of long-lived assets of the Group at the date of the consolidated statement of financial position.

- (c) The book value of assets held under finance leases amounted to US\$233,826,000 at December 31, 2014 (US\$234,397,000 at December 31, 2013) and is presented in various items of property, plant and equipment. Additions during the year include US\$142,315,000 (US\$115,397,000 in 2013) of plant and equipment under finance lease. Leased assets are pledged as security for the related finance lease liabilities.
- (d) The amount of capitalized finance costs during the year 2014 was US\$20,079,000 (US\$16,570,000 during 2013) and are presented under investing activities in statements of cash flows.. The average rate used to determine the financial cost to be capitalized was 4.255 percent during 2014 (4.246 percent during 2013).

12. Investment properties, net

The Group's investment properties consist of administrative offices in seven floors (6,252 meters square), 154 parking spaces and 20 tanks, all in the Capital The Derby building, located in the district of Surco, Lima, Peru.

The movement of cost and accumulated depreciation for the year 2014 is presented below:

	Cost US\$(000)	Accumulated depreciation US\$(000)	Net cost US\$(000)
Balance as of January 1, 2014	-	-	-
Additions	<u>12,103</u>	<u>(903)</u>	<u>11,200</u>
Balance as of December 31, 2014	<u>12,103</u>	<u>(903)</u>	<u>11,200</u>

The Group does not have restrictions in the realization of its investment properties.

During 2014, the rental income from these investment properties amounted to US\$1,542,000.

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Notes to the consolidated financial statements (continued)

13. Bank loans

This caption mainly includes a bank loan in U.S. dollars granted by Banco de Credito for an amount of US\$40,000,000. This loan accrues interests at an annual rate of 1.5 percent, has a term of 365 days and matures in August 2015. This loan is guaranteed with cash deposits held by the Company in such bank.

14. Trade and other payables

(a) This caption is made up as follows:

	2014 US\$(000)	2013 US\$(000)
Trade payables (b)		
Domestic suppliers	206,844	219,730
Related entities, note 28(b)	<u>1,794</u>	<u>1,427</u>
	<u>208,638</u>	<u>221,157</u>
Other payables		
Accounts payable to non-controlling interests	15,181	11,772
Taxes payable	13,409	11,602
Remuneration and similar benefits payable	12,879	18,797
Royalties payable to the Peruvian State	2,654	2,455
Dividends payable	1,117	1,115
Other liabilities	<u>15,362</u>	<u>47,142</u>
	<u>60,602</u>	<u>92,883</u>
	<u>269,240</u>	<u>314,040</u>
Classification by maturity:		
Current portion	254,000	301,811
Non-current portion	<u>15,240</u>	<u>72,229</u>
Total trade and other payables	<u><u>269,240</u></u>	<u><u>314,040</u></u>

(b) Trade payables arise mainly from the acquisition of material, supplies and spare parts and services provided by third parties. These obligations are mostly denominated in U.S. dollars, have current maturities, accrue no interest and are not secured.

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Notes to the consolidated financial statements (continued)

15. Provisions

(a) This caption is made up as follows:

	2014 US\$(000)	2013 US\$(000)
Provision for closure of mining units and exploration projects (b)	103,010	136,357
Provision for environmental obligations	6,708	9,224
Provision for safety contingencies	6,475	1,679
Provision for labor contingencies	4,729	6,021

Workers' profit sharing payable (c)	3,916	7,206
Provision for obligations with the local communities	2,851	6,974
Board of Directors' participation	1,385	1,604
Provision for environmental liabilities	1,092	4,031
Stock appreciation rights (c)	449	1,885
Other provisions	851	1,195
	<u>131,466</u>	<u>176,176</u>
Classification by maturity:		
Current portion	67,895	69,800
Non-current portion	<u>63,571</u>	<u>106,376</u>
	<u>131,466</u>	<u>176,176</u>

(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:

	2014 US\$(000)	2013 US\$(000)
Beginning balance	140,452	99,438
Changes in estimates (property, plant and equipment and development costs)	226	40,992
Accretion expense	2,494	6,402
New mine closure plans	623	16,665
Disbursements	(19,427)	(27,140)
Reclassifications to liabilities directly associated with the assets held for sale	(21,358)	-
Final balance	<u>103,010</u>	<u>136,357</u>
Classification by maturity:		
Current portion	44,936	39,577
Non-current portion	<u>58,074</u>	<u>96,780</u>
	<u>103,010</u>	<u>136,357</u>

The provision for closure of mining units and exploration projects represents the present value of the closure costs that are expected to be incurred between the years 2015 and 2040. These estimates are based on studies prepared by independent advisers that meet the environmental regulations in effect.

Notes to the consolidated financial statements (continued)

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, 2014, the future value of the provision for closure of mining units and exploration projects was US\$149,793,000, which has been discounted using annual risk-free rates ranging from 0.66 to 3.95 percent in periods of 1 to 30 years, resulting in an updated liability of US\$103,010,000 (US\$136,357,000 as of December 31, 2013). 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, 2014 The Group has constituted letters of credit in favor of the Ministry of Energy and Mines for US\$76,808,000 (US\$66,185,000 as of December 31, 2013) to secure mine closure plans of its mining units.

(c) Stock appreciation rights -

Senior executives of the Group are granted share appreciation rights, which can only be settled in cash, if the executive is working for the Group at each program's settlement date. These programs are mainly structured in a 10-year term, allocated in several programs with progressive maturities. The settlement of each program is determined based on the variation of the market prices at the maturity date as compared to the price at the date of the grant, over the corresponding number of shares.

The table below presents the main assumptions used by the Group to estimate the fair value:

	2014	2013
Historical volatility of the shares	48.15%	47.69%
Risk-free interest rate for the remaining period until vesting	0.00%	0.00%
Dividend yield	1.21%	1.29%
Period covered by the program	10 years	10 years
Market value of the shares at closing	US\$ 9.56	US\$ 11.22

The expected useful life of the award is based on historical data and current expectations and do not necessarily represent patterns that indicate the executions of awards that could occur in the future. The expected volatility reflects the assumption that the historical volatility for a similar period of life of the options indicates the trend in the future, which might not necessarily be the actual outcome.

The valuation model has been used by the Company as of December 31, 2013 and 2014 was the Turnbull & Wakeman.

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Notes to the consolidated financial statements (continued)

The movement of shares subject to compensation programs is as follows:

	<u>Number of shares</u>	
	2014	2013
Beginning balance	4,234,779	3,969,664
Granted	145,000	790,000
Retired	(386,431)	(70,199)
Expired	(570,634)	(454,686)
Final balance	<u>3,422,714</u>	<u>4,234,779</u>

Awards maturities per year are as follows: 574,499 shares during 2015; 603,915 shares during 2016; 576,000 shares during 2017; and 1,668,300 shares from 2018 onwards.

The movement in the provision for compensation functionaries occurs as follow:

	2014 US\$(000)	2013 US\$(000)
Beginning balance	1,885	26,872
Valuation (reverse) of the year	77	(19,143)
Payments	<u>(1,513)</u>	<u>(5,844)</u>
Final balance	<u>449</u>	<u>1,885</u>
Classification by maturity:		
Current portion	-	1,513
Non-current portion	<u>449</u>	<u>372</u>
	<u>449</u>	<u>1,885</u>

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Notes to the consolidated financial statements (continued)

16. Financial obligations

(a) This caption is made up as follow:

	2014 US\$(000)	2013 US\$(000)
Empresa de Generación Huanza S.A.		
Banco de Crédito del Perú – Finance lease (b)	199,170	119,000
Sociedad Minera El Brocal S.A.A.		
Banco de Crédito del Perú – Leaseback (c)	165,039	115,397
Other obligations	5,000	-
Buenaventura Ingenieros S.A.		
Banco de Crédito del Perú – Finance lease (d)	13,988	-
Others	<u>108</u>	<u>-</u>
Total financial obligations	<u>383,305</u>	<u>234,397</u>
Classification by maturity:		
Current portion	69,950	11,370
Non-current portion	<u>313,355</u>	<u>223,027</u>
Total financial obligations	<u>383,305</u>	<u>234,397</u>

(b) On December 2, 2010, Empresa de Generación Huanza S.A. entered into a finance lease contract with Banco de Crédito del Perú, with the following terms and conditions:

- Principal: US\$119,000,000.

- Annual interest rate: Three-month Libor plus 4.00 percent.
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipments.
- Amortization: Through 26 quarterly variable installments and a final installment of US\$44,191,000.

On June 30, 2014, Banco de Credito del Peru extended the finance lease contract above mentioned, through the addition of a new tranche with the following terms and conditions:

- Principal: US\$108,780,000.
- Annual interest rate: Three-month Libor plus 4.20 percent.
- Term: 6 years since August 2014, with final maturity in November 2020.
- Guarantee: Leased equipments.
- Amortization: Through an initial installment of US\$23,780,000, 26 quarterly variable installments and a final installment of US\$68,905,000.

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Notes to the consolidated financial statements (continued)

- (c) On September 25, 2013, the General Shareholders Meeting of El Brocal approved to enter into a sale and finance leaseback contract through the sale of assets by the same value, consisting on equipment, machinery and production plants located in the Colquijirca mining unit, with the following terms and conditions:

- Principal: US\$180,000,000.
- Annual interest rate: Three-month Libor plus 5.00 percent.
- Term: 5 years since March 20, 2014, with final maturity in year 2019.
- Amortization: Through 20 quarterly variable installments.

The financing is secured by a trust agreement on receivables, sales contracts and cash inflows on commercial contracts; and other related to the administration, use, disposal and claim of the assets specified in the contract.

In connection with the above financing, El Brocal complied with the following financial ratios as of December 31, 2014:

- (i) Debt service coverage ratio: Higher than 1.3 from January 1, 2014.
- (ii) Leverage ratio: Less than 1.0.
- (iii) Debt ratio:
 - a. Less than 3.0 as of December 31, 2014;
 - b. Less than 2.5 from January 1, 2015 to December 31, 2015; and,
 - c. Less than 2.0 from January 1, 2016 and thereafter.

These financial ratios are calculated based on the financial statements of El Brocal as of each quarter ending March, June, September and December.

The compliance with the financial ratios described above is monitored by El Brocal's management.

- (d) On March 28, 2014, Buenaventura Ingenieros S.A. entered into a finance lease contract with Banco de Credito del Peru, for the construction of administrative offices, with the following terms and conditions:

- Principal: US\$14,944,000.

- Annual interest rate: 4.60 percent.
- Term: 5 years and 4 months since April 2014, with final maturity in July 2019.
- Guarantee: Leased property.
- Amortization: Through 64 monthly installments of US\$208,000 each.

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Notes to the consolidated financial statements (continued)

- (e) The financial obligations held by the Group mature as follows:

Year	As of December 31, 2014	As of December 31, 2013
	US\$(000)	US\$(000)
2015	12,117	39,968
2016	49,245	40,041
2017	59,966	45,955
2018 and thereafter	192,027	97,063
	<u>313,355</u>	<u>223,027</u>

17. Shareholders' equity, net

- (a) Capital stock -

The Group's share capital is stated in Nuevos Soles (S/.) 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, 2014 and 2013:

	Number of shares	Capital stock S/.(000)	Capital stock US\$(000)
Common shares	274,889,924	2,748,899	813,162
Treasury shares	(21,174,734)	(211,747)	(62,665)
	<u>253,715,190</u>	<u>2,537,152</u>	<u>750,497</u>

The market value of the common shares amounted to US\$10.58 per share as of December 31, 2014 (US\$10.74 per share as of December 31, 2013). These shares presented a trading frequency of 100 percent in the year 2014 (95 percent in the year 2013).

- (b) Investment shares -

Investment shares have a nominal value of S/.10.00 per share. Holders of investment shares are neither entitled 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 in the same manner as common shares. The table below presents the composition of the investment shares as of December 31, 2014 and 2013:

	Number of shares	Investment shares S/.(000)	Investment shares US\$(000)
Investment shares	744,640	7,447	2,161

Treasury investment shares	(272,963)	(2,730)	(765)
	<u>471,677</u>	<u>4,717</u>	<u>1,396</u>

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Notes to the consolidated financial statements (continued)

The market value of the investment shares amounted to US\$8.72 per share as of December 31, 2014 (US\$10.73 per share as of December 31, 2013). These shares did not present a trading frequency in 2014 (10.00 percent as of December 31, 2013).

(c) Legal reserve -

The Peruvian Corporations Law (*Ley General de Sociedades*) requires that a minimum of ten percent of the distributable earnings for each period, after deducting the income tax, be transferred to a legal reserve until the latter is equal to 20 percent of the capital stock. This legal reserve can be used to offset losses or may be capitalized, with the obligation, in both cases, to replenish it.

Although, the balance of the legal reserve exceeded the limit mentioned above, at December 31, 2014, 2013 and 2012, the Company increased its legal reserve by US\$47,000 in 2014 and US\$24,000 in 2012.

(d) Dividends declared and paid -

The table below presents the dividends declared and paid in 2014, 2013 and 2012:

Meetings	Date	Dividends declared and paid US\$(000)	Dividend per share US\$
2014 Dividends			
Mandatory Annual Shareholders' Meeting	March 27	3,032	0.01
Board of Directors' Meeting	October 30	6,339	0.02
Less – Dividends of treasury shares		<u>(729)</u>	
		<u>8,642</u>	
2013 Dividends			
Mandatory Annual Shareholders' Meeting	March 26	82,690	0.30
Board of Directors' Meeting	October 30	2,757	0.01
Less – Dividends of treasury shares		<u>(6,568)</u>	
		<u>78,879</u>	
2012 Dividends			
Mandatory Annual Shareholders' Meeting	March 26	110,254	0.40
Board of Directors' Meeting	October 30	55,126	0.20
Less – Dividends of treasury shares		<u>(12,714)</u>	
		<u>152,666</u>	

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Notes to the consolidated financial statements (continued)

(e) Reduction of capital stock in Minera La Zanja S.R.L. (La Zanja) -

The General Partners' Meeting of La Zanja held on January 26, 2012, agreed to reduce the share capital of La Zanja by US\$27,000,000, by returning cash contributions. This agreement was registered before the public records on March 30, 2012. The outstanding amount of refund to the non-controlling interest amounted to US\$15,057,000.

(f) Basic and diluted profit (loss) per share –

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

The calculation of the basic and diluted profit (loss) per share for the year 2014, 2013 and 2012 is presented below:

	Number of shares		
	(denominator in calculating earnings per share, net of treasury shares)		
	Common	Investment	Total
Balance as of January 1, 2013	253,759,664	472,907	254,232,571
Treasury shares acquired during 2013	(44,474)	(1,230)	(45,704)
Balance as of December 31, 2013 and 2014	<u>253,715,190</u>	<u>471,677</u>	<u>254,186,867</u>

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

	2014	2013	2012
Profit (loss) net (numerator) – US\$	(76,065,000)	(107,257,000)	701,100,000
Total common and investment shares (denominator)	<u>254,186,867</u>	<u>254,186,867</u>	<u>254,232,571</u>
Profit (loss) net per basic share and diluted – US\$	<u>(0.30)</u>	<u>(0.42)</u>	<u>2.76</u>

The calculation of loss per share from continuing operations attributable to the equity holders of the parent is presented below:

	2014	2013	2012
Profit (loss) net (numerator) – US\$	(44,951,000)	(23,372,000)	758,610,000
Total common and investment shares (denominator)	<u>254,186,867</u>	<u>254,186,867</u>	<u>254,232,571</u>
Profit (loss) net per basic share and diluted – US\$	<u>(0.18)</u>	<u>(0.09)</u>	<u>2.98</u>

Profit (loss) per basic and diluted share is the same in both cases, because there are no diluting effects on profit (loss) for the years 2014, 2013 and 2012.

There have been no transactions involving ordinary shares or investment between December 31, 2014 and the date of issuance of these consolidated financial statements.

Notes to the consolidated financial statements (continued)

18. Subsidiaries with material non-controlling interest

(a) Financial information of subsidiaries that have material non-controlling interest are provided below:

	Country of incorporation and operation	2014 %	2013 %	2012 %
Proportion of equity interest held by non-controlling interests:				
Sociedad Minera El Brocal S.A.A.	Peru	45.93	45.93	49.28
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
		2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Accumulated balances of material non-controlling interest:				
Sociedad Minera El Brocal S.A.A.	Peru	208,664	190,050	176,390
S.M.R.L. Chaupiloma Dos de Cajamarca	Peru	3,600	2,228	2,228
Minera La Zanja S.R.L.	Peru	85,756	85,029	85,029
		<u>298,020</u>	<u>277,307</u>	<u>263,647</u>
		2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Profit (loss) allocated to material non-controlling interest:				
Sociedad Minera El Brocal S.A.A.		3,450	(3,541)	16,822
S.M.R.L. Chaupiloma Dos de Cajamarca		10,250	12,302	18,904
Minera La Zanja S.R.L.		725	18,760	23,694
		<u>14,425</u>	<u>27,521</u>	<u>59,420</u>

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Notes to the consolidated financial statements (continued)

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

Statements of financial position as of December 31, 2014:

	Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Minera La Zanja S.R.L. US\$(000)
Current assets	110,244	14,657	119,591
Non-current assets	654,819	70	159,245
Current liabilities	(152,721)	(5,727)	(42,405)
Non-current liabilities	(157,996)	-	(53,742)

Total shareholders' equity, net	<u>454,346</u>	<u>9,000</u>	<u>182,689</u>
Attributable to:			
Shareholders of the parent	245,682	5,400	96,933
Non-controlling interests	<u>208,664</u>	<u>3,600</u>	<u>85,756</u>
	<u>454,346</u>	<u>9,000</u>	<u>182,689</u>

Statements of financial position as of December 31, 2013:

	Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Minera La Zanja S.R.L. US\$(000)
Current assets	111,110	8,864	61,166
Non-current assets	575,826	144	209,745
Current liabilities	(114,214)	(3,439)	(45,878)
Non-current liabilities	<u>(129,090)</u>	<u>-</u>	<u>(43,890)</u>
Total shareholders' equity, net	<u>443,632</u>	<u>5,569</u>	<u>181,143</u>
Attributable to:			
Shareholders of the parent	253,582	3,341	96,114
Non-controlling interests	<u>190,050</u>	<u>2,228</u>	<u>85,029</u>
	<u>443,632</u>	<u>5,569</u>	<u>181,143</u>

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Notes to the consolidated financial statements (continued)

Statements of profit or loss for the year ended December 31, 2014:

	Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Minera La Zanja S.R.L. US\$(000)
Revenues	210,002	36,867	185,286
Cost of sales	(149,969)	(74)	(137,659)
Administrative expenses	(17,617)	(113)	(5,920)
Sales expenses	(7,103)	-	(1,441)
Exploration in non-operating areas	(5,085)	-	(19,689)
Other operating expense, net	(50)	(1)	(3,389)
Finance income	-	-	1
Finance costs	(4)	(3)	(1,728)
Net loss for exchange difference	<u>(1,039)</u>	<u>(50)</u>	<u>(1,525)</u>
Profit before income tax	29,135	36,626	13,936
Income tax	<u>(21,621)</u>	<u>(10,996)</u>	<u>(12,388)</u>

Net profit	7,514	25,630	1,548
Attributable to non-controlling interests	3,450	10,250	725
Dividends paid to non-controlling interests	-	8,880	-

Statements of profit or loss for the year ended December 31, 2013:

	S.M.R.L. Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	S.M.R.L. Minera La Zanja S.R.L. US\$(000)
Revenues	187,769	44,185	193,298
Cost of sales	(155,613)	(112)	(115,577)
Administrative expenses	(15,620)	(96)	(2,475)
Sales expenses	(8,763)	-	(528)
Exploration in non-operating areas	(5,220)	-	(3,446)
Other operating expense, net	(656)	(3)	(55)
Finance income	136	3	37
Finance costs	(1,912)	(5)	(1,301)
Net loss for exchange difference	(2,827)	(66)	(777)
Profit (loss) before income tax	(2,706)	43,906	69,176
Income tax	(5,003)	(13,151)	(29,211)
Net profit (loss)	(7,709)	30,755	39,965
Attributable to non-controlling interests	(3,541)	12,302	18,760
Dividends paid to non-controlling interests	2,713	10,820	-

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Notes to the consolidated financial statements (continued)

Statements of profit or loss for the year ended December 31, 2012:

	S.M.R.L. Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	S.M.R.L. Minera La Zanja S.R.L. US\$(000)
Revenues	268,480	67,178	196,728
Cost of sales	(179,795)	-	(109,431)
Administrative expenses	(19,348)	(87)	(2,109)
Sales expenses	(8,243)	-	(447)
Exploration in non-operating areas	(18,396)	-	(2,477)
Other operating expense, net	(1,091)	(112)	(2,401)
Finance income	249	-	323
Finance costs	(1,667)	(7)	(1,466)
Net gain for exchange difference	576	848	288

Profit before income tax	40,765	67,820	79,008
Income tax	(13,632)	(20,560)	(28,530)
Net profit	<u>27,133</u>	<u>47,260</u>	<u>50,478</u>
Attributable to non-controlling interests	16,822	18,904	23,694
Dividends paid to non-controlling interests	19,266	14,820	10,795

Statements of cash flow for the year ended December 31, 2014:

	Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Minera La Zanja S.R.L. US\$(000)
Operating activities	71,682	22,375	17,075
Investing activities	(131,045)	-	(20,452)
Financing activities	<u>54,642</u>	<u>(22,200)</u>	<u>7,000</u>
Increase (decrease) in cash and cash equivalents in the year	<u>(4,721)</u>	<u>175</u>	<u>3,623</u>

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Notes to the consolidated financial statements (continued)

Statements of cash flow for the year ended December 31, 2013:

	Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Minera La Zanja S.R.L. US\$(000)
Operating activities	80,197	34,864	71,621
Investing activities	(215,758)	7	15,079
Financing activities	<u>121,202</u>	<u>(34,450)</u>	<u>(90,100)</u>
Increase (decrease) in cash and cash equivalents in the year	<u>(14,359)</u>	<u>421</u>	<u>(3,400)</u>

Statements of cash flow for the year ended December 31, 2012:

	Sociedad Minera El Brocal S.A.A. US\$(000)	S.M.R.L. Chaupiloma Dos de Cajamarca US\$(000)	Minera La Zanja S.R.L. US\$(000)
Operating activities	52,252	51,567	62,508
Investing activities	(137,686)	-	(74,828)
Financing activities	<u>28,326</u>	<u>(51,450)</u>	<u>(40,000)</u>

Increase (decrease) in cash and cash equivalents in the year	<u>(57,108)</u>	<u>117</u>	<u>(52,320)</u>
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19. Tax situation

(a) Current tax regime -

The Company and its Peruvian subsidiaries are subject to the Peruvian tax regime. As of December 31, 2014, the income tax rate was 30 percent on taxable income. Legal entities and individuals not domiciled in Peru are subject to an additional tax of 4.1 percent on the dividends received.

By means of Law N° 30296 enacted on December 31, 2014, the Peruvian government introduced certain amendments to the Income Tax Law, effective January 1, 2015. The most relevant are listed below:

- There will be a gradual reduction of the corporate income tax from 30 percent to 28 percent in 2015 and 2016; to 27 percent in 2017 and 2018; and to 26 percent in 2019 and thereafter.
- There will be a gradual increase of the withholding income tax to dividends from 4.1 percent to 6.8 percent in 2015 and 2016; to 8.0 percent in 2017 and 2018; and to 9.3 percent in 2019 and thereafter. These rates will be applicable to the distributed or approved dividends, whichever first occurs, effective January 1, 2015.
- The retained earnings or other items subject to generate taxable dividends, obtained until December 31, 2014 will be subject to a rate of 4.1 percent.

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Notes to the consolidated financial statements (continued)

(b) Years open to tax review -

During the four years following the year of filing the tax return, the tax authorities have the power to review and, as applicable, correct the income tax computed by the Group. The Income Tax and Value Added Tax returns for the following years are open to review by the Tax Authorities:

Entity	Years open to review band Tax Authorities
Compañía de Minas Buenaventura S.A.A.	2009, 2010, 2011 , 2012, 2013 and 2014
Bisa Construcción S.A.	2011, 2012, 2013 and 2014
Buenaventura Ingenieros S.A.	2011, 2012, 2013 and 2014
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. – CEDIMIN (merged with the Company in May 2013)	2010, 2011, 2012 and 2013
Compañía Minera Condesa S.A.	2010, 2011 , 2012, 2013 and 2014
Compañía Minera Colquirrumi S.A.	2010, 2011 , 2012, 2013 and 2014
Consorcio Energético de Huancavelica S.A.	2009, 2011, 2012, 2013 and 2014
Contacto Corredores de Seguros S.A.	2010, 2011, 2012, 2013 and 2014
El Molle Verde S.A.C.	2011, 2012, 2013 and 2014
Empresa de Generación Huanza S.A.	2010, 2011 , 2012, 2013 and 2014
Inversiones Colquijirca S.A.	2010, 2011 , 2012, 2013 and 2014
Minera La Zanja S.R.L. (*)	2010, 2013 and 2014
Sociedad Minera El Brocal S.A.A. (**)	2010, 2011, 2012, 2013 and 2014
S.M.R.L. Chaupiloma Dos de Cajamarca	2010, 2011 , 2012, 2013 and 2014

Procesadora Industrial Río Seco S. A.	2010, 2011, 2012, 2013 and 2014
Apu Coropuna S.R.L.	2013 and 2014
Cerro Hablador S. A. C.	2013 and 2014
Minera Azola S. R. L.	2014

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, 2014 and 2013.

The open tax process of the Group and its associates are presented in Note 27 (g).

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Notes to the consolidated financial statements (continued)

(c) Tax-loss carryforwards –

As of December 31, 2014 and 2013, the tax-loss carryforward determined by Buenaventura amounts to approximately S/.127,794,000 and S/.176,262,000, respectively (equivalent to US\$42,755,000 and US\$60,659,000, respectively). In November 2010, the Company filed an amended income tax return of 2009 which increased the tax-loss carryforward. As permitted by the Income Tax Law, Buenaventura has chosen a system that permits to offset this loss with an annual cap equivalent to 50 percent of net future taxable income.

The Company's Management has decided to recognize the asset accounting for deferred income taxes related to tax loss carryforward, because there is reasonable certainty that is sufficient to compensate this tax loss carryforward with future net revenues.

(d) Transfer pricing –

For purposes of determining the Income Tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Tax Administration can request this information based on analysis of the Group's operations. The Group's Management and its legal advisers believe that, as a result of the application of these standards, no material contingencies will arise for the Group as of December 31, 2014 and 2013.

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. The table below presents the net sales to customers by geographic region and product type:

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Sales and services by geographic region:			
Metal and concentrates sales			
America	531,460	690,224	722,323
Peru	434,958	306,693	502,681
Europe	46,585	70,020	98,085
Asia	54,268	67,978	53,090

Africa	-	921	-
	<u>1,067,271</u>	<u>1,135,836</u>	<u>1,376,179</u>
Services rendered			
Peru	71,642	79,344	46,656
Asia	-	241	-
America	-	-	8
	<u>71,642</u>	<u>79,585</u>	<u>46,664</u>
	<u>1,138,913</u>	<u>1,215,421</u>	<u>1,422,843</u>
Sales by product:			
Gold	554,805	637,032	738,477
Silver	356,021	362,805	544,947
Copper	271,282	182,399	177,573

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Notes to the consolidated financial statements (continued)

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Zinc	47,653	71,187	82,873
Lead	39,658	55,951	52,834
	<u>1,269,419</u>	<u>1,309,374</u>	<u>1,596,704</u>
Commercial deductions	(185,061)	(127,053)	(143,717)
Adjustments to prior period liquidations	(5,994)	(1,437)	14,816
Embedded derivatives from sale of concentrate	(9,862)	6,140	1,776
Hedge operations	3,886	662	(72)
Net sales of units held for sale	<u>(5,117)</u>	<u>(25,835)</u>	<u>(73,506)</u>
	<u>1,067,271</u>	<u>1,161,851</u>	<u>1,396,001</u>
Services sales	<u>71,642</u>	<u>53,570</u>	<u>26,842</u>
	<u>1,138,913</u>	<u>1,215,421</u>	<u>1,422,843</u>

(b) Concentration of sales -

In 2014, the two customers with sales of more than 10 percent of total net sales represented 62 percent and 17 percent (65 percent and 13 percent in 2013; 54 percent and 15 percent in 2012). As of December 31, 2014, 85 percent of the accounts receivable is related to these customers (80 percent as of December 31, 2013). These clients 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 sales contracts that guarantee supplying them the production from the Group's mines at prices that are based on market quotations.

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Notes to the consolidated financial statements (continued)

21. Cost of sales, without considering depreciation and amortization

This caption is made up as follows:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Beginning balance of finished goods and products in process	<u>122,786</u>	<u>129,699</u>	<u>141,400</u>
Cost of production			
Services provided by third parties	285,365	270,245	228,705
Consumption of materials and supplies	109,584	114,808	124,833
Direct labor	117,856	115,725	93,241
Electricity and water	30,595	28,465	25,940
Rentals	12,924	25,404	10,243
Transport	22,584	15,416	11,295
Insurances	7,099	9,269	11,239
Maintenance and repair	7,075	6,931	5,591
Cost of concentrate purchased	-	(175)	18,563
Provision for impairment of finished goods	3,040	313	125
Other production expenses	16,338	33,313	33,291
Total cost of production	<u>612,460</u>	<u>619,714</u>	<u>563,066</u>
Final balance of products in process and finished goods	<u>(120,707)</u>	<u>(122,128)</u>	<u>(133,223)</u>
Cost of sales, without considering depreciation and amortization	<u>614,539</u>	<u>627,285</u>	<u>571,243</u>

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Notes to the consolidated financial statements (continued)

22. Exploration in operating units

This caption is made up as follows:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Services provided by third parties	81,692	116,829	119,571
Consumption of materials and supplies	10,849	22,816	22,258
Direct labor	3,449	14,370	5,779
Transport	767	4,388	1,351
Rentals	1,042	2,348	886
Insurance	20	944	333
Maintenance and repair	29	596	174
Other minor expenses	2,857	4,852	2,666
Total exploration in operating units	<u>100,705</u>	<u>167,143</u>	<u>153,018</u>
Exploration in discontinued operations	<u>(2,853)</u>	<u>(65,230)</u>	<u>(49,803)</u>
	<u>97,852</u>	<u>101,913</u>	<u>103,215</u>

23. Mining royalties

This caption is made up as follows:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Sindicato Minero de Orcopampa S.A., note 27(b)	21,688	23,843	34,863
Royalties paid to the Peruvian State	6,784	6,278	2,489
Others	<u>15</u>	<u>502</u>	<u>315</u>
Total mining royalties	28,487	30,623	37,667
Mining royalties for discontinued operations	<u>(47)</u>	<u>(221)</u>	<u>(171)</u>
	<u><u>28,440</u></u>	<u><u>30,402</u></u>	<u><u>37,496</u></u>

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Notes to the consolidated financial statements (continued)

24. Administrative expenses

This caption is made up as follows:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Personnel expenses	37,983	40,133	40,665
Sundry expenses	27,758	20,932	28,717
Travel and mobility	908	7,890	1,846
Professional fees	13,956	7,109	12,307
Insurance	3,726	5,443	2,901
Donations	5,034	2,884	2,181
Consumption of materials and supplies	1,688	1,701	1,669
Rentals	3,217	1,635	2,058
Communications	1,276	1,618	989
Board of Directors' participation	1,163	1,575	2,522
Other mining taxes	1,207	1,532	377
Subscriptions	779	802	768
Maintenance and repairs	2,720	473	457
Valuation (reversal) of stock appreciation's rights	89	(20,207)	1,799
Amortization of other assets	<u>121</u>	<u>3,956</u>	<u>39</u>
Total administrative expenses	101,625	77,476	99,295
Administrative expenses for discontinued operations	<u>(523)</u>	<u>(2,358)</u>	<u>(5,177)</u>
	<u><u>101,102</u></u>	<u><u>75,118</u></u>	<u><u>94,118</u></u>

25. Exploration in non-operating areas

This caption is made up as follows:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Services provided by third parties	34,582	17,801	62,321
Personnel expenses	6,053	6,359	8,667
Consumption of materials and supplies	3,213	2,490	7,981
Rentals	1,142	707	3,195
Transport	168	162	989
Maintenance and repairs	139	122	275
Insurance	75	60	177

royalties and special mining tax								
Deemed cost of property, plant and equipment	(284)	81	-	(203)	38	-	-	(165)
Other minors	(151)	(31)	-	(182)	528	(170)	-	176
	(435)	50	-	(385)	566	(170)	-	11
Total deferred liability	(18,860)	(17,238)	(144)	(36,242)	(56,082)	(1,203)	(9,235)	(102,762)
Deferred income tax asset, net	111,701			83,525				26,081

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Notes to the consolidated financial statements (continued)

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

	2014	2013
	US\$(000)	US\$(000)
Deferred income tax asset, net	47,675	83,525
Deferred income tax liability, net	21,594	-
	<u>26,081</u>	<u>83,525</u>

- (c) The following is the composition of the provision for income taxes shown in the consolidated statement of income for the years 2014, 2013 and 2012:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Income tax			
Current	(19,006)	(57,328)	(130,507)
Deferred	(47,006)	(29,154)	(12,451)
	<u>(66,012)</u>	<u>(86,482)</u>	<u>(142,958)</u>

- (d) Below is a reconciliation of tax expense and the accounting profit multiplied by the statutory tax rate for the years 2014, 2013 and 2012:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Profit before income tax	35,486	90,631	960,988
Loss before income tax for discontinued operations	(31,114)	(83,885)	(57,510)
Profit before income tax	<u>4,372</u>	<u>6,746</u>	<u>903,478</u>
Theoretical income tax	1,312	2,024	271,043
Permanent items and others:			
Share in the results of associates	22,380	34,244	(143,696)
Effect of translation into U.S. dollars	30,520	22,644	(11,716)
Effect of exchange difference on tax loss carry-forward	1,038	2,337	(3,794)
Effect of change in income tax rate net	327	-	-

Mining royalties and special mining tax	413	(1,650)	(5,876)
Permanent items and other minor	2,786	16,208	12,459
Income tax expense	58,776	75,807	118,420
Mining Royalties and Special Mining Tax	7,236	10,675	24,538
Total income tax	66,012	86,482	142,958

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Notes to the consolidated financial statements (continued)

- (e) The Group has not recognized a deferred income tax asset by US\$213,838,000 on the unremitted earning of its associates. Management believes that the timing differences will be reversed by means of dividends to be received in the future that, are not subject to the income tax. 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).

27. 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) Finance leases –

Letter of guarantee - Huanza

On December 2, 2009, Banco de Credito del Peru signed a finance lease contract for US\$119,000,000 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.

Letter of guarantee for mine closure of Coimolache

On January 12, 2014, Buenaventura signed a letter of guarantee with Scotiabank for the mine closure plan of the Tantauatay Project by US\$14,659,000.

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Notes to the consolidated financial statements (continued)

(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. The Group has the option to lease the assets for an additional term of 5 years.

Future minimum rentals payable as of December 31, 2014 and 2013 are the following:

	2014	2013
	US\$(000)	US\$(000)
Within one year	1,543	1,543
After one year but not more than five years	6,173	6,173
More than five years	<u>5,787</u>	<u>7,330</u>
	<u>13,503</u>	<u>15,046</u>

(e) Operating lease commitments (the Group as a lessor) –

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:

	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Within a year	68,194	52,576	16,284	10,519
After one year but not more than five years	<u>372,524</u>	<u>325,621</u>	<u>240,985</u>	<u>223,878</u>
Total minimum lease payments	440,718	378,197	257,269	234,397
Less - amounts representing finance charges	<u>(62,521)</u>	-	<u>(22,872)</u>	-
Present value of minimum lease payments	<u>378,197</u>	<u>378,197</u>	<u>234,397</u>	<u>234,397</u>

(f) Option contracts

During the ordinary course of business, the Company enters into contracts for the purpose of carrying out exploration work on mining claims of third parties. Generally, under the terms of these agreements, the Company has the option to acquire the grant or investing in it, in order to obtain a stake in the company owning. To exercise these options, the Company must comply with certain obligations during the term of the contract. Usually grounds for termination of these contracts are the breach by the Company of its obligations under them.

The Company may resolve these contracts at any time during its term, usually after completing at least the minimum obligations.

Notes to the consolidated financial statements (continued)

(g) Participation in joint operations -

At December 31, 2014, the Group, through its subsidiary Bisa Construction SA (hereinafter "Bico") has signed a joint venture with Constructora Hermanos Malaga S.A. (hereinafter "Malaga") in order to provide construction services to Cerro Verde. The main residence of the joint agreement and the country in which operates is Peru. The percentage of the Group is 50 percent. The project budget is US\$35 million and will be implemented between July 2014 and July 2015. The Company recognized in relation to its interest in a joint operation its:

- Assets, including its share of any assets held jointly,
- Liabilities, including its share of any liabilities incurred jointly,
- Revenue from the sale of its share of the output arising from the joint operation,
- Share of the revenue from the sale of the output by the joint operation, and
- Expenses, including its share of any expenses incurred jointly.

Contingencies

(h) 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 contingencies that are classified as possible amount to US\$1,573,000 and US\$466,000 as of December 31, 2014 and 2013, respectively. Out of this total, US\$135,000 corresponds to the mining units held for sale as of December 31, 2014.

Yanacocha -

Mercury spill in Choropampa

In June 2000, a carrier hired by Yanacocha spilled approximately 151 kilograms of mercury in the vicinity of the town of Choropampa, Peru, located 85 kilometers (53 miles) southeast of the mine. To date, Yanacocha has held court settlements with people affected by the incident. At December 31, 2014, there are 6 applicants with pending process. Yanacocha cannot reasonably predict the outcome of any of these claims; however, it is estimated that the maximum additional expense related to these demands will be US\$1.5 million.

Action for Constitutional Relief against Conga Project Exploitation

On October 19, 2012, Marco Antonio Arana Zegarra ("Marco Arana") initiated an action for constitutional relief against the Mines and Energy Ministry and Yanacocha requesting that the Court orders to cease any threats of violation to life in an adequate and balanced environment; so that Court declare the suspension of the exploitation of the Conga Project and avoid Directorial Resolution No.351-2010-MEM/AM dated on October 27, 2010 that approved the Conga Environmental Impact Assessment.

By Court resolution No.1 dated October 23, 2012, the action was dismissed. On November 5, 2012, resolution No.1 was appealed by plaintiff and the hearing at Superior Court was held on March 4, 2013. The Cajamarca Superior Court confirmed the ruling of the judge that dismissed the claim.

On May 23, 2013, Marco Arana filed for a Constitutional remedy against the Cajamarca Superior Court decision and on June 3, 2013, the Cajamarca Superior Court accepted the Constitutional remedy filed by Marco Arana and the file has been sent to the Constitutional Court. On September 25, 2013, the Constitutional Court heard oral arguments from the parties and we are waiting their decision. To date the case maintains the same status.

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Notes to the consolidated financial statements (continued)

(i) Open tax procedures –

Buenaventura -

From 2012 to 2014, the tax authorities audited the income tax of 2007 and 2008. As a result, they did not recognize Buenaventura declared tax deductions by S/. 1,056,000,000 (equivalent to US\$353,295,000) in 2007 and by S/1,530,985,000 (equivalent to US\$512,206,000) in 2008. The main unrecognized deduction by Buenaventura 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.

Also in the year 2014, the Tax Administration has begun the audit of income tax for tax years 2009 and 2010.

Moreover, the Tax Administration has determined that Buenaventura (previously Canteras del Hallazgo S.A.C) has obtained a final return of the Value Added Tax (IVA) by S/. 1,397,351 (equivalent to US\$467,968) for December 2010 and January to May 2011. The Tax Administration considers that this amount should not be returned to Buenaventura because it would not be directly linked to its mining exploration. In the opinion of Management and its legal counsel, Buenaventura should get a favorable result in the initiated claim process.

Subsidiaries –

CEDIMIN

The income tax of Cedimin of 2002 was audited by the tax authorities. As a result, they do not recognize to Cedimin the declared tax loss carryforward. The main controversy consists on making deductible the loss on the sale of shares in Minera Huallanca S.A.C. and Minera Yanaquihua S.A. for S/.22,041,000 (US\$65,881,000). In Management's and its legal counsel's opinion, that interpretation has no support so Cedimin should get a favorable outcome in the appeal initiated against the tax authorities.

El Brocal

At the date of this report, the Tax Administration is reviewing the Income Tax return of 2011.

Associates -

Cerro Verde

On June 23, 2004, Law No.28258 - Mining Royalty Law was approved, and requires the holder of a mining concession to pay a royalty in return for the exploitation of metallic and non-metallic minerals, which is calculated using rates from one to three percent of the value of concentrate or its equivalent according to the international price of the commodity published by the Ministry of Energy and Mines.

Based on the stability agreement signed in 1998, payment of mining royalties was not applicable to Cerro Verde, because that contribution was created after signing the stability contract with the Peruvian government. However under the terms of his new contract stability, Cerro Verde mining began paying royalties and Special Mining Tax for all the production based on Law No. 29788 as of January 1, 2014. At December 31 2014 has been a Special Mining Tax and Mining royalties of \$ 24,927,000 and \$ 27,189,000, respectively and is presented as an expense for income tax.

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Notes to the consolidated financial statements (continued)

SUNAT, the Peruvian national tax authority, has assessed mining royalties on ore processed by the Cerro Verde concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2007 and the years 2008 and 2009. In July 2013, the Peruvian Tax Tribunal issued two decisions affirming SUNAT's assessments for the period December 2006 through December 2008. Decisions by the Tax Tribunal ended the administrative stage of the appeal procedures for these assessments.

In September 2013, Cerro Verde filed judiciary appeals related to the assessments for the 2006 through 2008 periods because it continues to believe that its 1998 stability agreement exempts all minerals extracted from its mining concession from royalties, irrespective of the method used for processing those minerals. With respect to the judiciary appeal related to assessments for the year 2008, on December 17, 2014, Peru's Eighteenth Contentious Administrative Court rendered its decision upholding Cerro Verde's position and nullifying the Tax Tribunal's resolution and SUNAT's assessment. On December 31, 2014, SUNAT and the Tax Tribunal appealed this decision.

As of February 20, 2015, no decision had been rendered with respect to Cerro Verde's judicial appeal of assessments for the 2006 and 2007 periods. In July 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year. Although Cerro Verde's Management believes its interpretation of the stability agreement is correct, if Cerro Verde is ultimately found responsible for these assessments, it may also be liable for penalties and interest, which accrues at rates that range from approximately 7% to 18% based on the year accrued and the currency in which the amounts would be payable. In October 2013, SUNAT served Cerro Verde with a demand for payment totaling 492 million Peruvian Nuevos Soles (US\$165 million based on the exchange rate at December 31, 2014, including interest and penalties of US\$97 million) based on the Peruvian Tax Tribunal's decisions for the period December 2006 through December 2008.

As permitted by law, Cerro Verde requested and was granted an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments. As of December 31, 2014, Cerro Verde has made payments totaling 113 million Peruvian Nuevos Soles (US\$40 million based on exchange rates at the date of payment) under the installment program, which are included in other assets in the Cerro Verde's balance sheet.

As of December 31, 2014, the aggregate amount of the assessments, including interest and penalties, for the year 2009 was 226 million Peruvian Nuevos Soles (US\$76 million based on the exchange rate at December 31, 2014). SUNAT may make additional assessments for mining royalties and associated penalties and interest for the years 2010 through 2013, which Cerro Verde will contest; Cerro Verde's Management believes any such assessments for the years 2010 through 2013, if made, would in the aggregate be similar to the aggregate assessments received for the periods December 2006 through December 2009.

No amounts have been accrued for these assessments or the installment payment program as of December 31, 2014, because Cerro Verde believes its 1998 stability agreement exempts it from these royalties and believes any payments will be recoverable.

Notes to the consolidated financial statements (continued)

28. Transactions with associates companies

- (a) The Group has carried out the following transactions with its associates in the years 2014, 2013 and 2012:

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Royalties collected to Minera Yanacocha S.R.L.:			
S.M.R.L. Chaupiloma Dos de Cajamarca	36,867	44,185	67,178
Services provided to Minera Yanacocha S.R.L. by:			
Buenaventura Ingenieros S.A (Implementation of specific work orders)	699	699	4,440
Consortio Energético de Huancavelica S.A. (electric power transmission)	915	915	1,681
Dividends received by:			
Compañía Minera Coimolache S.A.	12,938	9,803	16,467
Contributions and investments made to:			
Canteras del Hallazgo S.A.C.	2,012	6,988	26,410
Sociedad Minera Cerro Verde S.A.A.	-	-	30,727
Others	900	-	1,457

Notes to the consolidated financial statements (continued)

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

	2014 US\$(000)	2013 US\$(000)
Trade receivables -		
Minera Yanacocha S.R.L.	14,566	9,220
Compañía Minera Coimolache S.A.	515	201
	<u>15,081</u>	<u>9,421</u>
Other receivables		
Compañía Minera Coimolache S.A. (c)	334	15,890
	<u>15,415</u>	<u>25,311</u>
Classification by maturity:		
Current portion	15,415	23,068
Non-current portion	-	2,243
	<u>15,415</u>	<u>25,311</u>
Total trade and other receivables		
	<u>15,415</u>	<u>25,311</u>

Trade payables

Minera Yanacocha S.R.L.	410	783
Compañía Minera Coimolache S.A.	1,384	614
Canteras del Hallazgo S.A.C.	-	30

Total trade and other payables	<u>1,794</u>	<u>1,427</u>
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Classification by maturity:

Current portion	1,611	970
Non-current portion	183	457
Total trade and other payables	<u>1,794</u>	<u>1,427</u>

Terms and conditions of transactions with related parties

Purchase transactions and services with related parties are made at market prices. Outstanding balances at year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2014 and 2013, the Group has not recorded any impairment of receivables related to owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

- (c) Compañía Minera Coimolache S.A. (“Coimolache”) -

On October 18, 2010, the Shareholders’ Meeting of Compañía Minera Coimolache S.A. approved the development program and financial support of Tantahuatay Project; the total budget of the project was estimated in US\$110,000,000 and the project financing structure should be: 30 percent shareholders’ equity and 70 percent loans from shareholders. On August 8, 2014, Coimolache fully repaid the loan.

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Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2014 and 2013, directors, officers and employees of the Group have been involved, directly and indirectly, in financial transactions with certain subsidiaries. As of December 31, 2014 and 2013, loans to employees, directors and key personnel amounts to US\$27,000 and US\$443,000, 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.

- (e) The Group’s key executives’ compensation (including the related income taxes assumed by the Group) as of December 31, 2014 and 2013 are presented below:

	2014 US\$(000)	2013 US\$(000)
Accounts payable:		
Share-based compensation plans	461	1,971
Directors’ compensations	1,090	1,459
Salaries	1,225	1,239
Total	<u>2,776</u>	<u>4,669</u>
Disbursements:		
Share-based compensation plans	1,599	6,080
Salaries	8,423	8,089

Total

10,022

14,169

29. 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
- Construction and engineering services
- 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. and the Group's subsidiary S.M.R.L. Chaupiloma Dos de Cajamarca)
- Industrial activities.

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Notes to the consolidated financial statements (continued)

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.

Until December 31, 2013, the Group had aggregated all its mining operating segments into one reportable segment based on similarities on long term financial performance, nature of products, production processes, type of customers and legal environment. The Group had also determined that the energy generation and transmission services segment, construction and engineering services and other complementary business activities were not significant in order to evaluate the entire business performance.

In 2014, taking into account the changing economic environment (increased fluctuations of minerals prices, changing technology and increasing costs), the Group decided to present its operating segments separately to provide more transparent information to the interested parties and to facilitate their understanding about the nature and financial effects of its business activities and its economic environment. Comparative information for years 2013 and 2012 has also been provided.

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 Breapampa).
- 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.
- Gain on business combination occurred in 2014, see note 5 to the consolidated financial statements.

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.

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Notes to the consolidated financial statements (continued)

Adjustments and eliminations mainly include the following:

In segment information 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.
- The elimination of intercompany 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.

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Notes to the consolidated financial statements (continued)

													Equity accounted investees					
													Minera Yanacocha S.R.L.	Sociedad Minera Cerro Verde				
Ucchuc hacua (Operat ional mining unit)	Orcopa (Operat ional mining unit)	Julcani (Operat ional mining unit)	Mallay (Operat ional mining unit)	Breapa (Operat ional mining unit)	Colquijirca (Operat ional mining unit)	La Zanja (Operat ional mining unit)	Explor ation and develop ment project s	Const ructio n and engering	Energy generati on and transmiss ion	Insuran ce brokera ges	Renta l of Minin g conces sions	Hold ing of invest ments	Ind ustr ial acti viti es	Cor pora te	segments	Adjustments and eliminations	Total	US
US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Year 2014 Results:

Other segment information																				
Investment in associates															41,931	1,369,043,315	43,367	2,350,302	-	2,350,302
Additions to mining concessions, development costs, property, plant and equipment	16,038	11,023	8,927	16,643	16,233	216,477	89,308	89,313	12,307	48,532	126				42,699	-	-	567,626	-	567,626

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Notes to the consolidated financial statements (continued)

															Equity accounted investees		
															Minera Yanacocha S.R.L. - Sociedad Minera Cerro Verde S.A.A. - Compañía Minera Coimolache S.A. - Total operating segments and Adjustments and Total		
	Uchuco	Orcopa	Julcani	Mallay	Breapa	Colquij	Cedimi	La Zanja	Exploración	Const	Energía	Seguros	Renta	Holdings	U.S.	U.S.	U.S.
	(Opera	(Opera	(Opera	(Opera	(Opera	(Opera	(Opera	(Opera	mining	rucción	generación	and	mining	g of	(000	(000	(000
	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	project	and	transmisión	brokerage	concesiones	invest	US\$	US\$	US\$
	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	unit)	(000	(000	(000
Year 2012																	
Results:																	
Continuing operations																	
Operating income															23	2,146,641	2,127,023
Net sales	306,351	458,164	73,357	28,176	-	268,480	31,751	216,765	4,501	67,745	35,193	7,658	-	-	7,150	262,597	6,271,552
Royalty income	-	-	-	-	-	-	-	-	-	-	-	-	67,178	-	-	-	67,178
Other operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,861	-	22,861
Total operating income	306,351	458,164	73,357	28,176	-	268,480	31,751	216,765	4,501	67,745	35,193	7,658	-	-	23,861	2,169,502	2,127,023
Operating costs															7,150	2,580,391	6,361,591
Cost of sales, excluding depreciation and amortization	(120,125)	(115,124)	(23,857)	(21,238)	-	(158,006)	(17,617)	(93,327)	(1,675)	(54,191)	(26,050)	-	-	-	(23,74)	(2,580,391)	(571,243)
Exploration in operating units	(29,306)	(49,079)	(7,328)	(8,019)	(308)	-	(9,015)	(2,517)	(236)	-	-	-	-	-	(51)	2,644	(103,215)

Depreciation and amortization	(16,274)	(25,241)	(1,689)	(7,957)	-	(26,100)	(2,088)	(26,139)	(83)	(268)	(2,108)	(112)	(814)	(1,922)	(109,103)
Mining royalties	(726)	(35,963)	(173)	(79)	-	(308)	(133)	(329)	-	-	-	-	-	215	(37,711)
Other operating costs	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,069)	(22,069)
Total operating costs	(166,431)	(225,407)	(33,047)	(37,293)	(308)	(184,106)	(29,028)	(122,116)	(2,323)	(54,459)	(28,158)	(112)	(230)	(8,275)	(822,979)
Gross profit (loss)	139,920	232,757	40,310	(9,117)	(308)	84,374	2,723	94,649	2,178	13,286	7,035	7,658	67,066	(1,131,317)	1,361,234
														12,148,731	3,506,458
														(230)	5(2,839,416)
Operating expenses															
Administrative expenses	(11,483)	(22,585)	(3,172)	(2,818)	-	(19,356)	(1,327)	(3,387)	(1,569)	(9,717)	(3,790)	(6,013)	(1,473)	(8,032)	(2,344)
Exploration in non-operating areas	-	-	-	(1,959)	(5,571)	-	(16,191)	(2,477)	(26,729)	-	-	-	-	(44,090)	(97,017)
Selling expenses	(5,029)	(17)	(637)	(932)	-	(8,243)	(73)	(447)	(29)	-	-	-	-	(84)	(9,936)
Excess of workers' profit sharing	-	-	-	-	-	-	(43)	-	-	-	-	-	-	-	(2,164)
Other, net	1,383	2,790	(552)	50	(195)	(19,487)	599	(799)	2,912	(365)	7,699	71	600	19,196	(29,504)
Total operating expenses, net	(15,129)	(19,812)	(4,361)	(5,659)	(5,766)	(47,086)	(17,035)	(7,110)	(25,415)	(10,082)	3,909)	(5,942)	(87)	(873)	(108,178)
Operating profit (loss)	124,791)	212,945)	35,949)	(14,776)	(6,074)	37,288)	(14,312)	87,539)	(23,237)	3,204)	10,944)	1,716)	66,979)	(33)	1,253,056)
Other income (expense), net															
Share in the results of associates under equity method, see note 10	-	-	-	-	-	-	-	-	-	1,218	3,345	-	299	51	818,473
Finance costs	-	-	-	-	-	(1,667)	(285)	(1,464)	(47)	(104)	(210)	(87)	(66)	(4,636)	(6,951)
Net gain (loss) from currency exchange difference	(265)	(153)	(72)	(61)	56	569	(88)	288	73	(464)	433	(75)	848	125	1,855
Finance income	-	-	-	-	-	249	-	-	-	-	-	31	-	51	2,408
Total other income (expense), net	(265)	(153)	(72)	(61)	56)	(849)	(373)	(1,176)	26)	650)	3,568)	(52)	841)	410)	(1,916)
Profit (loss) before income tax	124,526)	212,792)	35,877)	(14,837)	(6,018)	36,439)	(14,685)	86,363)	(23,211)	3,854)	14,512)	1,664)	67,820)	298,57)	1,251,140)
															5,614,242)
															(2,775,156)

Elimination of equity pick up loss of the subsidiaries and associates of the Parent company	261,514	347,680	(818,473)
Others	(5,017)	5,483	8,444
Consolidated profit (loss) from continued operations	(30,526)	4,149	818,030

Reconciliation of segment assets

The reconciliation of segment assets to the consolidated assets follows:

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Segments assets	16,184,466	15,272,733	15,697,211
Elimination of assets of equity accounted investees, not consolidated (owned by third parties)	(6,727,205)	(6,108,111)	(5,973,391)
Elimination of equity pick up investments of the subsidiaries and associates of the Parent company	(4,615,191)	(4,398,677)	(5,004,322)
Elimination of intercompany receivables	(156,456)	(203,236)	(125,282)
Others	(13,340)	(10,442)	28,231
Consolidated assets	(4,672,274)	4,552,267	4,622,447

Reconciliation of segment liabilities

The reconciliation of segment liabilities to the consolidated liabilities follows:

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Segments liabilities	3,228,256	2,415,983	2,350,894
Liabilities of equity accounted investees, not consolidated	(2,162,006)	(1,484,901)	(1,601,345)
Elimination of intercompany payables	(156,456)	(203,236)	(125,282)
Others	355	-	-
Consolidated liabilities	910,149	727,846	624,267

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Notes to the consolidated financial statements (continued)

30. Derivative financial instruments

- (a) The volatility of copper prices during the last two year has caused the management of the subsidiary El Brocal to enter into future contracts. These contracts, which have been negotiated since August 8, 2013, are intended to reduce the volatility of the cash flows attributable to the fluctuations in the cooper price, according to the risk strategy approved by the Board of Directors of this subsidiary.

The contracts seek to eliminate the volatility of the copper price from September 2013 to December 2014, according to the existing sales commitments of cooper concentrate, which are related to 25 percent of the annual production of such metal (50 percent from 2014).

As of December 31, 2014, the fair value of futures contracts amounted to an asset of US\$3,688,000 (a liability of US\$1,093,000 as of December 31, 2013). The balancing entry, net of the deferred income tax, amounted to a positive balance of US\$2,485,000 and is presented as other reserves of equity in the consolidated statements of changes in equity.

- (b) Embedded derivative for the change in prices in the interim trade settlements -

The Group's sales of concentrates are based on commercial contracts, under which a provisional sales value is determined based on future quotations (forward). The adjustment to sales is considered an

embedded derivative, which is required to be separated from the host contract. Commercial contracts are linked to market prices (London Metal Exchange) at the dates of the expected settlements of the open positions as of December 31, 2014 and 2013. The embedded derivative does not qualify for hedge accounting; therefore, changes in the fair value are recorded as an adjustment to net sales.

Embedded derivatives held by Buenaventura and El Brocal as of December 31, 2014 are:

Metal	Quantity	Period of quotations 2015	Quotations		Fair value, net US\$(000)
			Provisional US\$	Future US\$	
Gold	7 SMT	January	1,200.43	1,206.70	-
Silver	2,361,515 OZ	January – April	15.62 – 19.03	16.35 – 16.38	(631)
Lead	6,975 DMT	January – April	1,869.30 – 2,178.60	1,840.00 – 1,851.88	(628)
Zinc	13,521 DMT	January – March	2,171.71 – 2,380.00	2,122.50 – 2,129.25	(296)
Copper	67,815 DMT	January – June	6,408.10 – 6,907.73	6,118.00 – 6,186.00	(7,558)
	36,442 OZ	January – February	1,194.00 – 1,227.00	1,201.84 – 1,216.45	41
Total liability, net					(9,072)

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Notes to the consolidated financial statements (continued)

Metal	Quantity	Period of quotations 2014	Quotations		Fair value, net US\$(000)
			Provisional US\$	Future US\$	
Gold	27,897 OZ	January	1,211.03 – 1,231.75	1,276.16	861
Silver	2,223.443 OZ	January – September	19.40 – 22.61	20.23 – 22.56	(354)
Gold	10 DMT	January	1,227.00 – 1,345.99	1,240.50	(1)
Copper	26,651 DMT	January – July	7,051 – 7,229	7,229.00 – 7,371.00	1,075
Zinc	1,351 DMT	March – April	1,905.30 – 1,968.34	2,037.00 – 2,040.63	125
Lead	2,561 OZ	January – September	2,053.65 – 2,135.33	2,088.40 – 2,178.32	151
Total asset, net					1,857

31. 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, 2014 and 2013.

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 three types of risk: exchange rate risk, commodity risk and interest rate risk. 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, 2014, 2013 and 2012, 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 Nuevos Soles. The Group mitigates the effect of exposure to exchange-rate risk by carrying out almost all of its transactions in its functional currency. Management has smaller amounts in Nuevos Soles in order to cover its needs (taxes and compensation) in this currency.

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Notes to the consolidated financial statements (continued)

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 loss before income tax US\$(000)
2014		
Exchange rate	+10%	5,950
Exchange rate	-10%	(7,271)
2013		
Exchange rate	+10%	20,989
Exchange rate	-10%	(25,225)
2012		
Exchange rate	+10%	8,854
Exchange rate	-10%	(10,563)

(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	Effect on results
	(percentage rates)	US\$(000)
2014		
Interest rates	+10	110
Interest rates	-10	(110)
2013		
Interest rates	+10	58
Interest rates	-10	(58)
2012		
Interest rates	+10	57
Interest rates	-10	(57)

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Notes to the consolidated financial statements (continued)

(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.

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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, 2014					
Trade and other payables	253,177	-	-	-	253,177
Financial obligation (principal and interest)	<u>21,251</u>	<u>21,781</u>	<u>71,652</u>	<u>24,297</u>	<u>138,981</u>
	<u>274,428</u>	<u>21,781</u>	<u>71,652</u>	<u>24,297</u>	<u>392,158</u>
As of December 31, 2013					
Trade and other payables	283,704	-	-	-	283,704
Financial obligation (principal and interest)	<u>16,284</u>	<u>45,968</u>	<u>141,844</u>	<u>53,173</u>	<u>257,269</u>
Total	<u>299,988</u>	<u>45,968</u>	<u>141,844</u>	<u>53,173</u>	<u>540,973</u>

(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.

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Notes to the consolidated financial statements (continued)

32. Fair value measurement

Quantitative disclosure fair value measurement hierarchy for assets and liabilities:

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Total	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)

	US\$(000)	US\$(000)	US\$(000)	US\$(000)
As of December 31, 2014				
Assets measured at fair value:				
Derivative financial assets:	3,688	-	3,688	-
Liabilities measured at fair value:				
Derivative financial liabilities:				
- Embedded derivatives for concentrates sales, net	9,072	-	9,072	-
- Contingent consideration liability	23,026	-	-	23,026
As of December 31, 2013				
Assets measured at fair value:				
Derivative financial assets				
- Embedded derivatives for concentrates sales, net	1,856	-	1,856	-
Liabilities measured at fair value:				
Derivative financial liabilities				
- Hedge derivative financial instruments	1,093	-	1,093	-

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).

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Notes to the consolidated financial statements (continued)

Financial instruments at fixed and variable rates –

The fair value of financial assets and liabilities at fixed and variable rates at amortized cost is determined by comparing the market interest rates at the time of their initial recognition to the current market rates with regard to similar financial instruments. The estimated fair value of deposits that accrue interest is determined by means of cash flows discounted using the prevailing market interest rates in the currency with similar maturities and credit risks.

Based on the foregoing, there are no important existing difference between the value in books and the reasonable value of the assets and financial liabilities as of December 31, 2014 and 2013.

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013 AND FOR EACH OF THE
THREE YEARS IN THE PERIOD ENDING DECEMBER 31, 2014

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013 AND FOR EACH OF THE
THREE YEARS IN THE PERIOD ENDING DECEMBER 31, 2014

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\$ = United States dollar
S/. = New Peruvian sol

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REPORT OF INDEPENDENT AUDITORS

To the Partners and the Executive Committee of
Minera Yanacocha S.R.L.

March 30, 2015

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income and comprehensive income, changes in partners' equity and cash flows, present fairly, in all material respects, the financial position of **Minera Yanacocha S.R.L. and subsidiary** at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards (IFRS). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Countersigned by

/s/ Luis W. Montero (partner)
Luis W. Montero
Peruvian Certified Public Accountant
Registration No.01-17729

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(IN THOUSANDS OF U.S. DOLLARS)

ASSETS

	Note	As of December 31, 2014	As of December 31, 2013
Current assets			
Cash and cash equivalents	5	\$ 786,624	\$ 586,965
Trade accounts receivable		5,352	20
Due from related parties	8	36,017	25,539
Inventories	9	64,903	68,876
Stockpiles and ore on leach pads	10	270,511	183,988
Other current assets	11	111,881	75,610
Total current assets		<u>1,275,288</u>	<u>940,998</u>
Non-current assets			
Available-for-sale financial assets	12	16,884	16,791
Stockpiles and ore on leach pads	10	215,809	329,363
Property, machinery and equipment	13	1,098,514	1,565,299
Intangible assets	14	393,195	587,523
Deferred income tax asset	15	483,479	314,718
Total non-current assets		<u>2,207,881</u>	<u>2,813,694</u>
Total assets			
		<u>\$ 3,483,169</u>	<u>\$ 3,754,692</u>

LIABILITIES AND PARTNERS' EQUITY

	Note	As of December 31, 2014	As of December 31, 2013
Current liabilities			
Trade accounts payable		\$ 69,788	\$ 75,673
Due to related parties	8	51,071	34,275
Income tax payable		35,436	6,172
Workers' profit sharing	16	31,053	32,213

Other current liabilities	17	42,491	77,814
Total current liabilities		<u>229,839</u>	<u>226,147</u>
Non-current liabilities			
Reclamation and remediation liabilities	18	542,345	425,279
Other long-term liabilities		31,208	23,216
Total non-current liabilities		<u>573,553</u>	<u>448,495</u>
Total liabilities		<u>803,392</u>	<u>674,642</u>
Partners' equity			
Partners' contributions		398,216	398,216
Additional contributions		226	226
Retained earnings		2,281,335	2,681,608
Total partners' equity		<u>2,679,777</u>	<u>3,080,050</u>
Total liabilities and partners' equity		<u>\$ 3,483,169</u>	<u>\$ 3,754,692</u>

The accompanying notes from page 6 to 41 are an integral part of these consolidated financial statements.

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (IN THOUSANDS OF U.S. DOLLARS)

	Note	For the year ended		
		December 31,		
		2014	2013	2012
Operating income:				
Revenue from sales		\$ 1,165,299	\$ 1,406,825	\$ 2,146,641
Other operating income		20,705	29,181	22,861
Total gross income		<u>1,186,004</u>	<u>1,436,006</u>	<u>2,169,502</u>
Costs applicable to sales	20	(910,705)	(983,238)	(832,116)
Other operating costs		(22,422)	(28,672)	(22,069)
Total operating costs		<u>(933,127)</u>	<u>(1,011,910)</u>	<u>(854,185)</u>
Gross profit		252,877	424,096	1,315,317
Operative expenses:				
Selling expenses		(4,458)	(3,740)	(4,498)
Administrative expenses	21	(38,262)	(67,064)	(70,916)
Impairment loss	13 and 14	(541,141)	(1,038,548)	-
Other operating expenses, net	22	(77,781)	(77,534)	(192,869)
Operative profit		<u>(408,765)</u>	<u>(762,790)</u>	<u>1,047,034</u>
Other income (expenses), net:				
Financial income		298	720	1,019
Financial expenses	23	(23,504)	(18,745)	(13,135)
Exchange difference		1,142	2,065	(1,216)
Results before income tax		<u>(430,829)</u>	<u>(778,750)</u>	<u>1,033,702</u>

Income tax	15	30,491	203,471	(385,827)
(Loss) profit for the year		<u>\$ (400,338)</u>	<u>\$ (575,279)</u>	<u>\$ 647,875</u>
Comprehensive (loss) income				
(Loss) profit for the year		\$ (400,338)	\$ (575,279)	\$ 647,875
Other comprehensive income:				
Item that may be subsequently reclassified to profit or loss:				
Fluctuation in the fair value of available-for-sale financial asset, net of tax effect		65	(226)	1,129
Total comprehensive (loss) income for the year		<u>\$ (400,273)</u>	<u>\$ (575,505)</u>	<u>\$ 649,004</u>

The accompanying notes from page 6 to 41 are an integral part of these consolidated financial statements.

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013 AND 2012 (IN THOUSANDS OF U.S. DOLLARS)

	<u>Partners' contributions</u>	<u>Additional contributions</u>	<u>Retained earnings</u>	<u>Total</u>
Balances at January 1, 2012	\$ 398,216	\$ 226	\$ 2,608,109	\$ 3,006,551
Profit for the year	-	-	647,875	647,875
Other comprehensive income for the year			1,129	1,129
Balances at December 31, 2012	\$ 398,216	\$ 226	\$ 3,257,113	\$ 3,655,555
Loss for the year	-	-	(575,279)	(575,279)
Other comprehensive loss for the year			(226)	(226)
Balances at December 31, 2013	\$ 398,216	\$ 226	\$ 2,681,608	\$ 3,080,050
Loss for the year	-	-	(400,338)	(400,338)
Other comprehensive income for the year			65	65
Balances at December 31, 2014	<u>\$ 398,216</u>	<u>\$ 226</u>	<u>\$ 2,281,335</u>	<u>\$ 2,679,777</u>

The accompanying notes from page 6 to 41 are an integral part of these consolidated financial statements.

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS (IN THOUSANDS OF U.S. DOLLARS)

For the year ended

	December 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit for the year	\$ (400,338)	\$ (575,279)	\$ 647,875
Reconciliation of net profit with net cash provided by operating activities:			
Impairment loss on assets	541,141	1,038,548	-
Depreciation and amortization	360,334	349,760	277,924
Deferred income tax	(168,761)	(430,624)	29,102
Unwinding of discount of the provision for reclamation and remediation	43,229	18,113	12,568
Write-off of fixed assets	42,937	23,831	16,904
Write-down of ore on leach pads to realizable value	95,859	146,052	5,375
Other operative adjustments	(2,626)	109	(496)
(Increase) decrease in operating assets:			
Inventories, stockpiles and ore on leach pads	(64,855)	(121,868)	(62,765)
Accounts receivables trade and other accounts receivable	(41,603)	48,216	(27,353)
Intercompany accounts receivable	(10,478)	(8,334)	(15,980)
Accounts payable and other accrued liabilities	(14,640)	(64,137)	53,294
Intercompany accounts payable	16,796	(15,124)	14,084
Reclamation liabilities paid	(10,419)	(4,387)	(7,661)
Other operating adjustment	29,264	(42,832)	(84,141)
Net cash provided by operating activities	415,840	362,044	858,730
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, machinery and equipment	(111,694)	(327,453)	(769,897)
Purchase and development of intangible assets	(104,487)	(65,677)	(268,773)
Net cash applied to investing activities	(216,181)	(393,130)	(1,038,670)
Net (decrease) increase in cash and cash equivalents	199,659	(31,086)	(179,940)
Cash and cash equivalents at beginning of year	586,965	618,051	797,991
Cash and cash equivalents at end of year	\$ 786,624	\$ 586,965	\$ 618,051
Transactions that do not represent cash flows			
- Addition of asset retirement and mine closure (Note 14)	64,520	44,604	163,050

The accompanying notes from page 6 to 41 are an integral part of these consolidated financial statements.

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MINERA YANACOCHA S.R.L. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013 AND FOR EACH OF THE
THREE YEARS IN THE PERIOD ENDING DECEMBER 31, 2014

1. GENERAL INFORMATION AND BUSINESS ACTIVITIES

a) General Information -

Minera Yanacocha S.R.L. (the "Company"), formerly Minera Yanacocha S.A., was incorporated in Peru on January 14, 1992 and commenced operations in 1993. The Company is engaged in the production of gold and

exploration and development of gold and copper under the mining concessions it owns or that are owned by S.M.R.L. Chaupiloma Dos de Cajamarca (“Chaupiloma”).

The Company is owned 51.35% by Newmont Second Capital Corporation, a 100% indirectly owned subsidiary of Newmont Mining Corporation (“Newmont”, the ultimate parent company), 43.65% owned by Compañía Minera Condesa S.A., which is 100% owned by Compañía de Minas Buenaventura S.A.A. (“Buenaventura”) and 5% owned by the International Finance Corporation.

The majority Partners of the Company (or their affiliates) also own the majority interest in Chaupiloma. In accordance with a mining lease, amended 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 near Cajamarca, province of Peru and currently include the following open pit mines: Cerro Yanacocha, La Quinua, La Quinua Sur, El Tapado Oeste, Chaquicocha, Maqui Maqui, Marleny and Cerro Negro. The Company has four leach pads, three processing facilities, and one mill. Gold-bearing ores are transported to one of four leach pads for gold recovery using conventional heap-leaching or milling, followed by Merrill - Crowe zinc precipitation and smelting where a final doré product is poured. The doré is then shipped offsite for refining and is sold 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 2014, 2013 and 2012, the Company produced 0.97 million, 1.02 million and 1.35 million ounces of gold, respectively.

The Conga project consists of two gold-copper porphyry deposits located northeast of the Yanacocha operating area in the provinces of Celendin, Cajamarca and Hualgayoc. The project has proven and probable reserves of 12.6 million ounces (unaudited) of contained gold and 3.3 billion pounds (unaudited) of contained copper at December 31, 2014.

Due to local political and community protests, construction and development activities at the Conga project were largely suspended in November 2011. The result of the Peruvian Central Government initiated Environmental Impact Assessment (“EIA”) independent review were announced on April 20, 2012 and confirmed that our initial EIA met Peruvian and International standards. The review made recommendations to provide additional water capacity and social funds, which we have largely accepted. We announced our decision to move the project forward on a “water first” approach 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 on only the most critical work – protecting people and assets, engaging with communities, and maintaining existing project infrastructure – while maintaining optionality. The Company will not proceed with the full development of Conga without social acceptance, solid project economics and potentially another partner to help defray costs and risk.

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Construction of Conga and the implementation of the independent EIA review recommendations will continue provided it can be done in a safe manner with risk-adjusted returns that justify future investment. However, development of Conga is contingent upon generating acceptable project returns and getting local community and governmental support. Should the Company be unable to continue with the current development plan at Conga, the Company may in the future reprioritize and reallocate capital to other alternatives, which may result in a potential impairment of the Conga project.

In the second quarter of 2011, Presidential and Congressional elections resulted in a change in government in Peru. The new administration supported mining as a driver for continued growth and future development of Peru. However, we are unable to predict whether the Central government will continue to take similar positions in the future. The regional government actively opposed the Conga project in 2012 and continues to reject the viability of its development. We are unable to predict the positions that will be taken in the future and whether such positions or changes in law will affect Yanacocha or Conga. Such changes may include increased labor regulations, environmental and other regulatory requirements, and additional taxes and royalties, as well as future protests, community demands and road blockages. For example, during the third quarter of 2011, the new government enacted four new tax laws. The Company cannot predict future positions of either the Central or regional government on foreign investment, mining concessions, land tenure or other regulation. Any change in government positions or laws on these issues could adversely affect the assets and operations of Yanacocha or Conga, which could have a material adverse effect on our results of operations and financial position. Additionally, any inability to continue to develop the Conga project or operate at Yanacocha could have an adverse impact on our growth if we are not able to replace its expected production. To help insure the viability of the Company's mining activities, Yanacocha has an active community relations program focus on Cajamarca water projects and education. In addition, Conga is building reservoirs under its water/first approach in effort the gain social acceptance.

Total proven and probable reserves (unaudited) contained in active open pits, other pits to be developed, stockpiles, ore in process on leach pads and the Conga project are approximately 18.3 million ounces of contained gold, 3.3 billion pounds of contained copper and 104.7 million ounces of contained silver at December 31, 2014.

The Company's financial statements for the year ended December 31, 2014, have been issued with the approval of the Partners' Meeting held on March 26, 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets which are measured at their fair value. The financial statements are expressed in thousands of United States Dollars, unless otherwise stated.

The information contained in these consolidated financial statements is the responsibility of the Executive Committee of the Company, which expressly states that in preparing them it has applied the principles and criteria required by the IFRS issued by the International Accounting Standard Board (IASB).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described in note 4.

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2.1.1 Changes in accounting policies and disclosures

a) *New standards, amendments and interpretation adopted by the Company -*

The following standards have been adopted by the Company for the first time for the financial year beginning on January 1, 2014 and did not have a material impact on the Company or do not apply to its operations:

- Amendment to IAS 32, “Financial instruments: Presentation” on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment did not have a significant effect on the Company’s financial statements.
- Amendments to IAS 36, “Impairment of assets”, on the recoverable amount disclosures for non-financial assets. The amendment removed certain disclosure of the recoverable amount of cash-generating units which had been included in IAS 36 by the issue of IFRS 13.
- Amendment to IAS 39, “Financial instruments: Recognition and measurement” on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative change to “over-the-counter” derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. This standard does not apply to the Company’s operations.
- IFRIC 21, “Levies”, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 “Provisions”. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The adoption of this new standard had no impact on the Company’s financial statements.

Other standards amendments and interpretations which are effective for the financial year beginning on January 1, 2014 are not applicable to the Company.

b) New standards, amendments and interpretations not yet adopted -

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except the following set out below:

- IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized costs, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirement for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the “hedge ratio” to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company has yet to assess IFRS 9’s full impact.

- IFRS 15, “Revenue from contracts with customers” deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from an entity’s contracts with customer. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 “Revenue” and IAS 11 “Construction contracts” and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.2 Principles of consolidation

The consolidated financial statements include the accounts of Minera Yanacocha S.R.L and those of the San José Reservoir Trust (“Trust”). In November 2008, the Company funded the Trust to ensure continuous operation of the San José Reservoir after 2018. The Company transferred \$13,000 to the Trust in 2008. No withdrawals are allowed until 2018 and the Company is committed to accumulate a \$23,000 fund as of such date. This Trust is irrevocable and is a separate legal entity. The grantor is the Company, the trustee is FiduPerú S.A. Sociedad Fiduciaria and the beneficiary is the Company.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

2.4 Functional currency and foreign currency transactions

The consolidated financial statements are stated in U.S. dollars, the Company’s functional currency. Transactions in other currencies are recorded in U.S. dollars based on exchange rates prevailing at the time of such transactions. Monetary assets and liabilities denominated in other currencies are translated into the U.S. dollar at exchange rates prevailing at the balance sheet dates, and any resulting gains or losses are reflected in current earnings.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, 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.

2.6 Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently are measured at the fixed forward price if such a commitment exists. If no commitment exists, trade accounts receivables are measured at the forward price for the relevant quoted period at the end of the month in which the sale is recorded, or if no

such forward price exists, at the month end cash settlement price. The Company's net trade receivable from provisional silver, gold, carbon fines and copper concentrate sales is valued using quoted market prices based on the forward price of the COMEX Silver Index, the London Bullion Market Association P.M. fix ("London P.M. fix") (gold), and the London Metal Exchange ("LME") (copper).

Other accounts receivable are recognized initially at fair value and subsequently are measured at amortized cost using the effective interest method. A provision is made where the estimated recoverable amount is lower than the carrying amount.

2.7 Financial assets

2.7.1 Classification

The Company classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. Classification depends on the purpose for which the financial asset is acquired for. Management determines the classification of the financial assets at the date of its initial recognition.

a) Loans and receivables -

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents, trade and other receivables in the statement of financial position (notes 6 to 8).

b) Available-for-sale financial assets -

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value. Financial assets carried at fair value are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Changes in fair value of available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustment recognized in other comprehensive income are included in the statement of comprehensive income as "gain and losses from investment securities."

Interest on available for sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of other income.

2.7.3 Impairment of financial assets

The Company assesses at each statement of financial position date whether a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

a) Financial assets carried at amortized cost -

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie: the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

b) Available-for-sale financial assets -

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from other comprehensive income to the statement of income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

2.8 Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.9 De-recognition of financial assets and liabilities

2.9.1 Financial assets

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or 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 right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, it continues to recognize the financial asset to the extent of its continuing involvement in the asset.

2.9.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Gains on de-recognition are recognized within finance income and losses within finance costs.

2.10 Derivative financial instruments and hedging activities

During 2014 and 2013 the Company has not engaged itself in any contract involving derivative financial instruments.

2.11 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 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 long-term. The major classifications are as follows:

a) 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 amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

b) Ore on leach pads -

The recovery of gold from certain gold oxide ores is achieved through the heap leaching process. Under this method, ore is placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting gold-bearing solution is further processed in a plant where the gold is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable overhead and amortization relating to mining operations. Costs are removed from ore on leach pads as ounces are recovered based on the 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 approximately 50% to 95% of the ultimate recoverable ounces in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable gold placed on the leach pads are reconciled by comparing the grades of ore placed on the pads to the quantities of gold actually recovered (metallurgical balancing), the nature of

the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Historically, the Company's operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold on its leach pads. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis.

c) In-process inventory -

In-process inventories represent materials that are currently in the process of being converted to a saleable product. The conversion processes vary depending on the nature of the ore and the specific processing facility, 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 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.

d) Precious metals inventory -

Precious metals include gold Dore and/or gold bullion. Precious metals that result from the Company's mining, processing and refining activities are valued at the average cost of the respective in-process inventories incurred prior to the refining process, plus applicable refining costs.

e) Materials and supplies -

Materials and supplies are valued at the lower of average cost or replacement value. Cost includes applicable taxes and freight.

2.12 Property, machinery and equipment

The cost of an element of property, machinery and equipment comprises 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 initial 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, machinery 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.

Expenses incurred to replace a component of an item or element of property; machinery 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. Work in progress is not depreciated.

Property, machinery 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 comprehensive income statement.

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date. Any changes in these estimates are prospectively adjusted.

Depreciation -

Land is not depreciated. Depreciation of other items of property, machinery 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, as follows:

	<u>Years</u>
Land improvements	25 years
Buildings	Between 5 and 25 years
Plant and equipment	Between 3 and 15 years
Vehicles	Between 3 and 5 years
Furniture and fittings	Between 3 and 10 years
Other equipment	Between 3 and 10 years
Computer equipment	Between 3 and 8 years
Remediation assets	Useful life of the mine and/or process facilities

2.13 Intangible assets

a) *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; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves; (ii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization, but located within the immediate mine area; (iii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area; (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.

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.

b) *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 expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

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Drilling and related costs are capitalized for an ore body where proven and probable reserves exist; the activities are directed at obtaining additional information on the ore body or converting mineralized material mineralization to proven and probable reserves. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of 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 de minimis saleable materials may occur during development and are recorded as other income, net of incremental mining and processing costs.

The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in costs applicable to sales in the same period as the revenue from the sale of inventory. The Company’s definition of a mine and the mine’s production phase may differ from that of other companies in the mining industry resulting in incomparable allocations of stripping costs to deferred mine development and production costs.

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.

c) Stripping activity asset -

The Company accounts for stripping costs incurred during the production phase of a surface mining in accordance with IFRIC 20 “Stripping costs in the production phase of a surface mine” whereby a stripping asset is recognized if, and only if, all of the following are met:

- i) It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- ii) The entity can identify the component of the ore body for which access has been improved; and
- iii) 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 analysed 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 a production stripping 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 ratio” tons 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 and included in the adjustments in inventories.

2.14 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 their recoverable amounts. 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 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 estimates used to determine recoverable amount since the prior impairment loss was recognized. The carrying amount 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.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, recognized initially at fair value. The amount of credit purchases that deviate from usual credit conditions is not significant, and therefore, the financial component has been identified in purchase of goods and services. Payables are classified as current liabilities if payment is due within one year or less. If not, they are shown as non-current liabilities.

2.16 Provisions

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 financial expense.

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 expense related to other provision is 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.

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2.17 Reclamation and remediation costs

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 retirement obligation is based on when spending for an existing environmental disturbance is expected to occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

2.18 Revenue recognition

Revenue is recognized, when persuasive evidence of an arrangement exists, the price is determinable, the product has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured. Revenues from silver and copper sales are credited to costs applicable to sales as a by-product credit. Royalties paid based on revenue are charged to revenue.

2.19 Income and mining taxes and profit sharing

The Company accounts for income and mining taxes and legally required profit sharing using the liability method, recognizing certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related income tax basis for such liabilities and assets. This method generates a net deferred income tax liability 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 and profit sharing liability or net deferred income tax asset and profit sharing asset balance for the year, based on Peruvian income and mining tax. 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 write-off 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.

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.

2.19 Comprehensive income

In addition to net income (loss), comprehensive income (loss) includes all changes in equity during a period, such as foreign currency, translation adjustments, cumulative changes in fair value of marketable securities available-for-sale or other investments, except those resulting from investments by and distributions to owners.

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2.20 Employee benefits

a) Workers' profit sharing -

The Company recognizes a liability and an expense for statutory workers' profit sharing. Workers' profit sharing is equivalent to 8% of the entity's taxable income, which is determined in accordance with current income tax laws and regulations.

The Company recognizes the workers' profit sharing paid directly to them according IAS 19 "Employee Benefits" approach, which considers them are a form of consideration given by the entity in exchange of services rendered by employees. As a consequence, the Company recognizes the workers' profit sharing as cost or expenses, according to their duties or functions.

b) Bonuses -

The Company recognizes an expense for statutory bonuses and the related liability based on applicable laws and regulations effective in Peru. Bonuses are paid in July and December of each year for an amount equivalent to one month salary of the employees at the payment date.

c) Employees' severance indemnities and termination benefits -

Employees' severance indemnities, for the personnel hired in Peru, comprise their indemnification rights, calculated in accordance with the regulations in force; they have to be credited to the bank accounts designated by workers, in April and November each year. The amount of the employees' severance indemnities is equivalent to half salary of the employee at the date of the deposit. The Company is not required to make additional payments once the annual deposits are made of the funds to which the worker is entitled.

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits

d) Employees' vacation leave -

Personnel's annual vacations and other remunerated absences are recognized on the accrual basis. The provision for the estimated obligation for annual vacations and other remunerated employee absences is recognized at the balance sheet date.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors -

The Company's operations limited expose it 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.

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ii) Interest rate risk -

The Company does not maintain significant interest-bearing assets or liabilities; therefore, operating income and cash flows of the Company are substantially independent from the changes in market interest rates. At December 31, 2014, except for the deposits in two financial institutions, the Company recognized interest income for approximately \$499 (\$489 in 2013),

iii) Price risk –

The Company's financial instruments exposed price risk are limited to its trade accounts receivable (exposed to gold price) and its available-for-sale financial assets, none of which show an important balance at the end of the year, therefore no important impact on the financial statements has arisen due to changes in their price that would need to be disclosed.

b) Credit risk -

Financial instruments exposed to credit risk are cash and cash equivalents; trade accounts receivable and other accounts receivable. For banks and financial institutions, only independently rated parties with a minimum "A" rating are accepted. Regarding sales of gold, when shipping merchandise, according to the practice in the latest years, collections have generally been carried out to their entirety. Therefore, the Company does not foresee any significant losses that may arise from this risk.

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. Other than the indirect credits associated with environmental bonds (note 24), the Company currently has no existing bank lines of credit.

The following table represents the analysis of the Company's financial liabilities including estimated projected interests relating to financial obligations classified according to maturity, considering the remaining period to reach such maturity as of the statement of financial position date:

	<u>2014</u>	<u>2013</u>
	<u>Less than</u>	<u>Less than</u>
	<u>1 year</u>	<u>1 year</u>
Trade accounts payable	\$ 69,787	\$ 75,673
Accounts payable to related parties	51,071	34,275
Other accounts payable	24,416	40,145
	<u>\$ 145,274</u>	<u>\$ 150,093</u>

d) Capital risk management -

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern in order to provide expected returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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.

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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).

The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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 provisional priced metal sales contracts.

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 market information that is accessible, as such is classified within Level 1 of the fair value hierarchy. The Company uses valuation techniques to determine the WACC rate. These valuation techniques maximise 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. Also, the Company made projections to determine the expected cash flows of the projects and estimation of operating cost and capital expenditure, as such is classified within Level 3 of the fair value hierarchy (note 4-e).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves that are the basis for future cash flow estimates utilized in impairment calculations and units-of-production amortization calculations; environmental, reclamation and mine-closure obligations; estimates of recoverable gold and other minerals in stockpile and leach pad inventories; asset impairments; write-downs of inventory to net realizable value; employee benefit liabilities; provisions for deferred tax assets and liabilities; workers' profit participation; reserves for contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

In management's opinion, these estimates were made on the basis of their best knowledge of the relevant facts and circumstances at the date of preparation of consolidated financial statements; however the actual outcomes can differ from these estimates.

Company's management considers the following estimates to prepare the consolidated financial statements:

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a) Provision for closure mine units -

The Company assesses its provision for closure of mining units annually. Significant estimates and assumptions are made in determining this provision, as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and cost of rehabilitation activities, technological changes, regulation changes, cost increases compared to the inflation rates and changes in the discount rates. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of future rehabilitation costs required.

The discount rate used was the risk free rate adjusted for the appropriate Peru country risk. For the year ended December 31 the Company used 3.96% (4.98% for the years ended December 31, 2013 and 2012)

The following table shows the sensitivity of the outstanding balance of the reclamation liability in the statement of financial position at the date of the financial statements if the discount rate had weakened/strengthened by 5%:

	Increase/decrease in discount rate	Effect in the statement of financial position
2014	+5% \$	547,333
	-5% \$	567,911
2013	+5% \$	449,993
	-5% \$	470,665

b) Determination of mineral reserves and resources -

The Company computes its reserves using methods generally applied by the mining industry in accordance with international guidelines. All reserves computed represent the estimated amounts of proved and probable ore that can be processed economically under the present conditions.

The process of estimating the amount of reserves is complex and requires making subjective decisions at the time of evaluating all the geologic, geophysical engineering and economic information that is available. Revisions could occur in estimates reserves due to, among other things, revisions of the geologic data or assumptions, changes in assumed prices, production cost and the results of exploration activities.

Changes in estimated reserves could affect mainly the depreciation of fixed assets related directly to mining activity, provision for mine closure, assessment of the recoverability, amortization period for development costs and impairment computations.

c) Unit of production depreciation -

Reserves 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 item's life, which is assessed annually, has evaluated based on: i) physical life limitation, and ii) present assessment 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.

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d) Exploration and mine development costs -

The application of the Company's accounting policy for exploration and mine development costs requires judgment in determining whether it is likely that future economic benefits are likely from future exploitation. The determination of reserves and minerals reserves is a complex estimation that requires varying degrees of uncertainty depending on sub classification. These estimates directly impact the point of deferral of exploration and mine development costs and its amortization method for development cost. The deferral policy requires Management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction, operation and sale of mineral can be established.

e) Long-lived assets impairment -

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable, in accordance with the accounting policy stated in note 2.14. The recoverable amounts of cash generating units, Yanacocha and Conga, have been determined based on fair value less costs of disposal calculations. In 2013, the market price of gold, copper and silver dropped significantly. Accordingly, impairment assessments were required for the assets of Yanacocha and Conga as of the December 31, 2013 reporting date. As a result, the Company revised in 2013 its long-term price outlook for gold from \$1,500 per ounce at the beginning of the year to \$1,300 per ounce at December 31, 2013. Likewise, the price of copper was decreased from \$3.50 per pound to \$3.00 per pound and silver from \$30.00 per ounce to \$20.00 per ounce as of December 31, 2013, respectively. The decline of prices in 2013 was deemed a triggering event to test for impairment for Yanacocha and Conga assets. In 2014, the triggering event was a three year delay of the development of the Conga Project, which effectively lowered the discounted cash flows.

The discount interest rate used in 2013 in the impairment calculations under the fair value less costs of sale methodology was 7.1% after tax which was based on a peer group of mining companies adjusted for Peru country risk. The rate is a "real" versus "nominal" rate as the cash flow models were not escalated for inflation. This discount rate was used for both segments Yanacocha and Conga. As a result of the impairment assessments, the Company recorded impairment losses amounting to \$1,038,000 (\$453,000 related to Yanacocha and \$585,000 related to Conga).

The discount interest rate used in 2014 in the impairment calculations under the fair value less costs of sale methodology was up-dated to 8.04% after tax. As a result of the impairment assessments, the Company recorded additional impairment losses amounting to \$541 million related exclusively to Conga.

If the discount interest rate used under the fair value less costs of sale calculation had been 5% higher the Company would have recognize a further impairment of the Conga assets by approximately \$90 million; and, if the operating cost used had been 5% higher the Company would have recognized approximately \$129 million lower impairment for Conga's assets.

If as of December 31, 2014 market price of gold, silver and copper had been \$1.573 per ounce, \$20.00 per ounce and \$3.63 per pound, respectively, the Company would not have to recognize any additional impairment loss for Conga.

f) Contingencies -

By their nature, contingencies will only be resolved when one or more future events do or do not occur. Determining contingencies involves the exercise of judgments and estimates of the outcome of future events.

In the event that the Company would have to settle all its contingencies opened as of December 31, 2014, the total disbursements would approximately amount to \$1 million.

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g) *Recovery of deferred tax assets -*

An assessment is required to determine whether deferred tax assets should be recognized in the consolidation statement. Deferred tax assets, including those resulting from unused tax losses, require management to assess the estimation that the Company would generate taxable earnings in future periods to apply the deferred tax assets. Estimated future taxable income is based on projections of cash flows from operations and applications of the tax law. To the extent to which future cash flows and taxable income differ significantly from those estimated; they could have an impact on the Company's ability to realize the deferred tax assets posted as of the reporting date. Future changes in tax law in Peru could limit the Company's ability to obtain tax deductions in future periods. As of December 31, 2014, Company's management estimates indicate that the Company will generate sufficient taxable income in the next ten years (that includes new projects that would generate earnings in future periods) to compensate the outstanding balance of the deferred income tax asset amounting to \$483 million.

5 CASH AND CASH EQUIVALENTS

This item comprises:

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
Petty cash	\$ 53	\$ 61
Bank accounts	287,762	98,196
Term deposits	498,809	488,708
	<u>\$ 786,624</u>	<u>\$ 586,965</u>

The average interest rates for bank accounts and term deposits are 0.02% and 0.18% as of December 31, 2014 and 2013, respectively. For the year ended December 31, 2014, these accounts accrued \$0.3 million of interest which is shown as financial income in the consolidated statement of comprehensive income (\$0.7 million and \$1 million in 2013 and 2012, respectively).

Because of the short maturity of these balances, the carrying amounts approximate their fair value.

6 FINANCIAL INSTRUMENTS BY CATEGORY

The classification of financial instruments by category is as follows:

a) As of December 31, 2014

	<u>Financial assets</u>		
	<u>Loans and accounts receivable</u>	<u>Available- for- sale</u>	<u>Total</u>
Cash and cash equivalents	\$ 786,624	\$ -	\$ 786,624
Trade accounts receivable	5,352	-	5,352
Other accounts receivable	11,982	-	11,982
Due from related parties	36,017	-	36,017
Available-for-sale financial assets	-	16,884	16,884
	<u>\$ 839,975</u>	<u>\$ 16,884</u>	<u>\$ 856,859</u>

	Financial liabilities
	Other financial liabilities
Trade accounts payable	\$ 69,787
Due to related parties	51,071
Other accounts payable	24,416
	<u>\$ 145,274</u>

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b) As of December 31, 2013

	Financial assets		
	Loans and accounts receivable	Available-for-sale	Total
Cash and cash equivalents	\$ 586,965	\$ -	\$ 586,965
Trade accounts receivable	20	-	20
Other accounts receivable	16,061	-	16,061
Due from related parties	51,071	-	51,071
Available-for-sale financial assets	-	16,791	16,791
	<u>\$ 654,117</u>	<u>\$ 16,791</u>	<u>\$ 670,908</u>

	Financial Liabilities
	Other financial Liabilities
Trade accounts payable	\$ 75,673
Due to related parties	34,275
Other accounts payable	40,145
	<u>\$ 150,093</u>

7 CREDIT QUALITY OF FINANCIAL ASSETS

Management evaluates the credit quality of its financial assets (not impaired) by reference to external credit ratings, if available, or based on historical information about counterparty default rates. Accordingly, management has classified its portfolio of financial assets with no external credit ratings in the following categories:

- Group 1: New customers or related parties with whom transactions have taken place for periods of less than six months.
- Group 2: Existing customers or related parties with whom transactions have taken place for periods of more than six months with no history of default.
- Group 3: Existing customers or related parties with whom transactions have taken place for periods of more than six months with certain history of default in the past. All default cases were recovered.

Financial assets with no external credit ratings are limited to accounts receivable from related parties which are classified as Group 2 (note 8). The Company does not have any account receivable that is neither past due nor impaired.

Credit quality of financial assets that have external credit ratings are financial institutions in which are deposited Company's cash and cash equivalents. Their ratings are as follows:

	As of December 31,	
	2014	2013
Cash and cash equivalents (*)		
Banco de Crédito del Perú (A+)	\$ 75,250	\$ 38,130
Banco Scotiabank Perú (A+)	7,264	16,500
Citibank International plc. (A)	523,249	351,571
HSBC Global Management Global (AA+)	180,808	180,703
	<u>\$ 786,571</u>	<u>\$ 586,904</u>

(*) The difference between the balance shown in this table and that shown in the table in note 5 represents petty cash.

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The credit quality of the available-for-sale financial assets (note12) is (AAA) for those of fixed return and (A+) for those of variable return.

8 RELATED PARTIES

a) The balances payable and receivable to /from related parties are as follows:

	At December 31,	
	2014	2013
Balance receivable from related parties -		
Newmont USA Limited	\$ 27,397	\$ 16,997
Newmont Technologies Limited	3,653	2,819
Newmont International Service Limited	3,503	3,136
Newmont Mining Services Pty Ltd	612	1,434
Battle Mountain Gold Company	347	183
Newmont Global Employ Limited	235	223
Newmont Midas Operations Inc.	91	1
Newmont Peru S.R.L.	70	162
Newmont Santa Fe Pacific Chile	32	26
Suriname Gold	16	545
Newmont (Other)	61	13
	<u>\$ 36,017</u>	<u>\$ 25,539</u>
Balance payable for related parties-		
Newmont USA Limited	\$ 28,840	\$ 17,219
S.M.R.L. Chaupiloma Dos de Cajamarca	11,911	7,152
Newmont Technologies Limited	4,013	3,539
Newmont International Service Limited	3,485	3,253
Newmont Peru S.R.L.	1,696	1,589
Newmont Mining Services Pty Ltd	589	1,403
Newmont Ghana Gold Limited	122	-
Newmont Midas Operations Inc.	91	1
Newmont Santa Fe Pacific Chile	27	28
Newmont (Other)	297	91
	<u>\$ 51,071</u>	<u>\$ 34,275</u>

All the balances above are of current maturity, have no specific guarantees and are not interest-bearing.

- b) Major transactions between the Company and its related parties were as follows for the years ended December 31:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Royalties (note 1)	\$ 36,867	\$ 44,167	\$ 66,586
Management services	\$ 35,974	\$ 52,994	\$ 88,476

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9 INVENTORIES

This item comprises:

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
Precious metals	\$ 3,265	\$ 4,385
Leach in-circuit	7,269	2,012
Mill in-circuit	815	2,848
Materials and supplies	58,386	65,199
	<u>69,735</u>	<u>74,444</u>
Allowance for obsolescence of materials and supplies	(4,832)	(5,568)
	<u>\$ 64,903</u>	<u>\$ 68,876</u>

10 STOCKPILES AND ORE ON LEACH PADS

This item comprises:

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
Short term -		
Stockpiles	\$ 137,852	\$ 71,629
Ore on leach pads	241,051	177,198
Impairment adjustment	(108,392)	(64,839)
	<u>\$ 270,511</u>	<u>\$ 183,988</u>
Long term -		
Stockpiles	\$ 92,217	\$ 212,997
Ore on leach pads	262,485	202,953
Impairment adjustment	(138,893)	(86,587)
	<u>\$ 215,809</u>	<u>\$ 329,363</u>

During 2014, the Company recorded an impairment adjustment to net realizable value of the ore on leach pads amounting to \$95.9 million (\$146.1 million and 5.4 million in 2013 and 2012, respectively).

In the opinion of Company's Management, the write-off to the net realizable value of the ore on leach pads adequately covers their impairment loss as of the date of the consolidated statement of financial position.

11 OTHER CURRENT ASSETS

This item comprises:

	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
VAT fiscal credit	\$ 84,342	\$ 47,736

Prepaid expenses	14,880	10,786
Insurance paid in advance	677	1,027
Other employee benefits	266	947
Other	11,716	15,114
	<u>\$ 111,881</u>	<u>\$ 75,610</u>

The balance of VAT fiscal credit that arises from purchases of goods and services increased in 2014 with respect to 2013 because the amount used for the application of advance payment of the income tax and the special mining tax was lower than prior year due to lower taxable income in 2014.

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12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

In November 2008, the Company funded the San Jose Reservoir Trust for \$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 in its consolidated financial statements. As of December 31, 2014, trust total balance of \$16.8 million has been placed in other financial investments for \$11.4 million and equity investments of \$5.4 million.

During 2014, these investments, denominated in United States dollars, accrued income net of taxes of \$65 (loss of \$226 and income of \$1,129, in 2013 and 2012, respectively) which are included in other comprehensive income.

13 PROPERTY, MACHINERY AND EQUIPMENT

Changes in the property, machinery and equipment accounts and in their corresponding accumulated depreciation as of December 31, 2014 and 2013 are as follows:

	<u>Opening balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Impairment</u>	<u>Transfer / Other changes</u>	<u>Final balances</u>
Year 2014 -						
Cost -						
Land	21,142	-	(243)	(5,563)	-	15,336
Land improvements	30,977	-	-	(8,247)	-	22,730
Building and constructions	670,767	-	(1,250)	(225,977)	179,388	622,928
Machinery and equipment	493,703	-	(80,982)	(116,971)	26,691	322,441
Leach pads	691,535	-	-	(207,279)	87,132	571,388
Vehicles	13,651	-	(1,011)	(3,362)	-	9,278
Furniture and fixtures	2,741	-	-	(711)	-	2,030
Other equipment	87,557	96	(434)	(23,262)	179	64,136
Work in progress	985,759	111,598	-	(215,449)	(288,002)	593,906
	<u>2,997,832</u>	<u>111,694</u>	<u>(83,920)</u>	<u>(806,821)</u>	<u>5,388</u>	<u>2,224,173</u>
Accumulated depreciation -						
Land improvements	19,080	(5,737)	2,469	15,812		
Building and constructions	348,455	70,578	(629)	(112,786)	5,288	310,906
Machinery and equipment	302,722	28,117	(39,137)	(77,558)	(349)	213,795
Leach pads	674,162	32,691	-	(188,326)	615	519,142
Vehicles	10,708	432	(987)	(2,930)	863	8,086
Furniture and fixtures	2,675	11	-	(697)	2	1,990
Other equipment	74,731	687	(230)	(20,285)	1,025	55,928

	<u>1,432,533</u>	<u>132,516</u>	<u>(40,983)</u>	<u>(408,319)</u>	<u>9,913</u>	<u>1,125,659</u>
Net cost	<u>1,565,299</u>					<u>1,098,514</u>

Year 2013 -

Cost -

Land	32,690	-	(760)	640	(11,428)	21,142
Land improvements	43,707	-	-	-	(12,730)	30,977
Building and constructions	829,699	-	(815)	118,506	276,623	670,767
Machinery and equipment	558,921	-	(39,276)	183,500	(209,442)	493,703
Leach pads	972,797	-	-	3,004	(284,266)	691,535
Vehicles	23,228	-	(3,966)	402	(6,013)	13,651
Furniture and fixtures	2,719	-	-	1,179	(1,157)	2,741
Other equipment	50,632	-	(413)	73,357	(36,019)	87,557
Work in progress	<u>1,526,315</u>	<u>327,453</u>	<u>-</u>	<u>(335,028)</u>	<u>(532,981)</u>	<u>985,759</u>
	<u>4,040,708</u>	<u>327,453</u>	<u>(45,230)</u>	<u>45,560</u>	<u>(1,370,659)</u>	<u>2,997,832</u>

Accumulated depreciation -

Land improvements	22,609	4,311	-	-	(7,840)	19,080
Building and constructions	416,229	75,360	(343)	553	(143,344)	348,455
Machinery and equipment	389,226	62,718	(16,816)	(6,691)	(125,715)	302,722
Leach pads	932,223	20,567	-	(1,504)	(277,124)	674,162
Vehicles	16,777	2,311	(3,870)	-	(4,510)	10,708
Furniture and fixtures	2,608	17	-	1,179	(1,129)	2,675
Other equipment	39,440	4,593	(370)	61,793	(30,725)	74,731
	<u>1,819,112</u>	<u>169,877</u>	<u>(21,399)</u>	<u>55,330</u>	<u>(590,387)</u>	<u>1,432,533</u>
Net cost	<u>2,221,596</u>					<u>1,565,299</u>

Additions to work in progress in 2014 are basically related to the development of leach pads, water treatment plant, Verde Bioleach project and the engineering of the Conga reservoir and procurement activities.

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The depreciation expense for the years ending December 31, 2014, 2013 and 2012 was recorded as cost applicable to sales in the statement of comprehensive income.

14 INTANGIBLE ASSETS

Changes on intangible assets and their corresponding accumulated amortization, as of December 31, 2014 and 2013, are as follows:

	<u>Opening balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Impairment</u>	<u>Other changes</u>	<u>Final balances</u>
Year 2014 -						
Cost -						
Software	38,831	-	-	(10,337)	-	28,494
Mining rights	46,061	-	-	(12,261)	-	33,800
Asset retirement and mine closure	270,589	64,520	-	(89,206)	-	245,903
Stripping activity asset	110,349	104,487	-	(57,187)	-	157,649
Other intangibles	45,585	-	-	(12,135)	-	33,450
Mine development	644,904	-	-	(172,476)	3,013	475,441
Carried forward:	<u>1,156,319</u>	<u>169,007</u>	<u>-</u>	<u>(353,602)</u>	<u>3,013</u>	<u>974,737</u>
Accumulated amortization -						
Software	16,686	3,704	-	(5,415)	-	14,926

Mining rights	6,208	-	-	(7,162)	20,698)	19,744
Asset retirement and mine closure	126,291	39,214	-	(43,932)	-	121,102
Stripping activity asset	66,029	96,785	-	(50,124)	26,028)	138,178
Other intangibles	10,856	2,581	-	(3,859)	-	10,638
Mine development	342,726	85,534	-	(100,471)	(50,835)	276,954
	568,796	227,818	-	(210,963)	(4,109)	581,542
Net cost	587,523					393,195

Year 2013 -

Cost -

Software	25,150	-	-	29,638)	(15,957)	38,831
Mining rights	69,779	-	-	(2,842)	(20,876)	46,061
Asset retirement and mine closure	333,768	44,604	-	3,528)	(111,311)	270,589
Stripping activity asset	90,024	65,677	-	-	(45,352)	110,349
Other intangibles	64,810	-	-	3,527)	(22,752)	45,585
Mine development	930,709	-	-	(9,451)	(276,354)	644,904
	1,514,240	110,281	-	24,400)	(492,602)	1,156,319

Accumulated amortization -

Software	17,602	5,941	-	-	(6,857)	16,686
Mining rights	8,934	-	-	(174)	(2,552)	6,208
Asset retirement and mine closure	122,595	48,014	-	7,586)	(51,904)	126,291
Stripping activity asset	61,350	31,816	-	-	(27,137)	66,029
Other intangibles	10,261	5,612	-	-	(5,017)	10,856
Mine development	386,091	98,782	-	(1,288)	(140,859)	342,726
	606,833	190,165	-	6,124)	(234,326)	568,796
Net cost	907,407					587,523

The amortization expense for the years ending December 31, 2014, 2013 and 2012 was recorded as cost applicable to sales in the statement of comprehensive income.

14 TAX SITUATION

a) Tax stabilization agreements

The Company has entered into the following tax stability agreements, each with a term of 15 years:

<u>Mine</u>	<u>Effective</u>	<u>Date of the Tax Agreement</u>	<u>Tax Regimes in Force</u>
Cerro Yanacocha	January 1, 2000	September 16, 1998	May 22, 1997
La Quinua	January 1, 2004	August 25, 2003	August 25, 2003

These agreements guarantee the Company's use of the tax regimes shown in the table above and permit maintenance of its accounting records in U.S. dollars.

The Cerro Yanacocha tax stabilization agreement expired on January 1, 2015 and is no longer in effect.

The Company determines the 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 financial statements by those items that the applicable tax legislation deems to be non-taxable or non-deductible.

For the years ended December 31, 2014, 2013 and 2012 the income tax rate was 30% except for the La Quinua mine for which a 29% income tax rate applied.

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 years 2015 and 2016, 27% for fiscal years 2017 and 2018; and 26% from 2019, onward. The effect on the 2014 financial statements of these changes was the reduction of the deferred income tax asset by \$65,020 (see d below).

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 (Peruvian GAAP through 2012). 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. In 2014, 2013 and 2012 \$8,291, \$7,135 and \$5,102 respectively, were charged to *Revenue from sales* based on 1% of revenue and \$1,019, \$6,132 and \$2,359 were included in *Income and mining tax expense* based on an average of 0.56%, 1.81%, 3.46% of operating profit, respectively.

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 Peruvian generally accepted accounting principles.

The rate varies depending on the level of operating profit. During 2014, 2013 and 2012; \$5,479 \$11,693 and \$6,900, respectively, were included in Income and mining tax expense due to the IEM based on average of 0.83%, 3.45% and 3.13% of operating profit, respectively.

iii) Law N° 29790, Special Mining Charge

The Special Mining Charge (“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 Peruvian GAAP. The rate varies depending on the level of operating profit margin. The GEM applied to operations at Cerro Yanacocha and La Quinua in 2014, 2013 and 2012. This resulted in \$7,156, \$12,547 and \$68,644, respectively, of additional Income and mining tax expense based on average of 3.01%, 3.23% and 6.55% of operating profit, respectively.

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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 contributions of employees and employer 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 determined in accordance with Peruvian generally accepted accounting principles and is payable quarterly. During 2014 and 2013 these amounts included in Income and mining tax expense amounted to \$2,288 and \$1,061, respectively.

c) Peruvian income tax and workers' profit participation

The current income tax and workers' profit participation expense (note 16) was determined as follows:

	Years ended December 31		
	2014	2013	2012
Loss before workers' profit participation and income tax (in accordance with Peruvian GAAP through 2012 and IFRS in 2013 and 2014)	\$ (430,829)	\$ (778,750)	\$ 1,074,530
Plus:			
Non-deductible expenses	53,612	46,123	27,503
Amortization ARC	83,448	20,564	13,820
Unwinding of discount of the provision for remediation and mine closure	22,914	18,113	20,090
Pre-operating expenses in advanced projects	42,543	36,374	49,904
Provision for government mining royalties	8,799	3,123	12,552
Depreciation of capitalized interest	1,018	1,018	4,357
Provision for contingencies and commitments	1,389	27,596	909
Amortization of right to use of road	2,849	2,849	2,849
Lease benefit	-	79	7,534
Provision for obsolescence and impairment of inventories	8,471	145,615	6,901
Non-deductible expenses attributable to Conga	7,929	5,476	45,413
IFRS first adoption adjustments to inventories	51,151	113,676	-
Amortization of production stripping activity asset	155,362	24,023	-
Impairment loss	541,141	1,038,548	-
Depreciation differences due to application of tax depreciation rates in force	96,564	57,581	-
Other	13,572	2,771	10,914
Carried forward:	<u>1,090,762</u>	<u>1,519,506</u>	<u>202,746</u>
Less:			
Amortization and mineral interests	79,515	47,325	(148,995)
Tax amortization rate adjustment	-	-	(19,332)
Remediation paid	(10,418)	(4,387)	(7,661)
Other mining taxes	(23,149)	(43,796)	(91,935)
Acquisition of intangible assets in cash	-	(12,573)	-
Depreciation and amortization of impaired assets	(147,314)	-	-
Stripping cost expensed for tax purposes	(104,487)	(41,654)	-
Other	-	-	-
	<u>(205,853)</u>	<u>(55,085)</u>	<u>(267,923)</u>
Base of the workers' profit participation	454,080	685,671	1,009,353
Workers' profit participation (8%)	(36,326)	(54,854)	(80,748)
2013 workers' profit participation paid in 2014 (2012 paid in 2013)	<u>(3,936)</u>	<u>(40,264)</u>	<u>-</u>

Taxable income	\$ 413,818	\$ 590,553	\$ 928,605
Income tax (30%)	\$ 124,145	\$ 177,166	\$ 278,581
Adjustment due to income tax rate applicable to La Quinua	(1,138)	(1,624)	(1,149)
Current income tax	\$ 123,007	\$ 175,542	\$ 277,432

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The Company's income tax provision consisted of the following:

	Years ended December 31		
	2014	2013	2012
Current Peruvian tax returns	\$ 123,007	\$ 175,542	277,432
Royalties and mining taxes	14,349	40,673	79,383
Other taxes	943	591	1,157
Income tax prior year adjustments	-	10,348	(763)
Current income tax	138,299	227,154	357,209
Deferred income tax	(168,790)	(430,625)	28,618
Income tax (gain) expense	(\$ 30,491)	(\$ 230,471)	\$ 385,827

Although the Company reported financial losses it still has reported taxable income in each of the three years presented.

d) Reconciliation from Peru tax return to income tax expense and tax balance sheets

Income tax expense differs from the amount computed by applying the statutory Peruvian corporate income tax rate of 30% to pre-tax income as a result of the following:

	Years ended December 31,	
	2014	2013
Loss before workers' profit participation and income tax	\$ 430,829	\$ (778,750)
Peruvian statutory tax rate	30%	
Income tax	(129,249)	(233,625)
Adjustment due to income tax rate applicable to La Quinua	(1,138)	(1,624)
Non-deductible expenses	20,321	8,115
Penalties and interest	179	35
Worker's profit participation	(10,898)	(16,456)
Other mining taxes	10,044	40,672
Tax basis update	9,462	-
Tax rate update	65,020	-
Other	5,768	(588)
Total income tax gain	\$ (30,491)	\$ (203,471)

Components of deferred income tax assets (liabilities) are as follows:

	As of December 31,	
	2014	2013
Deferred income tax assets:		
Reclamation and remediation	\$ 90,573	\$ 91,289
Accounts payable and accrued expenses	46,873	43,904
Inventories	15,903	18,983
Property, machinery and mine development	326,496	157,024
Other	3,662	3,912

	483,507	315,112
Deferred income tax liabilities:		
Other	(28)	(394)
	(28)	(394)
Net deferred income tax assets	<u>\$ 483,479</u>	<u>\$ 314,718</u>
Short term deferred income tax assets	\$ 4,349	\$ 4,349
Long-term deferred income tax asset	479,130	310,369
Net deferred income tax asset	<u>\$ 483,479</u>	<u>\$ 314,718</u>

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Additionally, the Company's tax files are subject to review by the Peruvian tax authorities. The Company's tax records are subject to review by Peruvian tax authorities for fiscal periods after fiscal year 2008.

16 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.

In 2014, 2013 and 2012, the current expense portion of workers' profit participation amounted to \$36,326, \$52,966 and \$80,748, respectively, of which \$35,055, 49,259 and \$72,673 was included in *Costs applicable to sales* and the difference was allocated to the Conga project.

Peruvian law limits payments of annual profit sharing per employee to eighteen months salary but continues to base total profit sharing on 8% of taxable income, notwithstanding the per employee limitation. Supreme Decree N°009-98-TR, published on August 6, 1998, provides that the excess of total profit sharing for the year over aggregate profit sharing payable to all employees be paid to the Fondo Nacional de Capacitación Laboral y de Promoción del Empleo ("FONDOEMPLEO"). Law 28464 published in January 2005, which modified article 3 of Law Decree 892, provides that the excess of total profit sharing for the year over aggregate profit sharing payable to all employees be applied to training of employees and construction of public facilities. Supreme Decree N° 002-2005-TR, published in May 6, 2005, establishes a limit of 2,200 UIT (inflation measurement unit, of S/.3,800 new Peruvian sol per unit at December 31, 2014) in the contributions to FONDOEMPLEO indicating that the difference goes to the Regional Government.

17 OTHER CURRENT LIABILITIES

This item comprises:

	As of December 31,	
	2014	2013
Provision for remediation and mine closure (note 18)	\$ 15,112	\$ 34,848
Payroll and other benefits	11,239	8,828
Accrual of operating costs	10,895	23,015
Withholding income tax	2,151	1,613
Accrual of capital projects	2,112	4,754
Other taxes	812	887
Deferred revenues	-	321
Other	170	3,548
	<u>\$ 42,491</u>	<u>\$ 77,814</u>

18 PROVISION FOR REMEDIATION AND MINE CLOSURE

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 remediation costs are based principally on legal and regulatory requirements.

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The liability for remediation or the ARO comprises activities 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 2014, 2013 and 2012 is broken down as follows:

	2014	2013	2012
Opening balance	\$ 460,127	\$ 392,217	\$ 264,608
Additional provisions	84,835	54,184	122,702
Payments made	(10,419)	(4,387)	(7,661)
Unwinding of discount (note 22)	22,914	18,113	
Final balance	<u>\$ 557,457</u>	<u>\$ 460,127</u>	<u>\$ 392,217</u>

The current portion of the remediation liability, which amounts to \$15,112 and \$34,848 at December 31, 2014 and 2013, respectively, is included in *other current liabilities* (note 17).

The increase in the asset retirement obligation in 2014 relates to additional remediation and reclamation requirements caused by the impact of mining activities during 2014, additional costs for waste rock reclamation and new Peruvian regulatory requirements that extended the water treatment and monitoring requirements more than 20 years.

19 PARTNERS' EQUITY

Partners' contributions

Partners' contributions comprise 1,278,451,304 common partnership interests at a par value of one Peruvian Nuevo sol each, fully subscribed and paid-in. Such partnership interest includes 720,407,310 shares that are owned by foreign investors.

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.

Retained earnings

Effective January 1, 2003, distribution of earnings to Partners other than legal entities domiciled in Peru is subject to a withholding tax of 4.1% for income tax charged to the partners.

On December 31, 2014 the Peruvian Government enacted modifications regarding dividends and other forms of revenue distributions. For individuals and non-resident legal entities, the tax rate applicable increased from

4.1% to 6.8%, for dividend distributions in cash or non-monetary assets for fiscal years 2015 and 2016; whereas during fiscal years 2017 and 2018 the applicable rate will be of 8.8%; and 9.3% from 2019, onward.

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20 COSTS RELATED TO SALES

Costs related to sales for the years ended December 31 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Beginning balance of inventories	\$ 522,597	\$ 545,183	\$ 504,597
Acquisition of supplies	300,810	335,967	278,697
Personnel expenses	106,693	134,667	111,711
Other services	189,522	214,279	61,973
Maintenance	47,090	58,624	59,425
Power	30,485	32,549	35,768
Insurance and leases	5,415	5,301	7,350
Depreciation and amortization	360,334	349,760	277,924
Sale of by-product	(9,595)	(8,026)	(17,119)
Workers' profit participation	35,055	49,259	72,673
Stripping costs capitalized	(104,487)	(65,677)	(10,325)
Remediation expenses related to Yanacocha leach pad	20,314	-	-
Net realizable value adjustment	(95,859)	(146,051)	(5,375)
Ending balance of inventories	<u>(497,669)</u>	<u>(522,597)</u>	<u>(545,183)</u>
Costs related to sales	<u>\$ 910,705</u>	<u>\$ 983,238</u>	<u>\$ 832,116</u>

21 ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Management expenses	\$ 19,938	\$ 17,480	\$ 35,026
Community development expenses and external affairs	15,653	46,482	30,078
Other	2,671	3,102	5,812
	<u>\$ 38,262</u>	<u>\$ 67,064</u>	<u>\$ 70,916</u>

22 OTHER OPERATING EXPENSES, NET

Other expenses, net for the years ended December 31 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Exploration and advanced projects	\$ 58,880	\$ 64,510	\$ 121,723
Severance program	16,438	19,323	40,946
Disposal of fixed assets	13,530	6,592	23,368
Other income	(6,149)	(8,924)	-
Others, net	(4,918)	(3,966)	6,831
	<u>\$ 77,781</u>	<u>\$ 77,534</u>	<u>\$ 192,869</u>

23 FINANCIAL EXPENSES

Financial expenses for the years ended December 31, 2014, 2013 and 2012 mainly are related to the unwinding of the discount of the remediation and mine closure liability (note 18) \$22,914, \$18,113 and \$12,568, respectively.

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24 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 S.M.R.L. Coshuro (“Coshuro”) and Buenaventura, 3% of the quarterly net sales, according to the transfer agreement. The mining rights subject to this 3% royalty are those identified in the transfer agreement, and are located out of the “Area of Influence of Chaupiloma” and within the “Area of Influence of the Joint Venture”. These mining rights are currently under 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 currently under exploration.

Legal proceedings

Choropampa (mercury spill)

In June 2000, a transport contractor of Yanacocha spilled approximately 151 kilograms of elemental mercury near the town of Choropampa, Peru, which is located 53 miles (85 kilometers) southwest of the Yanacocha mine. Elemental mercury is not used in Yanacocha’s operations but is a by-product of gold mining and was sold to a Lima firm for use in medical instruments and industrial applications. A comprehensive health and environmental remediation program was undertaken by Yanacocha in response to the incident. In August 2000, Yanacocha paid under protest a fine of 1,740,000 Peruvian soles (approximately \$500) to the Peruvian government. Yanacocha has entered into settlement agreements with a number of individuals impacted by the incident. As compensation for the disruption and inconvenience caused by the incident, Yanacocha entered into agreements with and provided a variety of public works in the three communities impacted by this incident. Yanacocha cannot predict the likelihood of additional expenditures related to this matter.

Additional lawsuits relating to the Choropampa incident were filed against Yanacocha in the local courts of Cajamarca, Peru, in May 2002 by over 900 Peruvian citizens. A significant number of the plaintiffs in these lawsuits entered into settlement agreements with Yanacocha prior to filing such claims. In April 2008, the Peruvian Supreme Court upheld the validity of these settlement agreements, which the Company expects to result in the dismissal of all claims brought by previously settled plaintiffs. Yanacocha has also entered into settlement agreements with approximately 350 additional plaintiffs. The claims asserted by approximately 200 plaintiffs remain. In 2011, Yanacocha was served with 23 complaints alleging grounds to nullify the settlements entered between Yanacocha and the plaintiffs. Yanacocha has answered the complaints and will continue to vigorously defend its position. The Company cannot reasonably estimate the ultimate loss relating to such claims.

Since December 2010 to date, 23 new claims involving 29 plaintiffs were received by Yanacocha. In these claim, plaintiffs are requesting the Judge to (i) declare void the compensation agreement signed with Yanacocha and to (ii) award them with new compensation amounts. Two of these new claims involving two plaintiffs were dismissed as they did not comply with formal requirements.

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In 19 of these cases, the initial presiding judge admitted a motion to dismiss based on prescription of the actions and dismissing the claims. Plaintiffs appealed this decision, and Superior Court confirmed it in 18 cases. In 8 of these cases, plaintiffs have challenged this decision in front of the Supreme Court, but to date one of them has already been dismissed. In one of the claims, a different presiding judge accepted the Company's motion to dismiss the claim regarding a new award but the Supreme Court has dismissed the matters and confirmed statute of limitations declared by Cajamarca Superior Court. To date most of the cases from 2010 were dismissed in final court decisions. Only 6 complaints are currently pending resolution.

Baños del Inca

In September 2006, the Municipality of Baños del Inca issued a declaration designating an area that includes the Carachugo Expansion and San José Projects as reserved and protected areas. Based on previous experience and actions taken by the Constitutional Tribunal (Peru Court of Last instance for Constitutional issues) in respect of Cerro Quilish in which it was ruled that such declaration did not affect the Company's mining rights, the Company believes that Baños del Inca's declaration, should not impact the Company's legal rights to exploit these concessions.

In March 2008, the company filed an Action for Constitutional Relief (Amparo) against the Municipality of Baños del Inca seeking that the referred ordinance be declared inapplicable. The Court of first instance of Lima rejected the claim lodged by the Municipality of Baños del Inca regarding the jurisdiction of such court to hear this case. On March 14, 2011 the Court of first instance of Lima served the ruling it had issued declaring the complaint inadmissible. The judgment was appealed by Yanacocha. By a resolution served on August 15, 2011, the first Civil Courtroom of the Superior Court of Lima declared void the judgment of first instance, ordering the Judge to issue a new ruling. On September 7, 2012 Yanacocha requested the Civil Courtroom to issue a judgment due to its constitutional rights being seriously threatened by the Municipality of Baños del Inca. The action is pending a new judgment to be issued by the Court of first instance with no judgment issued to-date.

San Pablo

In February 2007 the Municipality of San Pablo issued an Ordinance declaring Las Lagunas and Pozo Seco, where the company holds concession rights, as reserved and protected areas. According to past experience and actions taken by the Constitutional Court with regard to Cerro Quilish, where it was ruled that such declaration did not affect the company's mining rights, the Company believes that in this case, the declaration issued by the Municipality of San Pablo should not impact the legal rights it has to exploit these concessions. The company filed an Action for Constitutional Relief (Amparo) challenging the Ordinance on the grounds that, under Peruvian law, local governments are not empowered to create such areas, denying the rights granted by the Peruvian mining concessions. The Court of first instance rejected the complaint on grounds of form; then, the corresponding appeal was lodged.

On November 19, 2008 the second Civil Courtroom of the Superior Court of Lima confirmed the first instance ruling rejecting the action for relief, which led to the filing of an extraordinary appeal with the Constitutional Court. By a ruling dated December 10, 2010 the Constitutional Court revoked the resolution issued by the second Civil Courtroom of the Superior Court of Lima and ordered that the complaint be admitted for processing.

By resolution served on March 25, 2011, the Court of First Instance admitted the complaint for processing and that it is served to the Provincial Municipality of San Pablo. The Municipality of San Pablo answered the

complaint asserting the expiration of the statute of limitations of the action for relief. Yanacocha has requested the rejection of the expiration of the statute of limitations asserted on the grounds that the complaint for constitutional relief was timely filed.

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On October 31, 2012 the defendant presented new evidence. By resolution served on December 10, 2012, the Courts resolved to confirm the Resolution N°26 which declared unfunded the exception of prescription of the case. The Court ruling on the statute of limitations is pending until March 2014. To date this case is pending of resolution.

Action for Constitutional Relief against Conga Project Exploitation

On October 19, 2012, Marco Antonio Arana Zegarra (“Marco Arana”) initiated an action for constitutional relief against the Mines and Energy Ministry and Yanacocha requesting that the Court orders to cease any threats of violation to life in an adequate and balanced environment; so that Court declare the suspension of the exploitation of the Conga Project and avoid Directorial Resolution No.351-2010-MEM/AM dated on October 27, 2010 that approved the Conga Environmental Impact Assessment.

By Court resolution No. 1 dated on October 23, 2012 the action was dismissed. On November 5, 2012, resolution No. 1 was appealed by plaintiff and the hearing at Superior Court was held on March 4, 2013. The Cajamarca Superior Court confirmed the ruling of the judge that dismissed the claim. On May 23, 2013, Marco Arana filed for a Constitutional remedy against the Cajamarca Superior Court decision and on June 3, 2013 the Cajamarca Superior Court accepted the Constitutional remedy filed by Marco Arana and the file has been sent to the Constitutional Court. On September 25, 2013, the Constitutional Court heard oral arguments from the parties and we are waiting their decision. To date the case maintains the same status.

Clinica International, Adecco, SGC Security

Employees belonging to three contractors (Clinica International, Adecco, SCG Seguridad) have filed legal actions during 2008 claiming to be included in Minera Yanacocha's payroll. These workers claim that for all practical effects they are employees of the Company and therefore are entitled to all the rights attached thereto, arguing that they receive direct orders from Yanacocha and that most of the infrastructure and equipment used in the performance of their duties is also provided by the Company. These proceedings involve a total of 97 workers. The cases are detailed as follows:

Regarding the Adecco employees, the complaint includes 77 plaintiffs. This complaint was declared groundless in the first instance and confirmed by the Civil Courtroom. Thus, the plaintiffs filed an appeal for reversal. As of February 2013, the records were forwarded to the Standing Constitutional and Social Courtroom of the Supreme Court of Justice of the Republic, but the complaint was not accepted. Also during this time, some of the plaintiffs desisted from the claim. As of the date of the filing, this complaint is finished, as no plaintiffs are remaining in the process.

Regarding the Clinica International employees, the complaint includes 14 plaintiffs. On January 2014, three cases were dismissed by first instance. The remaining 11 are in process until March 2014. On January 2015, Cajamarca Superior Court dismissed the last two cases. Plaintiffs have challenged this decision in front of the Supreme Court.

In the case of SGC Security workers, the complaint includes 6 plaintiffs. The issuance of judgment in the first instance is pending, since the previous judgment was declared null by the Civil Courtroom. On January 31, 2014, the claim was dismissed by the court. Currently, Yanacocha has only one case regarding SGC Security. In this case, first judge dismissed the case. Plaintiff appealed decision.

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 end by financial institution. In general, these letters of guarantee are renewed annually.

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	<u>As of December 31,</u>	
	<u>2014</u>	<u>2013</u>
Banco de Crédito del Peru	\$ 150,000	\$ 105,000
BBVA Continental	100,000	71,000
Interbank	15,300	30,000
Scotiabank	19,000	-
	<u>\$ 284,300</u>	<u>\$ 206,000</u>

These four letters of guarantee shall come into force if the Company fails to execute in whole or in part the Mine Closure Plan.

25 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 26 and are principally related to the items discussed in the following paragraphs:

a) *Property, machinery and equipment –*

Under IFRS, the fixed assets under \$10 was capitalized, for US GAAP, this asset is recorded as Company expenses.

b) *Product inventories –*

Under IFRS the cost inventory includes: (i) the depreciation and amortization expense, (ii) the amortization of production-stripping costs and (iii) workers' participation expense is capitalized (labour cost); therefore the portion related to operations was included in inventories. Under US GAAP the cost inventory excludes these items.

Net realizable values tests on IFRS inventories balances were prepared on each financial reporting dates; based on pricing guidance provided by Newmont (consistent with U.S. GAAP). A net realizable value inventory write-down was booked as of December 31, 2014 amounting to \$95 million and was booked to cost applicable to sales (\$146 million as of December 31, 2013).

c) *Asset retirement cost for mine closure and reclamation and remediation liabilities –*

Under IFRS, the liability was measured in accordance with IAS 37, the discount rate used was the risk free rate adjusted for the appropriate Peru country risk. For the year ended December 31 the Company used 3.96% (4.98% for the years ended December 31, 2013 and 2012).

Under US GAAP, the liability was measured in accordance with SFAS 143 and the discount rate use was the risks free US.

d) Stripping costs –

Under IFRS, the stripping costs in the production phase of a surface mine shall be accounted for according to IFRIC 20.

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The Company identified the primary components of the ore body on a pit by pit basis as well as within major pits. The stripping activities conducted during 2012, 2013 and 2014 were analysed and stripping costs were 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 incurred during 2012, 2013 and 2014 to a production stripping asset; based on the volume of waste and ore extracted in the period compared to expected volume life-of-mine per component of ore body. With regard to the 2011 activity, the offset of the asset creation, net of depreciation, was to the beginning IFRS balance sheet retained earnings. Costs allocated to production stripping assets in 2013 and 2014 were established with the offsetting credit going to cost applicable to sales and inventories. The depreciation of the production stripping asset was calculated on a systematic basis - “waste-to-ore-ratio” tons method. This depreciation is a production cost and included in the adjustments in inventories.

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.

e) Impairment –

The decline of prices was deemed to be indicators of potential impairment of Yanacocha and Conga assets. Accordingly, impairment assessments were required as of the December 31, 2013 reporting date. In 2014 the triggering event was a three year delay of the development of the Conga Project, which effectively lowered the discounted cash flows.

The discount interest rate used in the impairment calculations under the fair value less costs of sale methodology was 8.04% after tax which was based on a peer group of mining companies adjusted for Peru country risk (7.1% for the impairment calculation for the year ended December 31, 2013. The rate is a “real” versus “nominal” rate as the cash flow models were not escalated for inflation. This discount rate was used for both segments Yanacocha and Conga.

As a result of the impairment assessments, the Company recorded impairment losses amounting to \$541million related to Conga, the Company no recorded impairment losses for Yanacocha (\$1,038 million for the year ended December 31, 2013, \$453 million related to Yanacocha and \$585 million related to Conga).

Under US GAPP, the Company performed the impairment calculation and no impairment losses were determined for Yanacocha and Conga cash-generating units. |

f) Deferred income tax -

- i. The differences between US and IFRS are re-measurements lead to different temporary differences. According to the accounting policies in Note 2.19, the Company has to account for such differences. Under USGAAP, calculation is performed under FAS 109.
- ii. Under US a deferred workers’ participation is recognized following the same criteria of the deferred income tax calculation. Under IFRS, this benefit is ruled by IAS 19, Employee benefits and therefore is not an income tax for which IAS 12 Income taxes should be applied.

The following is a summary of the main adjustment to net income for the years ended December 31, 2014, 2013 and 2012 and to shareholders' equity as of December 31, 2014, 2013 and 2012 that would be required if U.S. GAAP had been applied instead of IFRS in the financial statements:

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	Years Ended December 31,		
	2014	2013	2012
(Loss) income under U.S. GAAP	\$ (31,914)	\$ 140,997	\$ 626,540
Items increasing (decreasing) reported net profit			
- Impairment (note 25.e)	(541,142)	(1,038,548)	-
- Stripping activity asset (note 25.d)	103,021	33,861	(18,420)
- Deferred workers' participation (note 25.f.ii)	(29,003)	(28,443)	1,347
- Property, machinery and equipment (note 25.a)	(10,447)	7,283	2,381
- Remediation and mine closure (note 25.c)	(427)	10,690	7,522
- Deferred income tax asset (note 25.f.i)	92,634	309,233	(23,917)
- Inventories (note 25.b)	17,428	(12,042)	51,868
- Others	(488)	1,690	608
(Loss) income under IFRS	<u>\$ (400,338)</u>	<u>\$ (575,279)</u>	<u>\$ 647,875</u>

	As of December 31,		
	2014	2013	2012
Shareholders' equity under U.S. GAAP	\$ 3,679,612	\$ 3,711,461	\$ 3,570,690
Items increasing (decreasing) reported Shareholders' equity			
- Impairment	(541,142)	(1,038,548)	-
- Stripping activity asset	45	62,535	28,674
- Deferred workers' participation	(38,145)	(9,133)	18,327
- Property, machinery and equipment	(886,157)	11,509	1,841
- Asset retirement cost	6,963	(61,347)	(76,235)
- Remediation and mine closure	80,090	132,938	137,136
- Deferred income tax asset	353,782	262,990	(46,243)
- Inventories	26,690	9,533	21,365
- Others	(1,961)	(1,888)	-
Shareholders' equity under IFRS	<u>\$ 2,679,777</u>	<u>\$ 3,080,050</u>	<u>\$ 3,655,555</u>

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Sociedad Minera Cerro Verde S.A.A.

Financial Statements for the years 2014, 2013 and 2012
together with the Report of Independent Registered Public Accounting Firm

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Sociedad Minera Cerro Verde S.A.A.

Financial Statements for the years 2014, 2013 and 2012
together with the Report of Independent Registered Public
Accounting Firm

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Sociedad Minera Cerro Verde S.A.A.

We have audited the accompanying financial statements of Sociedad Minera Cerro Verde S.A.A. (a Peruvian company, subsidiary of Freeport-McMoRan Copper & Gold Inc.), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2014, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sociedad Minera Cerro Verde S.A.A. as of December 31, 2014 and 2013, and the results of operations and its cash flows for each of the three years ended December 31, 2014, 2013 and 2012, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") which differ in certain respects from the accounting principles generally accepted in the United States of America (see note 28 to the financial statements).

Lima, Peru,

April 30, 2015

Countersigned by:

/s/ Victor Burga

Victor Burga

C.P.C.C. Register No.14859

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Sociedad Minera Cerro Verde S.A.A.

Statement of financial position
As of December 31, 2014 and 2013

	Note	2014 US\$(000)	2013 US\$(000)
Assets			
Current assets			
Cash and cash equivalents	5(a)	19,574	854,570
Trade accounts receivable	6	2,374	7,604
Trade accounts receivable from related parties	21(f)	187,940	308,486
Embedded derivative	23	-	16,023
Other accounts receivable	7(a)	235,222	49,703
Inventories, net	8(a)	232,542	217,000
		<u>677,652</u>	<u>1,453,386</u>
Non - current assets			
Other long – term accounts receivable	7(a)	253,184	322,791
Long - term inventories	8(a)	287,714	216,797
Property, plant and equipment, net	9(a)	4,544,406	2,831,779
Intangible assets, net		9,028	3,448
		<u>5,094,332</u>	<u>3,374,815</u>
Total assets		<u>5,771,984</u>	<u>4,828,201</u>
Liabilities and equity, net			
Current liabilities			
Trade accounts payable	10	398,070	268,508
Accounts payable to related parties	21(f)	11,910	8,293
Embedded derivative	23	26,782	-
Income tax payable		15,492	52,740
Workers' profit sharing payable	11	33,274	47,447
Financial obligations	12(a)	50,163	4,577
Other accounts payable and provisions	13	16,881	45,749
		<u>552,572</u>	<u>427,314</u>
Non - current liabilities			
Non - current portion of financial obligations	12(a)	402,686	1,326
Non - current portion of accounts payable to related parties	21(f)	5,643	3,980
Non - current portion of other accounts payable and provisions	13	5,317	1,559
Provision for remediation and mine closure	20(a)	119,948	48,479
Deferred income tax liability, net	14(a)	220,728	258,059
		<u>754,322</u>	<u>313,403</u>
Total liability		<u>1,306,894</u>	<u>740,717</u>
Equity, net			
	15		
Issued capital		990,659	990,659
Legal reserve		198,132	198,132
Retained earnings		3,276,299	2,898,693
Total equity, net		<u>4,465,090</u>	<u>4,087,484</u>
Total liabilities and equity, net		<u>5,771,984</u>	<u>4,828,201</u>

The accompanying notes are an integral part of this financial statement.

Sociedad Minera Cerro Verde S.A.A.

Statements of comprehensive income

For the years ended December 31, 2014, 2013 and 2012.

	Note	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Sales of goods	17(a)	1,467,097	1,811,488	2,127,023
Cost of sales of goods	18	(797,481)	(795,064)	(765,789)
Gross profit		<u>669,616</u>	<u>1,016,424</u>	<u>1,361,234</u>
Operating expenses				
Selling expenses	19	(54,210)	(68,448)	(78,674)
Other operating income (expenses), net		(3,629)	147	(9,898)
Expense related to water plant		-	-	(19,606)
		<u>(57,839)</u>	<u>(68,301)</u>	<u>(108,178)</u>
Operating profit		<u>611,777</u>	<u>948,123</u>	<u>1,253,056</u>
Other income (expenses)				
Finance income		2,443	2,178	1,886
Finance costs		(369)	(1,843)	(6,951)
Net gain (loss) from exchange differences		2,284	(1,858)	3,149
		<u>4,358</u>	<u>(1,523)</u>	<u>(1,916)</u>
Profit before income tax		616,135	946,600	1,251,140
Income tax expense	14(b,c)	(238,529)	(333,338)	(454,556)
Profit for the year		<u>377,606</u>	<u>613,262</u>	<u>796,584</u>
Basic and diluted earnings per share (stated in US dollars)				
	22	1.08	1.75	2.28
Weighted average number of shares outstanding	22	<u>350,056,012</u>	<u>350,056,012</u>	<u>350,056,012</u>

The accompanying notes are an integral part of this financial statement.

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Sociedad Minera Cerro Verde S.A.A.

Statements of changes in equity

For the years ended December 31, 2014 and 2013

	Issued capital US\$(000)	Legal reserve US\$(000)	Retained earnings US\$(000)	Total US\$(000)
Balance as of January 1, 2012	990,659	198,132	1,488,847	2,677,638
Profit for the year	-	-	796,584	796,584
Balance as of December 31, 2012	990,659	198,132	2,285,431	3,474,222
Profit for the year	-	-	613,262	613,262
Balance as of December 31, 2013	990,659	198,132	2,898,693	4,087,484

Profit for the year	-	-	377,606	377,606
Balance as of December 31, 2014	<u>990,659</u>	<u>198,132</u>	<u>3,276,299</u>	<u>4,465,090</u>

The accompanying notes are an integral part of this financial statement.

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Sociedad Minera Cerro Verde S.A.A.

Statements of cash flows

For the years ended December 31, 2014, 2013 and 2012

	2014 US\$(000)	2013 US\$(000)	2012 US\$(000)
Operating activities			
Profit before income tax	616,135	946,600	1,251,140
Adjustments to reconcile profit before income tax to net cash flows from operating activities:			
Depreciation of property, plant and equipment	164,985	107,620	94,242
Amortization of intangible assets	1,630	1,630	1,630
Unwinding of discount on remediation and mine closure	2,537	4,609	239
Provision for inventory obsolescence	1,765	1,207	778
Net gain from disposal/sale of property, plant and equipment	(144)	(541)	(238)
Net gain from disposal/sale of supplies	(30)	(49)	-
Exchange difference	(2,284)	1,858	(3,149)
Working capital adjustments:			
Net decrease (increase) in operating assets:			
Trade accounts receivable	5,230	(3,550)	39,999
Trade accounts receivable from related parties	120,546	8,218	(116,082)
Embedded derivative	-	(4,454)	(11,569)
Other accounts receivable	(200,500)	(6,314)	(2,449)
Inventories	(17,277)	(26,957)	(16,191)
Other long - term accounts receivable	(140,412)	(48,808)	(11,595)
Long - term inventories	(70,917)	(40,985)	(35,141)
Net increase (decrease) in operating liabilities:			
Trade accounts payable	129,562	122,154	90,404
Accounts payable to related parties	5,280	3,897	4,666
Embedded derivative	42,805	-	(75,257)
Workers' profit sharing payable	(14,173)	(28,544)	(43,720)
Other accounts payable	(15,024)	15,456	(3,820)
Non-current portion of other accounts payable	3,758	1,314	(758)
Income tax paid	(315,369)	(286,036)	(465,819)
Net cash and cash equivalents provided by operating activities	<u>318,103</u>	<u>768,325</u>	<u>697,310</u>

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Statements of cash flows (continued)

For the years ended December 31, 2014, 2013 and 2012

2014 2013 2012

	US\$(000)	US\$(000)	US\$(000)
Investing activities			
Proceeds from sale of property, plant and equipment	356	694	262
Withdraw of (investment in) time deposit	226,772	(225,000)	-
Purchase of property, plant and equipment	(1,771,715)	(1,066,267)	(600,872)
Stripping activity asset	(49,122)	(49,938)	(52,619)
Purchase of intangibles	(7,209)	-	(189)
Net cash and cash equivalents used in investing activities	<u>(1,600,918)</u>	<u>(1,340,511)</u>	<u>(653,418)</u>
Financing activities			
Proceeds from loans	475,000	-	-
Debt issuance costs	(27,024)	-	-
Payment of finance lease	(157)	(772)	-
Net cash and cash equivalents provided by (used in) financing activities	<u>447,819</u>	<u>(772)</u>	<u>-</u>
Net decrease in cash and cash equivalents in the year	(834,996)	(572,958)	43,892
Cash and cash equivalents at beginning of year	<u>854,570</u>	<u>1,427,528</u>	<u>1,383,636</u>
Cash and cash equivalents at end of year	<u>19,574</u>	<u>854,570</u>	<u>1,427,528</u>
Transactions with no effects in cash flows :			
Provision for remediation and mine closure	68,840	(36,445)	72,512
Purchase of property, plant and equipment under finance lease	-	6,961	-

The accompanying notes are an integral part of this financial statement

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Sociedad Minera Cerro Verde S.A.A.

Notes to the financial statements
As of December 31, 2014, 2013 and 2012

1. Identification and business activity of the Company

(a) Identification -

Sociedad Minera Cerro Verde S.A.A. (here in after “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 has listed its shares on the Lima Stock Exchange since November 14, 2000.

Through its subsidiary Cyprus Climax Metals Company, Freeport-McMoRan Corporation (“FMC”), a wholly owned subsidiary of Freeport-McMoRan Inc. (“Freeport”), owns 53.56% of the voting shares of the Company. Additionally, SMM Cerro Verde Netherlands B.V. (a subsidiary of Sumitomo Metal Mining Company Ltd.) owns 21% of the voting share of the Company, Compañía de Minas Buenaventura S.A.A. owns 19.58%, and the minority stakeholders own the remaining 5.86%.

The Company’s legal address is Jacinto Ibañez Street N°315, Parque Industrial, Arequipa City and the ore deposits are located 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 and concentrates.

Expansion of operations

The Company is carrying out construction activities associated to a large-scale expansion of Cerro Verde's production plant which includes the concentrate and lixiviation process, as well as the expansion of its mining process and improvement of its current facilities. The project, with an estimated cost of US\$4.6 billion, will expand the processing capacity of mineral from 120,000 metric tons per day to 360,000 metric tons per day, targeting incremental annual production of approximately 600 million pounds of copper and 15 million of molybdenum beginning in 2016. The Company obtained approval of the Environmental and Social Impact Study and a permit for the expansion of Cerro Verde's production unit by the Peruvian Ministry of Energy and Mines.

In March 2014, the Company entered into a five-year US\$1.8 billion senior unsecured loan to fund a portion of the expansion project. Additional amounts are expected to be drawn over time as required to fund the project. As of December 31, 2014, US\$425 million was drawn under this credit facility (see Note 12).

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Notes to the financial statements (continued)

(c) Financial statements approval -

The financial statements for the year ended December 31, 2014 were approved by Company's Management on April 30, 2015 and, in Management's opinion, they will be approved without changes by the Board of Directors and Shareholders' Meetings to be held in the first quarter of 2015.

2. Significant accounting principles and policies

2.1 Basis of preparation -

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"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The financial statements have been prepared based on a historical cost basis, except for accounts receivable and/or payable related to embedded derivatives that have been measured at fair value. The financial statements are presented in United States dollars (US\$) and include the years ended December 31, 2014, 2013 and 2012. Unless otherwise indicated, all values have been rounded to the nearest thousand.

2.2. Summary of significant accounting policies and practices -

(a) Currency -

The financial statements are presented in US dollars, which is the Company's functional currency.

Foreign currency transactions are those carried out in a currency other than the functional currency. Foreign currency transactions are initially recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities

denominated in foreign currencies are translated to the spot rate of exchange ruling at the reporting date.

Gains and losses as a result of the difference in the exchange rate when currency items are liquidated or when converting currency items at exchange rates that are different from those used for their initial recognition are recognized in the statements of comprehensive income for the year.

The Company uses exchange rates published by the Superintendent of Banks, Insurance and Pension Fund Administrator. As of December 31, 2014, the published exchange rates were S/.2.981 for US\$1 for buying and S/.2.989 for US\$1 for selling (S/.2.794 for US\$1 for buying and S/.2.796 for US\$1, as of December 31, 2013, respectively). These rates have been applied to the appropriate asset and liability accounts. As of December 31, 2014 and 2013, the Company did not maintain significant assets or liabilities in foreign currency.

(b) Financial instruments: Initial recognition and subsequent measurement -

A financial instrument is any agreement which originates a financial asset of the entity and a financial liability or equity instruments of other entity.

(i) Financial assets -

The Company determines the classification of its financial assets at initial recognition in accordance with IAS 39, "Financial Instruments: Recognition and Measurement".

All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset. The Company's financial assets include accounts receivable and embedded derivatives.

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Notes to the financial statements (continued)

Receivables -

The Company's accounts receivables include trade accounts receivables to related parties and third parties and other accounts receivable.

Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, the accounts receivables are subsequently carried at amortized cost using the effective interest method less any provision for impairment (i.e. allowance for doubtful accounts).

The Company assesses whether, as of the date of the financial statements, there is objective evidence of impairment in the value of the receivable. Any resulting impairment is measured as the difference between the book value of the receivable and the present value of the estimated future cash flows, discounted at an original effective interest rate or one applicable to a similar transaction. The carrying amount of the receivable is reduced by means of an allowance account and recognized in the statements of comprehensive income.

Embedded derivatives -

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 commercial invoices at the time of shipment based on the current LME prices, which result in an embedded derivative that is required to be separated from the host contract.

The Company's embedded derivatives from sales are measured at fair value (based on LME spot copper prices) with subsequent changes recognized in the statements of comprehensive income until the month of maturity.

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Notes to the financial statements (continued)

(ii) Financial liability -

All financial liabilities are recognized initially at fair value and, in the case of accounts payable and financial obligations, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, financial obligations and embedded derivatives.

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 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 statement of comprehensive income.

(c) Inventories –

Inventories are stated at the lower of cost or the net realizable value. Inventory of materials and supplies, as well as in progress and finished products 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 mining and processing of minerals. Net realizable value is the estimated future sales price based on forward metal prices (at the year that are expected to be processed), less estimated costs to complete production and bring the inventory to sale.

Provision for obsolescence -

Obsolescence allowances are established based on an item-by-item analysis made by Management. Any amount of obsolescence is charged to the statements of comprehensive income in the year of occurrence.

(d) Property, plant and equipment -

The 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, including customs duties and non-reimbursable taxes, as well as any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation

obligation and, in the case of qualifying assets, the cost of borrowing. The capitalized value of a finance lease is also included in this caption.

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Notes to the financial statements (continued)

Land is not depreciated. Depreciation of assets directly related to the useful life of the mine is calculated using the UOP method based on the mine's proven and probable reserves. Other assets are depreciated using the straight-line method based on the following estimated useful lives:

	Years
Buildings and other constructions	Between 10 and 30
Machinery and equipment	Between 3 and 25
Transportation units	7
Furniture and fixtures	7
Other equipment	Between 3 and 25

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statements of comprehensive income when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, at each reporting period and adjusted prospectively, if appropriate.

Major maintenance and repairs -

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset that was separately depreciated and is now written off is replaced, and it is probable that the future economic benefits associated with the item will flow to the Company through an extended life, the expenditure is capitalized. All other day-to-day maintenance and repairs costs are expensed as incurred.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off.

(e) Exploration and development costs –

Exploration costs -

Mineral exploration costs, as well as drilling and other costs incurred for the purpose of obtain 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 based on the Management's judgment, when the economic and technological feasibility of the project is confirmed, which is generally when the development or expansion project has reached a milestone in accordance with a model established by the Company.

Notes to the financial statements (continued)

(f) Stripping costs -

As part of its mining operations, the Company incurs in stripping cost during development and production phases of its operations. Stripping costs incurred in the development phase of a mine, before production commences (development stripping) are capitalized as development costs and subsequently amortized using the UOP method over the life of the mine. The capitalization of stripping cost stops when the mine production commences.

Stripping costs incurred during the production phase 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:

- It is probable that the future economic benefit;
- The Company can identify the component of the ore body for which access has been improved; and
- The costs related to the stripping activity associated with that component can be measured reliably.

To identify components in a mine site, the Company works in coordination with the mine planning area.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity and is disclose as part of the property, plant and equipment.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

(g) Impairment of non – financial assets -

At each reporting date, the Company evaluates if there is any indication that an asset may be impaired. If any indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs of disposal and 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.

Notes to the financial statements (continued)

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated

future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the 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 assumptions used to determine the asset'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 statements of comprehensive income.

(h) Provisions -

General -

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statements of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a rate that reflects, when 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 finance costs 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. 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 units-of-production method during the economic life of the mine.

The Company evaluates its mine closure provision annually and makes adjustments to estimates and assumptions, including 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. Any decrease in the mine closure provision and related ARC may not exceed the carrying amount of the asset. If it does, any excess over the carrying value is taken immediately to the statements of comprehensive income.

(i) Revenue recognition -

The Company primarily sells copper cathodes and concentrates in accordance with sales contracts entered into with its customers. Revenues comprise the fair value of the sale of goods, net of related sales taxes. The Company recognizes revenue when the amount can be reliably measured, it is probable that economic benefits will flow to the Company and all significant risks (including title and insurance risk) and rewards of ownership have transferred to the customer. Revenue is not considered reliably measured until all contingencies relating to the sale have been resolved.

Notes to the financial statements (continued)

Sales of copper cathodes and concentrates –

Domestic sales of copper cathodes and concentrates are recognized when the Company has delivered the goods to the shipping company designated by the customer. Revenue associated with foreign sales of copper cathodes and copper concentrates is recognized when all significant risks and rewards of ownership have transferred to the customer, which is typically when the inventory has passed over the vessel's rail at the port of loading.

As described in note 2.2(b), the Company's copper sales are provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month in accordance with the terms specified in the related sales contract and based on quoted LME monthly average prices. The Company receives market prices in the specified future month, and the effect of the changes in such market prices are recorded as revenues until the specified future month. The Company records revenues and commercial invoices at the time of shipment based on the current LME prices, which result in an embedded derivative that is bifurcated from the host contract.

Since year 2014, the Company's revenues are subject to royalties for two governmental entities. These funds will be used for these entities as part of their operational budgets for the supervision of energy and mining investment and the environment. The calculation for the OSINERGMIN contribution is 0.21% of invoiced sales for year 2014 (0.19% for 2015 and 0.16% for 2016) and the calculation for the OEFA contribution is 0.15% of invoiced sales for year 2014 (0.15% for 2015 and 0.13% for 2016). These royalties are presented as reduction of revenues (see note 17).

(j) Borrowing cost -

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\$1 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 Company incurs in connection with the borrowing of funds.

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Notes to the financial statements (continued)

(k) Income taxes, deferred taxes and other taxes -

Current income tax -

Current income tax assets and liabilities are measured at the amounts 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 substantially enacted, at the reporting period. The Company calculates the provision for current income tax based on the tax stability agreement described in Note 16(a).

Deferred income tax -

Deferred income tax is provided using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes at their reporting date. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right to set off 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 -

On September 29, 2011, Law No. 29788 (which amended Law No. 28528) was enacted creating a new mining tax and royalty regime in Peru.

- *Stability agreement effective until December 31, 2013*

Under the new regime, companies that do not have stability agreements will be subject to a revised royalty and a special mining tax. The Company operated under a stability agreement and therefore was not subject to the revised royalty and special mining tax until its stability agreement expired on December 31, 2013. The Peruvian government also created a special mining burden that companies with tax stability agreements could elect to pay. The Company elected to pay this special mining burden during the remaining term of its stability agreement. See Note 16 (d).

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Notes to the financial statements (continued)

- *Stability agreement effective since January 1, 2014*

Beginning January 1, 2014, under the terms of the new stability agreement, the Company will pay mining royalties and special mining tax for all its production based on Law No. 29788.

Mining Royalties and Special Mining Tax are in the scope of IAS 12 "Income Tax" and are considered income tax.

Supplementary Retirement Fund –

Law No. 29741, enacted on July 9, 2011, created a Mining and Metallurgical Retirement Fund, which is applicable to the Company starting 2014. The base of calculation of this contribution is 0.5% of pre-tax income. These funds will be used for the jubilee of the mining and

metallurgical workers. The contribution is presented as income tax due to the same basis of calculation.

(l) Workers' profit sharing -

The Company recognizes workers' profit sharing in accordance with IAS 19, "Employees Benefits". Workers' profit sharing is calculated in accordance with the Peruvian law (Legislative Decree No. 892), and the applicable rate is 8% over the taxable net base of current year. According to Peruvian law, the limit in the workers' profit sharing that an employee can receive is equivalent to 18 months of wages, and any excess above such limit has be transferred to the Regional Government and "National Fund for Employment's Promotion and Training" ("FONDOEMPLEO"). The Company's workers' profit sharing is recognized as a liability in the statement of financial position and as an operating expense in the statements of comprehensive income.

(m) Basic and diluted earnings per share -

Basic and diluted earnings per share have been calculated based on the weighted average number of common shares held during the period. When the number of shares is modified as a result of capitalization of retained earnings, the net income per basic and diluted share is adjusted retroactively for all of the periods reported. For the years ended as of December 31, 2014 and 2013, the Company did not have any financial instrument with dilutive effects; as a result, the basic and diluted shares are the same in all years presented.

(n) Fair value measurement -

The Company measures its embedded derivatives, at fair value at each 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.

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Notes to the financial statements (continued)

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 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.

3. Accounting estimates, judgments and assumptions –

The preparation of the Company's financial statements according to IFRS requires Management to make judgments, estimates and assumptions to determine the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities to the date of financial statements, and for the reported amounts of revenues and expenses for the years finished as of December 31, 2014 and 2013.

Estimates and assumptions are continuously evaluated and are based on the experience of Management and other factors, including expectations of future events that are reasonable under current circumstances; however, actual results could differ from these estimates.

Information about estimations and judgments taken into account by Management in the preparation of the financial statements follows:

3.1 Judgments -

(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.

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Notes to the financial statements (continued)

(b) 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 each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. 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 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.

(c) Functional currency -

The functional currency for the Company and its parent entity is the currency of the primary economic environment in which the entity operates. The Company has determined the functional currency is the US dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

3.2 Estimates and assumptions -

(a) Determination of mineral reserves and resources -

Ore reserves are estimates of the ore quantity that can be economically and legally extracted from the mine concessions. The Company estimates its ore 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 of geological judgments in order to interpret the data.

The estimation of recoverable reserves is based on factors such as estimated exchange rates, commodity prices, future requirements of capital and production costs, together with geological hypothesis and judgments made when estimating the size and quality of ore. 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.

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Notes to the financial statements (continued)

(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.

(c) Mine rehabilitation provision -

The Company assesses its mine closure provision annually. 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 2.2(h), estimated changes in the fair value of the mine closure provision 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". If any change in the estimate results in an increase to the 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".

(d) 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. For mill stockpiles, recovery is through milling and concentrating. For leach stockpiles, recovery is through exposure to acidic solutions that dissolve copper and delivery it in 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 blasthole 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 sampling. The recoverability of copper in mill stockpiles, once entered into the production process, can be produced into copper concentrate rapidly.

Estimated copper recovery rates are determined using laboratory tests, historical trends and other factors. Ultimate recovery of copper contained in leach stockpiles can vary significantly depending on several variables, including type of copper recovery, mineralogy and the size of the rocks. Processes and recovery rates are monitored continuously, and recovery rates are adjusted periodically as additional information becomes available and as related technology changes.

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Notes to the financial statements (continued)

(e) Asset impairment –

The Company has determined that the Cerro Verde operation consists of one cash generating unit, considering the operation as a whole. Therefore, the Cerro Verde operation is evaluated annually in order to determine if there are any 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 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 current market, the time value of money and the risks specific to the asset.

4. Standard issue but not effective

The 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 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which reflects all phases of the financial instruments project and replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 would have not significant effect on the classification and measurement of the Group's financial assets and liabilities.

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Notes to the financial statements (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized 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. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

5. Cash and cash equivalents

(a) This item is made up as follow:

	2014 US\$(000)	2013 US\$(000)
Cash in banks	7,698	9,527
Cash equivalents (b)	11,876	845,043
	<u>19,574</u>	<u>854,570</u>

(b) Cash equivalents comprises a portfolio of investments in highly marketable liquid investments (investments classified as “AAA” by Standard & Poor’s and Moody’s), which yield variable returns, and are classified as cash equivalents because they are readily convertible to known amounts of cash. Management plans to use them for its short-term cash needs. Because of the short maturity of these investments, 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.

6. Trade accounts receivable

Trade accounts receivable are generated primarily from the Company’s cathode and copper concentrate sales, are denominated in US dollars, have current maturities, do not bear interest and have no specific guarantees.

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Notes to the financial statements (continued)

7. Other accounts receivable

(a) This item is made up as follow:

	2014 US\$(000)	2013 US\$(000)
Other short-term accounts receivable		
Value added tax credit	222,357	24,226

Other accounts receivable	7,000	7,605
Prepaid expenses	5,865	2,891
Restricted fund (e)	-	14,981
	<u>235,222</u>	<u>49,703</u>
Other long – term accounts receivable		
Other accounts receivable (b)	191,855	72,478
Installment program (mining royalties case) (c)	39,700	-
Prepayment of income tax (d)	21,629	40,294
Restricted fund (e)	-	210,019
	<u>253,184</u>	<u>322,791</u>

- (b) Corresponds to the payments made by the Company for audits made by SUNAT for the years 2004, 2005, 2006, 2007, 2008, 2009 and 2010 which management believes are recoverable.
- (c) Corresponds to payments made under protest by the Company in connection to installment program approved by SUNAT in relation to the mining royalties case corresponding to the years 2006 to 2008, which is described in Note 16(e).
- (d) Corresponds to disbursements made by the Company in connection with income tax pre - payments that can be offset against future tax liabilities or recovered through a refund application.
- (e) As of December 31, 2013, the Company had a certificate of time deposit made with Scotiabank for US\$225 million. This time deposit bearded interest at an effective annual rate of 1.2%. During the third-quarter 2014, the deposit was canceled as Scotiabank no longer required time deposit as collateral for the letter of credit associated with mining royalty's dispute with SUNAT.

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Notes to the financial statements (continued)

8. Inventories, net

- (a) This item is made up as follow:

	2014 US\$(000)	2013 US\$(000)
Finished goods:		
Copper concentrate	11,942	6,887
Copper cathodes	8,809	8,124
Molybdenum concentrate	1,821	787
Balance of finished goods, see note 18	22,572	15,798
Work-in-process (b)	326,676	256,153
Materials and supplies	170,146	160,910
Materials and supplies in transit	1,269	1,063
Less - Provision for obsolescence of materials and supplies	(407)	(127)
Total Inventories	520,256	433,797
Less - Long-term inventories (b)	<u>(287,714)</u>	<u>(216,797)</u>
Current inventories, net	<u>232,542</u>	<u>217,000</u>

- (b) Work in process inventories represent mill and leach stockpiles which generally contain lower grade ores that have been extracted from the ore body and are available for copper recovery. For mill

stockpiles, recovery is through milling and concentrating. For leach stockpiles, recovery are through exposure to acidic solutions that dissolve copper and deliver it in solution to the extraction processing facilities (see note 3.2(d)).

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Notes to the financial statements (continued)

9. Property, plant and equipment, net

- (a) The movement in cost and accumulated depreciation accounts as of December 31, 2014 and 2013 are shown below:

	January 1, 2013 US\$(000)	Additions US\$(000)	Retirements and disposals US\$(000)	Transfers US\$(000)	December 31, 2013 US\$(000)	Additions US\$(000)	Retirements and disposals US\$(000)	Adjustments and reclassifications US\$(000)	Transfers US\$(000)	December 2014 US\$(000)
Cost										
Land	1,497	-	-	240	1,737	-	-	-	13,538	15,275
Buildings and other constructions	129,129	-	-	16,780	145,909	-	(2,710)	405	39,304	182,908
Machinery and equipment	1,750,230	-	(549)	120,738	1,870,419	-	(25,974)	(7,525)	171,429	2,008,147
Transportation units	12,170	-	(1,999)	4,810	14,981	-	(389)	35	2,575	17,202
Furniture and fixtures	786	-	-	-	786	-	-	4	-	790
Other equipment	21,707	-	(354)	866	22,219	-	(228)	-	270	22,261
Work in progress and transit units (b)	504,758	1,073,228	-	(143,434)	1,434,552	1,771,715	-	-	(227,116)	2,979,159
Asset remediation and mine closure, note 20(a)	79,395	504	(36,445)	-	43,454	93	-	68,840	-	112,992
Stripping activity asset	52,619	49,938	-	-	102,557	49,122	-	-	-	151,679
	<u>2,552,291</u>	<u>1,123,670</u>	<u>(39,347)</u>	<u>-</u>	<u>3,636,614</u>	<u>1,820,930</u>	<u>(29,301)</u>	<u>61,759</u>	<u>-</u>	<u>5,490,846</u>
Accumulated depreciation										
Buildings and other constructions	31,463	3,223	-	81	34,767	4,912	(1,583)	-	220	38,317
Machinery and equipment	648,944	99,723	(476)	(81)	748,110	111,823	(22,030)	-	(229)	837,127
Transportation units	7,613	1,209	(1,919)	-	6,903	1,719	(383)	-	9	8,249
Furniture and fixtures	713	58	-	-	771	5	-	-	-	776
Other equipment	8,116	1,963	(353)	-	9,726	1,065	(228)	-	-	10,563
Asset remediation and mine closure	3,114	1,444	-	-	4,558	560	-	-	-	5,118
Stripping activity asset	-	-	-	-	-	44,901	-	-	-	44,901
	<u>699,963</u>	<u>107,620</u>	<u>(2,748)</u>	<u>-</u>	<u>804,835</u>	<u>164,985</u>	<u>(24,224)</u>	<u>-</u>	<u>-</u>	<u>945,636</u>

Net Cost	<u>1,852,328</u>	<u>2,831,779</u>	<u>4,544</u>
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- (b) As of December 31, 2014, the work in progress and transit units corresponded mainly to the Expansion of Cerro Verde's production unit for US\$3,089,000,000. See note 1(b).
- (c) The Company maintains insurance on its principal assets in accordance with Management's policies.
- (d) As discussed in Note 3.2(e) the Cerro Verde operation is evaluated annually in order to determine if there are any impairment indicators. As of December 31, 2014 and 2013, there were no impairment indicators.

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Notes to the financial statements (continued)

10. Trade accounts payable

Trade accounts payable are mainly originated by the acquisition of materials, supplies and spare parts for the Company's mining activities. These obligations are mainly in US dollars, have current maturities and do not accrue interest. No guarantees have been granted.

11. Workers' profit sharing

The Legislative Decree N°892 (L.D. 892), issued in 1996, regulates the right of workers to participate in a company's profits that performs activities generating third categories income and requires companies domiciled in Peru to compute and pay to employees a share of the profits generated by the companies for which they work. The Company's liability for workers' profit sharing is recognized according to the policy described in note 2.2(l).

The workers' profit sharing is recognized as an operating expense in the statements of comprehensive income. The amount of workers' profit sharing paid to employees for the years 2014 and 2013 are recognized as a cost of sales of goods (see note 18). Additionally, during 2014 and 2013 no excess of workers' profit sharing was calculated between the total workers' profit sharing liability and the amount paid or due to employees.

12. Financial obligations

- (a) This item is made up as follow:

	2014	2013
	US\$(000)	US\$(000)
Senior unsecured credit facility, (b) and (c)	402,357	-
Promissory notes (d)	50,000	-
Leasings	<u>492</u>	<u>5,903</u>
	452,849	5,903
Less – current portion	<u>(50,163)</u>	<u>(4,577)</u>
Non – current portion	<u>402,686</u>	<u>1,326</u>

- (b) In March 2014, the Company entered into a five-year US\$1.8 billion senior unsecured credit facility with several banks, led by Citibank N.A., as administrative agent.

The credit facility allows for term loan borrowings up to the full amount of the facility, less any amounts issued and outstanding under a \$500 million sublimit. Interest on amounts drawn under the term loan is based on London Interbank Offered Rate (LIBOR) plus a spread (currently 1.90%) based on the Company's total net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio as defined in the agreement. Amounts may be drawn over a two-year period to fund a portion of the Company's expansion project and for general corporate purposes.

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Notes to the financial statements (continued)

The credit facility amortizes in three installments in amounts necessary for the aggregate outstanding borrowings. The first installment must repay no less than exceed 85% on September 30, 2017, the second installment no less than 70% on March 31, 2018, and the third installment no less than 35% on September 30, 2018, with the remaining balance due on the maturity date (March 10, 2019).

As of December 31, 2014, the Company has drawn US\$425 million under the line of credit and no letters of credit were issued.

There are no guarantees provided for the credit facility.

- (c) As part of the commitments made in relation to the above debt, the Company must comply with the following financial ratios listed below:
- i. Total Net Debt to EBITDA Ratio: The Company shall not permit the Total Net Debt to EBITDA Ratio on the last day of any fiscal quarter to exceed 3.5 to 1.
 - ii. Interest Coverage Ratio: The Company shall not permit the Interest Coverage Ratio on the last day of any fiscal quarter to be less than 3.0 to 1.

The financial ratios mentioned above apply to financial statements of the Company, which should be calculated as of each quarter ending in March, June, September and December of each year since 2014.

As of December 31, 2014, the Company was in compliance with all of its covenants, which are monitored by Management each quarter.

- (d) In November 2014, the Company signed bank promissory notes with Banco de Credito del Peru to finance its working capital needs for a total amount of US\$50 million, which accrue interest at an annual rate of 1.2 % and has a maturity of 180 days.

13. Other accounts payable and provisions

This item is made up as follow:

	2014 US\$(000)	2013 US\$(000)
Salaries payable	11,138	10,682
Other provisions	11,060	36,626
	<u>22,198</u>	<u>47,308</u>
Less – current portion	<u>(16,881)</u>	<u>(45,749)</u>
Non – current portion	<u>5,317</u>	<u>1,559</u>

Notes to the financial statements (continued)

14. Deferred income tax

- (a) 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:

	January 1, 2013 US\$(000)	Debit (credit) to the statements of comprehensive income US\$(000)	December 31, 2013 US\$(000)	Debit (credit) to the statements of comprehensive income US\$(000)	December 31, 2014 US\$(000)
Income tax					
Asset					
Price adjustment of cathodes and copper concentrates	-	-	-	12,831	12,831
Provision for remediation and mine closure	1,111	1,903	3,014	813	3,827
Provision for mining taxes	6,356	(34)	6,322	(3,562)	2,760
Unpaid vacations	-	-	-	2,625	2,625
Cost of net asset: rollers and construction of tailing dam	-	14,258	14,258	(12,101)	2,157
Development costs	621	(91)	530	(112)	418
Difference in valuation of inventories	6,926	1,278	8,204	(8,204)	-
Other provisions	86	1,487	1,573	1,437	3,010
	<u>15,100</u>	<u>18,801</u>	<u>33,901</u>	<u>(6,273)</u>	<u>27,628</u>
Liability					
Difference in depreciation method	246,538	17,753	264,291	(50,111)	214,180
Stripping activity asset	16,578	5,200	21,778	(4,460)	17,318
Difference in valuation of inventories	-	-	-	14,331	14,331
Price adjustment of cathodes and copper concentrates	3,471	2,420	5,891	(5,891)	-
	<u>266,587</u>	<u>25,373</u>	<u>291,960</u>	<u>(46,131)</u>	<u>245,829</u>
Deferred liabilities, net	<u>251,487</u>	<u>6,572</u>	<u>258,059</u>	<u>(39,858)</u>	<u>218,201</u>
Mining taxes					
Asset					
Price adjustment of cathodes and copper concentrates	516	(516)	-	-	-
Exploration expenses	(492)	492	-	-	-
Deferred asset	<u>24</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Supplementary Retirement Fund					
Difference in depreciation method	-	-	-	2,452	2,452
Other minors	-	-	-	75	75
Deferred liability	-	-	-	<u>2,527</u>	<u>2,527</u>
Total debited to the statements of comprehensive income	-	<u>6,548</u>	-	<u>(37,331)</u>	<u>-</u>
Total deferred income tax liability, net	<u>251,511</u>		<u>258,059</u>		<u>220,728</u>

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Notes to the financial statements (continued)

- (b) For the years ended December 31, 2014 and 2013, the income tax expense recorded differs from the result of apply the legal rate to the income before income tax of the Company, as detailed below:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Profit before income tax	616,135	946,600	1,251,140
Income tax rate	32%	30%	30%
Expected income tax expense	197,163	283,980	375,342
Non - deductible expenses	7,013	3,478	11,845
Special mining burden	-	(19,348)	(28,823)
Special mining tax and mining royalties	(16,677)	-	-
Effect of change in income tax rate to 32% due to Tax Stability Agreement effective since 2014, note 16(a)	-	398	11,583
Others	(6,903)	1,652	(1,709)
Current and deferred income tax charges to results	<u>180,596</u>	<u>270,160</u>	<u>368,238</u>
Mining taxes charged to results	<u>52,116</u>	<u>63,178</u>	<u>86,318</u>
Supplementary retirement fund charged to results	<u>5,817</u>	<u>-</u>	<u>-</u>
	<u>238,529</u>	<u>333,338</u>	<u>454,556</u>
Effective income tax	<u>38.71%</u>	<u>35.21%</u>	<u>36.33%</u>

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Notes to the financial statements (continued)

- (c) The income tax expenses (benefit) for the years ended December 31, 2014, 2013 and 2012 is shown below:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Income tax			
Current	220,454	263,588	295,250
Deferred	<u>(39,858)</u>	<u>6,572</u>	<u>72,988</u>

	180,596	270,160	368,238
Mining taxes			
Current	52,116	63,202	82,467
Deferred	-	(24)	3,851
	<u>52,116</u>	<u>63,178</u>	<u>86,318</u>
Supplementary retirement fund			
Current	3,290	-	-
Deferred	2,527	-	-
	<u>5,817</u>	<u>-</u>	<u>-</u>
Income tax expense reported in the statements of comprehensive income	<u>238,529</u>	<u>333,338</u>	<u>454,556</u>

15. Equity, net

(a) Issued capital -

As of December 31, 2014 and 2013 the authorized, subscribed and paid-up capital in accordance with the Company's by-laws and its related modifications was 350,056,012 common shares.

According to the shareholders agreement of July 11, 2003, the nominal value of the shares was denominated in US dollars and amounted to US\$0.54 each. As a result of the capitalization of restricted earnings associated to the tax benefit (reinvestment credit), the nominal value of the share was increased to US\$2.83 each in December 2009.

As of December 31, 2014 the quoted price of these shares was US\$24.00 per share (US\$24.50 per share as of December 31, 2013) and the daily frequency of trading is 100%, as in 2013.

(b) Legal reserves -

In accordance with the Peruvian Companies Act, this reserve is created through the transfer of 10% of the annual net profit up to a maximum of 20% of the paid-in capital. The legal reserve must be used to offset losses, and must be replaced with future earnings. This reserve may also be used to increase capital stock but the balance must be restored from future earnings.

(c) Dividend distribution -

During 2014 and 2013, the Company did not pay dividends.

Notes to the financial statements (continued)

16. Tax situation

(a) Current tax regime -

On February 13, 1998, the Company signed an Agreement of Guarantees and Measures to Promote Investments with the Government of Peru, under the Peruvian General Mining Law. Upon approval of the agreement, the Company was subject to the tax regulations in force at May 6, 1996. In addition, the Company had tax stability for a period of fifteen years beginning January 1, 1999 and with a maturity date of December 31, 2013.

On July 17, 2012, the Company entered into a new Agreement of Guarantees and Measures to Promote Investments with the Government of Peru, under the General Mining Law and in connection with the Expansion of Cerro Verde's production mining unit Project. By means of this agreement, the Company is subject to the tax regulations in force at July 17, 2012. The term of this agreement is 15 years since January 1, 2014 and matures on December 31, 2028.

By means of Law No. 30296 enacted on December 31, 2014, the Peruvian government introduced certain amendments to the Income Tax Law, effective January 1, 2015, which will be applied to the Company since the maturity of the stability agreement (January 1, 2029). The most relevant are listed below:

- There will be a gradual reduction of the corporate income tax from 30% to 28% in 2015 and 2016; to 27% in 2017 and 2018; and to 26% in 2019 and thereafter.
- There will be a gradual increase of the withholding income tax to dividends from 4.1% to 6.8% in 2015 and 2016; to 8.0% in 2017 and 2018; and to 9.3% in 2019 and thereafter. These rates will be applicable to the distributed or approved dividends, whichever first occurs, effective January 1, 2015.
- The retained earnings or other items subject to generate taxable dividends, obtained until December 31, 2014 will be subject to a rate of 4.1%.

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Notes to the financial statements (continued)

- (b) The income tax rate applicable to the Company is 32% beginning 2014 according to the new agreement above mentioned (30% until December 31, 2013). In addition, the Company was subject to a minimum income tax equivalent to 2% of total assets until December 31, 2014, net of depreciation and amortization permitted by the stabilized income tax regime. The income tax charged to results was the higher of the income tax under the tax stability agreement and the minimum income tax until December 31, 2014. For the years ended December 31, 2014, 2013 and 2012, the taxable income according to the tax law is calculated from the profit before income tax and profit sharing for both years, and is as follows:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Profit before income tax	616,135	946,600	1,251,140
Workers' profit sharing	49,175	61,690	81,708
	<u>665,310</u>	<u>1,008,290</u>	<u>1,332,848</u>
Additions:			
Fully depreciated assets	41,230	-	-
Price adjustment of copper cathodes and concentrates	40,097	(18,408)	(11,569)
Non - deductible expenses	19,251	11,595	39,484
Reversal of price adjustment of copper cathodes and concentrates	18,408	11,569	(75,257)
Stripping activity asset, net	11,881	(16,646)	(52,619)
Other additions, net	27,687	14,550	(1,478)
Deductions:			
Special mining tax and mining royalties	(43,492)	-	-
Adjustment of inventory in process and finished goods	(41,881)	6,000	1,085
Special mining burden	(19,781)	(64,608)	(74,891)

Deduction to due recalculation of depreciation at an annual rate of 20%	-	(46,784)	(5,564)
Water treatment plant	-	-	(91,686)
	<u>53,400</u>	<u>(102,732)</u>	<u>(272,495)</u>
Sub-total	718,710	905,558	1,060,353
Workers' profit sharing (8%)	(57,497)	(72,445)	(84,828)
Taxable income	<u>661,213</u>	<u>833,113</u>	<u>975,525</u>
Supplementary retirement fund	(3,290)	-	-
Taxable income	<u><u>657,923</u></u>	<u><u>833,113</u></u>	<u><u>975,525</u></u>
Income tax	(210,535)	(249,934)	(292,657)
Prior years income taxes	(9,919)	(13,654)	(2,593)
Total current income taxes charged to results, note 14(c) (does not include mining taxes and supplementary retirement fund)	<u><u>220,454</u></u>	<u><u>263,588</u></u>	<u><u>295,250</u></u>

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Notes to the financial statements (continued)

- (c) 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 2011 through 2013 are open to examination by the tax authorities. For value added tax, the periods open for examination are the years 2011 through 2014. To date, SUNAT has concluded its review of the Company's tax exams through the year 2009 (for value added tax, SUNAT has completed its review through the year 2010). For years 2002 through 2010, the Company is in the claim and appeal process. The tax administration is completing the audit of income tax of the year 2010.

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 financial statements.

For the periods pending of examination, and 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 financial statements.

- (d) As described in note 2.2(k), Law No. 29788 was enacted creating a new mining tax and royalty regime in Peru. Because the Company stabilized the tax regime in force at May 6, 1996, it was not subject to the revised royalty and special mining tax until December 31, 2013, date on which the related tax stability expired. However, the Company elected to pay a special mining burden during the remaining term of its tax stability agreement. For the years ended December 31, 2014 and 2013, the Company recorded a tax provision of US\$52,116,000 and US\$63,202,000, respectively, related to mining taxes.
- (e) SUNAT, the Peruvian national tax authority, has assessed mining royalties on ore processed by the Cerro Verde concentrator, which commenced operations in late 2006. These assessments cover the period December 2006 to December 2007 and the years 2008 and 2009. In July 2013, the Peruvian Tax Tribunal issued two decisions affirming SUNAT's assessments for the period December 2006 through December 2008. Decisions by the Tax Tribunal ended the administrative stage of the appeal procedures for these assessments.

In September 2013, Cerro Verde filed judiciary appeals related to the assessments for the 2006 through 2008 periods because it continues to believe that its 1998 stability agreement exempts all minerals extracted from its mining concession from royalties, irrespective of the method used for processing those minerals. With respect to the judiciary appeal related to assessments for the year 2008, on December 17, 2014, Peru's Eighteenth Contentious Administrative Court rendered its decision upholding Cerro Verde's position and nullifying the Tax Tribunal's resolution and SUNAT's assessment. On December 31, 2014, SUNAT and the Tax Tribunal appealed this decision. As of February 20, 2015, no decision had been rendered with respect to Cerro Verde's judicial appeal of assessments for the 2006 and 2007 periods.

In July 2013, a hearing on SUNAT's assessment for 2009 was held, but no decision has been issued by the Tax Tribunal for that year. Although Management believes its interpretation of the stability agreement is correct, if Cerro Verde is ultimately found responsible for these assessments, it may also be liable for penalties and interest, which accrues at rates that range from approximately 7% to 18% based on the year accrued and the currency in which the amounts would be payable.

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Notes to the financial statements (continued)

In October 2013, SUNAT served Cerro Verde with a demand for payment totaling 492 million Peruvian Nuevos Soles (US\$165 million based on the exchange rate at December 31, 2014, including interest and penalties of US\$97 million) based on the Peruvian Tax Tribunal's decisions for the period December 2006 through December 2008. As permitted by law, Cerro Verde requested and was granted an installment payment program that deferred payment for six months and thereafter satisfies the amount via 66 equal monthly payments. As of December 31, 2014, Cerro Verde has made payments totaling 113 million Peruvian Nuevos Soles (US\$40 million based on exchange rates at the date of payment) under the installment program, which are included in other assets in the consolidated balance sheet.

As of December 31, 2014, the aggregate amount of the assessments, including interest and penalties, for the year 2009 was 226 million Peruvian Nuevos Soles (US\$76 million based on the exchange rate at December 31, 2014). SUNAT may make additional assessments for mining royalties and associated penalties and interest for the years 2010 through 2013, which Cerro Verde will contest; Management believes any such assessments for the years 2010 through 2013, if made, would in the aggregate be similar to the aggregate assessments received for the periods December 2006 through December 2009.

No amounts have been accrued for these assessments or the installment payment program as of December 31, 2014, because Cerro Verde believes its 1998 stability agreement exempts it from these royalties and believes any payments will be recoverable.

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Notes to the financial statements (continued)

- (f) The Company has also received assessments from SUNAT for additional taxes, penalties and interest related to various audit exceptions for income and other taxes. 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:

Tax Year	Penalty and Interest		Total US\$(000)
	Tax Assessment US\$(000)	Assessment US\$(000)	

2002 – 2005	16,037	49,311	65,348
2006	6,545	45,379	51,924
2007	12,376	17,809	30,185
2008	20,797	12,968	33,765
2009	58,495	49,112	107,607
2010 (*)	62,790	84,878	147,668
2014	5,512	-	5,512
	<u>182,552</u>	<u>259,457</u>	<u>442,009</u>

(*) The tax assessment for the year 2010 was issued in February 2015.

As of December 31, 2014, Cerro Verde had paid US\$192,000,000 (included “Other accounts receivable – long term” in the statement of financial position) on these disputed tax assessments, which it believes are collectible. No amounts have been accrued for these assessments.

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Notes to the financial statements (continued)

17. Sales of goods

(a) For the years ended December 31, 2014, 2013 and 2012, sales of goods are made up of the following:

	2014		2013		2012	
	Pounds(000) (Unaudited)	US\$(000)	Pounds(000) (Unaudited)	US\$(000)	Pounds(000) (Unaudited)	US\$(000)
Copper concentrates (b)	375,688	949,459	456,116	1,316,690	469,644	1,544,647
Copper cathodes (b)	125,647	393,112	103,479	342,773	119,077	434,290
Other (primarily silver and molybdenum concentrates)		130,038		152,025		148,086
		1,472,609		1,811,488		2,127,023
Less:						
Contributions OEFA / OSINERGMIN (see note 2.2(i))		(5,512)		-		-
		<u>1,467,097</u>		<u>1,811,488</u>		<u>2,127,023</u>

Sales to related parties amounted to US\$1,135,042,000 for the year ended December 31, 2014 (US\$1,487,186,000 and US\$1,631,221,000 for the years ended December 31, 2013 and 2012, respectively), which are summarized in note 21(b).

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Notes to the financial statements (continued)

(b) As described in note 2.2(b), the Company’s copper sales are provisionally priced at shipment date. As a result, as of December 31, 2014 and 2013, the Company had embedded derivatives recorded in its statement of financial position (see note 23). Adjustments to the provisional prices are recognized as gains and losses in sales of goods until the month of settlement. Copper concentrate and cathode sales include adjustments to the provisional sale value generated by the changes in the fair value of the embedded derivatives. These adjustments resulted in lower sales for US\$42,805,000 in the year 2014 and higher sales for US\$6,839,000 in the year 2013, respectively.

- (c) The following table shows sales of goods by geographic region based for the years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Asia	883,404	1,148,607	1,267,407
South America (mainly Peru)	304,990	275,783	389,613
Europe	170,624	272,988	378,144
North America	113,591	114,110	91,859
	<u>1,472,609</u>	<u>1,811,488</u>	<u>2,127,023</u>
Less: Contributions OEFA and OSINERGMIN	<u>(5,512)</u>	<u>-</u>	<u>-</u>
	<u><u>1,467,097</u></u>	<u><u>1,811,488</u></u>	<u><u>2,127,023</u></u>

- (d) Concentration of sales –

For the year 2014, 77% of the Company's sales were to related entities (Freeport-McMoRan Corporation, Sumitomo Metal Mining Company and Climax Molybdenum). For the years 2013 and 2012, 82% and 74% of the Company's sales were to these related entities.

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Notes to the financial statements (continued)

18. Cost of sales of goods

For the years ended December 31, 2014, 2013 and 2012, the cost of sales of goods is made up of the following:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Opening balance of finished goods (see note 8(a))	15,798	20,394	14,908
Raw materials and supplies	333,521	324,925	327,321
Depreciation and amortization	166,615	109,250	95,872
Labor	125,863	157,776	102,643
Energy	90,172	73,907	73,136
Third parties services	87,458	91,984	85,438
Workers' profit sharing	45,783	57,691	75,074
Services provided by related parties / Management fees	4,904	5,169	18,210
Other costs	20,462	27,740	26,125
Variance of inventories in process	(70,523)	(57,974)	(32,544)
Ending balance of finished goods (see note 8(a))	<u>(22,572)</u>	<u>(15,798)</u>	<u>(20,394)</u>
	<u><u>797,481</u></u>	<u><u>795,064</u></u>	<u><u>765,789</u></u>

19. Selling expenses

For the years ended December 31, 2014, 2013 and 2012, selling expenses are made up of the following:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Concentrate's freight	50,507	64,683	74,816
Commissions	2,271	2,727	2,759

Cathode's freight	1,432	1,038	1,099
	<u>54,210</u>	<u>68,448</u>	<u>78,674</u>

20. Commitments and contingencies

(a) Environmental matters -

The Company's mining and exploration activities are subject to environmental protection standards. In order to comply with these standards, the Company has obtained the approval for the Environment Adequacy Program ("PAMA") and of the Environmental Impact Studies (EIA), required for the operation of Cerro Verde's production unit.

On October 14, 2003, Law No. 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 closing plans for its mine site. On October 5, 2009 the MEM issued Resolution N°302-2009 MEM – AAA, approving the mine closure plan of the Company.

On November 20, 2013 according to what is established by Law, the Company presented to the Ministry of Energy and Mines an updated mine closure plan, by means of which the Company updated its mine closure budget.

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Notes to the financial statements (continued)

The estimate of remediation and mine closing costs is based on studies prepared by independent consultants, who comply with the current environmental regulations. This provision corresponds mainly to the activities to be performed in order to restore the areas affected by mining activities. The main tasks to be performed include ground removal, revegetation labor and dismantling of plant and equipment.

The table below presents the changes in the provision for remediation and mine closure:

	US\$(000)
Balance as of January 1, 2013	79,812
Accretion expense	4,609
Changes in the estimates	(36,445)
Other adjustments	503
Balance as of December 31, 2013	<u>48,479</u>
Accretion expense	2,536
Changes in the estimates	68,840
Other adjustments	93
Balance as of December 31, 2014	<u><u>119,948</u></u>

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 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, 2014, the future value of the provision for closure of mining units and environmental liabilities was US\$257,451,000, which was discounted using the annual risk-free rate of 2.59%, resulting in an updated liability of US\$119,948,000 (as of December 31, 2013, resulted in an updated liability for US\$48,479,000). The Company considers that this liability is sufficient to meet the current environmental protection laws approved by the MEM.

Up today the Company has issued letters of credit to Ministry of Energy and Mines amounting to US\$14,851,000 to secure mine closure plans for its mining unit.

(b) Construction of the Waste Water Treatment Plant

During 2011, the Company completed the feasibility study for a major expansion of its Production Unit Cerro Verde (hereinafter “the Expansion”) which includes, among others, the expansion and improvements of facilities and mining process, flotation and leaching facilities, as well as expanding them to build a concentrator and an additional leaching platform (see note 1(b)). As a result, the Company determined that the project will require the use of additional water resources apart from those currently used in the operations.

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Notes to the financial statements (continued)

To carry out this investment in its production unit, the Company agreed with the authorities of Arequipa and SEDAPAR (Arequipa Sanitation Service), within the framework of the expansion, to develop and finance the engineering, construction and operation during the first two years of the Waste Water Treatment Plant (WWTP) and all its components, the same that will be used as a water source for expanded operations, supplementing the existing water resources to support the expansion.

In August 2013, the Ministry of Housing, Construction and Sanitation approved the environmental and social impact assessment of the waste water treatment plant.

This waste water treatment plant allows the viability of the Company’s Production Unit expansion project, benefiting the population of Arequipa as it will help to decontaminate the waters of the Rio Chili, and improve the health, the quality of the agricultural products, the tourism and the environment in general.

21. Transactions with related parties

- (a) During this year, the Company received from Minera Freeport McMoran South America Ltda. consulting and professional services related to finance, logistics, legal, environmental, corporate affairs, IT and human resources, which are made in Chile. As of December 31, 2014, the amount incurred by the Company for these services was US\$4,489,000, which has been recognized in the statement of comprehensive income (US\$5,169,000 as of December 31, 2013).
- (b) During the years ended December 31, 2014, 2013 and 2012, the Company recognized the following sales of goods to related parties:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Sales of goods to related parties			
Freeport-McMoRan Corporation (c)	560,211	775,775	845,417
Sumitomo Metal Mining Company, Ltd. (d)	475,609	598,023	693,945

Climax Molybdenum Marketing Corporation (e)	99,222	113,388	91,859
Total revenues	<u>1,135,042</u>	<u>1,487,186</u>	<u>1,631,221</u>

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Notes to the financial statements (continued)

- (c) On October 15, 2006, the Company signed a long-term contract with FMC through in which it committed to sell 20% of its annual copper concentrate production from its primary concentrator plant. Terms of the contract are reviewed annually. For the year 2014, the sales of concentrate copper to FMC amounted to US\$445,756,000 (US\$687,655,000 in 2013 and US\$746,721,000 in 2012).

The Company also sells copper cathodes based on availability. According to the terms of the sales of copper cathodes to FMC, agreements are made for each shipment. For the year 2014, sales of copper cathodes to FMC amounted to US\$114,455,000 (US\$88,120,000 in 2013 and US\$98,696,000 in 2012).

- (d) On June 1, 2005, the Company signed a long-term agreement with Sumitomo Metal Mining Company Ltd., in which it committed to sell 50% of its annual copper concentrate production from its concentrator plant, through December 31, 2016. Contract terms are revised annually.
- (e) On October 1, 2006, the Company signed a long-term agreement with Climax Molybdenum Marketing Corporation, a wholly owned subsidiary of FMC, in which it committed to sell 100% of its annual molybdenum concentrate production, at a price based on Metals Week Dealer Oxide price and under a delivery type known as CIF (cost, insurance and freight). Terms of the contract are reviewed annually.
- (f) As a result of transactions with related parties, the Company had accounts receivable and also has the following payables as of December 31, 2014 and 2013:

	2014 US\$(000)	2013 US\$(000)
Accounts receivable from related parties		
Sumitomo Metal Mining Company, Ltd.	107,464	118,104
Freeport - McMoRan Corporation (FMC)	78,638	178,819
Climax Molybdenum Marketing Corporation	1,838	11,563
	<u>187,940</u>	<u>308,486</u>
Accounts payable to related parties		
Freeport - McMoRan Corporation (FMC)	14,694	6,737
Minera Freeport McMoran South America Ltda.	1,765	4,069
Freeport - McMoRan Sales Company	1,052	1,373
Minera Freeport – McMoRan South America S.A.C.	32	-
Sociedad Contractual Minera El Abra	10	-
Freeport McMoRan South America Inc. Chilean Agency	-	94
	<u>17,553</u>	<u>12,273</u>
Accounts payable to related parties	17,553	12,273
Less: Long-Term Accounts payable to related parties	<u>(5,643)</u>	<u>(3,980)</u>
	<u>11,910</u>	<u>8,293</u>
Short - Term Accounts payable to related parties	11,910	8,293

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Notes to the financial statements (continued)

Terms and transaction with related parties -

Transactions with related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees received or provided for any accounts receivable or payable to related parties. As of December 31, 2014 and 2013, the Company had not recorded any impairment of accounts receivable from related parties.

22. Earnings per share

Basic and diluted earnings per share are computed by dividing net earnings for the period by the weighted average number of shares outstanding during the year as follows:

	2014	2013	2012
Net profit for the year	US\$377,606,000	US\$613,262,000	US\$796,584,000
Weighted average number of shares outstanding	350,056,012	350,056,012	350,056,012
Basic and diluted earnings per share	US\$ 1.08	US\$ 1.75	US\$ 2.28

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Notes to the financial statements (continued)

23. Embedded derivative

As is indicated in note 2.2 (b), the exposure to the risk of changes in the market prices of copper and molybdenum is considered as an embedded derivative and it is related to the commercial contracts. As of December 31, 2014 and 2013, provisional prices of the estimated future prices (in copper and molybdenum pounds) and their final maturity periods were as follow:

		As of December 31, 2014		
Pounds payable (000)	Maturity	Provisional pricing US\$	Forward pricing US\$	Fair value US\$(000)
Copper:				
Concentrate	137,906	January – April 2015	Between 2.934 and 3.193	Between 2.855 and 2.880
Cathode	3,749	January 2015	2.898	2.88
Molybdenum	870	February 2015	8.498	8.28
				<u>(26,782)</u>

		As of December 31, 2013		
Pounds payable (000)	Maturity	Provisional pricing US\$	Forward pricing US\$	Fair value US\$(000)
Copper:				
Concentrate	184,265	January – June 2014	Between 3.124 and 3.299	Between 3.328 and 3.344
Cathode	5,515	January 2014	Between 3.274 and 3.323	3.344
				15,961
				225

Molybdenum	8,846	January – February 2014	8.980	8.924	<u>(163)</u>
					<u>16,023</u>

The final pricing estimated by the Company as of December 31, 2014 and 2013 were based on LME information.

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Notes to the financial statements (continued)

24. 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, liquidity 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, reviews and manages the risks which are summarized below. Board of Directors reviews and approves the policies to manage each of these risks.

(a) Market risk -

Commodity price risk -

The international price of copper has a significant impact on the Company's operating results. The price of copper has fluctuated historically and is affected by numerous factors beyond the Company's control. The Company manages this risk through the use of sales commitments with customers. The Company does not hedge its exposure to price fluctuation.

Embedded derivative – As described in note 2.2 (b), the Company has price risk through its provisionally priced sales contracts, which provide final pricing in a specified future month (generally six months from the shipment date) based primarily on quoted LME monthly average prices. The Company receives market prices based on prices in the specified future period, which results in price fluctuations recorded through revenues until the date of settlement. The Company records revenues and commercial invoices at the time of shipment, based on the current LME prices, which results in an embedded derivative on the provisionally priced contracts that are 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 in revenues is recorded at each reporting period until the date of final pricing.

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Notes to the financial statements (continued)

The table below summarizes the effect on profit before income tax caused by changes in the copper price. This analysis is based on the assumption that the copper price has increased or decreased by 10% while all other variables are held constant. The 2014 positive scenario uses prices between US\$/pound 3.14 to 3.17 (US\$/pound 3.66 to 3.68 in the year 2013 and US\$/pound 3.95 to US\$/pound 3.96 in the year 2012); whereas the negative scenario uses prices between US\$/pound 2.57 to 2.59 (US\$/pound 2.99 to 3.01 in the year 2013 and US\$/pound 3.23 to US\$3.24 in the year 2012).

	Effect on profit before income tax US\$(000)
December 31, 2014	
Increase in copper international quote	40,622
Decrease in copper international quote	(40,622)
December 31, 2013	
Increase in copper international quote	63,225
Decrease in copper international quote	(63,225)
December 31, 2012	
Increase in copper international quote	61,634
Decrease in copper international quote	(61,634)

Exchange rate risk –

As described in note 2.2(a), the Company's financial statements are presented in US dollars, which is the functional and presentation currency of the Company. The Company exchange-rate risk arises mainly from deposits, taxes, salaries and other accounts payable in currencies other than the US dollar, mainly Nuevos 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 Nuevos Soles to cover its needs in this currency (i.e., taxes and salaries).

During 2014, the Company has recorded a gain net from exchange difference of US\$2,284,000 (net loss of US\$1,858,000 during the year 2013 and net gain of US\$3,149,000 during the year 2012), from the translation of balances in Nuevos Soles to the US dollars.

(b) Liquidity risk -

Liquidity risk arises from situations in which cash might not be available to pay obligations when they become due at a fair cost. The Company maintains adequate liquidity by properly managing the maturities of assets and liabilities in such way that allows the Company to maintain a structural liquidity position (cash available) enabling it to meet liquidity requirements properly. The Company sells cathode and copper and molybdenum concentrates to recognized companies in the mining sector worldwide. In addition, the Company currently has the possibility to obtain funds from financial institutions if it is required to meet its contractual obligations.

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Notes to the financial statements (continued)

The following tables show the liabilities, net of taxes and accruals with the expected aging of maturity of the Company's obligations as of December 31, 2014, 2013 and 2012:

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
As of December 31, 2014					
Trade accounts payable	-	398,070	-	-	398,070
Accounts payable to related parties	-	11,910	-	-	11,910
Financial obligations	-	-	50,163	402,686	452,849
Other accounts payable	-	9,706	1,432	-	11,138
Total	-	419,686	51,595	402,686	873,967
As of December 31, 2013					
Trade accounts payable	-	267,971	-	-	267,971
Accounts payable to related parties	-	8,293	-	3,980	12,273

Financial obligations	-	-	4,577	1,326	5,903
Other accounts payable	-	22,369	1,335	730	24,434
Total	-	298,633	5,912	6,036	310,581

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Notes to the financial statements (continued)

(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 transactions of cash and cash equivalent transactions, which is limited to balances deposited in banks and financial institutions and for trade accounts receivable at the date of the statement of financial position. To manage this risk, the Company has an established 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 in losses on accounts involving potential credit risks.

The concentration of credit risk also exists when economic changes occur, in industry or geography that affects third parties in the same way. The Company's customer portfolio is primarily concentrated in three customers, which are related companies with solid financial structures.

The credit risk is limited to the book value of financial assets on the statement of financial position date, which consists mainly of cash and cash equivalents, trade accounts receivable from third parties and trade accounts receivable from related parties. The Company does not use derivative instruments to hedge its exposure to credit risk.

(d) Capital risk -

The objective is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and 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 market conditions. To maintain or adjust the capital structure, the Company controls dividend payments to shareholders, the return of capital to shareholders and the issue of new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2014, 2013 and 2012.

25. Hierarchy and fair value of financial instruments

Hierarchy:

As of December 31, 2014 and 2013 the only financial asset carried at fair value is the embedded derivative, which is generated by the sale of copper and measured at fair value based on copper prices. The value of this embedded derivative at December 31, 2014 was a liability of US\$26,782,000 (an asset of US\$16,023,000 as of December 31, 2013). This asset is categorized within Level 2 of the hierarchy.

Fair value:

Financial instruments whose fair value is similar to their book value –

For financial assets and liabilities which are liquid or have short-term maturity (less than three months), such as cash and cash equivalent, accounts receivable, other accounts receivable, accounts payable, other accounts payable, and other current liabilities, it is estimated that their book value is similar to their fair value.

Notes to the financial statements (continued)

The fair value of embedded derivatives is determined using valuation techniques using information directly observable in the market (forward prices of metals).

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.

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, 2014 and 2013.

26. Mineral reserves (unaudited)

As of December 31, 2014 and 2013, the Company's proven and probable mineral reserves were:

	MT (000)		Grade	
	2014	2013	2014	2013
Mineral for leaching	168,380	167,666	0.37	0.33
Mineral for milling	3,784,854	3,879,706	0.38	0.37

Copper production in thousands of recoverable pounds for the years ended December 31, 2014 and 2013 was as follows:

	2014	2013
Cathodes	124,804	104,314
Concentrates	375,438	452,925

Average LME price per metric ton of copper for the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
	US\$/MT	US\$/MT
Copper	6,860	7,322

27. 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 28 and are principally related to the items discussed in the following paragraphs:

Income tax

Under IFRS, current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits and thus the income tax consequences of dividends are recognized when a liability to pay the dividend is recognized.

Under U.S. GAAP, with respect to the income tax consequences of undistributed earnings, the Company recognizes deferred tax liabilities at the applicable tax rate based on its tax planning strategies, and not

necessarily when they are distributed. Accordingly, the Company had recorded deferred income tax liabilities related to certain undistributed earnings as of December 31, 2011, according to ASC 740 "Accounting for Income Taxes".

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Notes to the financial statements (continued)

In 2012, due to revised expected timing of dividend distributions (that were deferred beyond year 2014 and accordingly no subject to Income Tax) the Company decided to reverse the deferred income tax liability under US GAAP.

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.

28. 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, 2014, 2013 and 2012 and to shareholders' equity as of December 31, 2014, 2013 and 2012 that would be required if U.S. GAAP had been applied instead of IFRS in the financial statements:

	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Net profit under IFRS	377,606	613,262	796,584
Items increasing (decreasing) reported net profit:			
Reversal of deferred income tax - Reinvestment Benefit	-	-	240,000
Stripping activity asset	(15,725)	(31,671)	(35,020)
Deferred tax	5,032	9,501	10,506
Net income under US GAAP	<u>366,913</u>	<u>591,092</u>	<u>1,012,070</u>
	2014	2013	2012
	US\$(000)	US\$(000)	US\$(000)
Shareholders' equity under IFRS	4,465,090	4,087,484	3,474,222
Items increasing (decreasing) reported shareholder's equity:			
Stripping activity asset, net of deferred tax	(82,416)	(66,691)	(35,020)
Deferred tax	25,039	20,007	10,506
Shareholders' equity under U.S. GAAP	<u>4,407,713</u>	<u>4,040,800</u>	<u>3,449,708</u>

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Notes to the financial statements (continued)

29. New U.S. GAAP Accounting Pronouncements

We do not expect the provisions of recently issued accounting standards to have a significant impact on our future financial statements and disclosures.

Compañía de Minas Buenaventura S.A.A.
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Roque Benavides Ganoza, certify that:

1. I have reviewed this annual report on Form 20-F of Compañía de Minas Buenaventura S.A.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; 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, 2015

/s/ ROQUE BENAVIDES GANOZA
Roque Benavides Ganoza
Chief Executive Officer

Compañía de Minas Buenaventura S.A.A.
Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Carlos E. Gálvez Pinillos, certify that:

1. I have reviewed this annual report on Form 20-F of Compañía de Minas Buenaventura S.A.A.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; 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, 2015

/s/ CARLOS E. GÁLVEZ PINILLOS
Carlos E. Gálvez Pinillos
Chief Financial Officer

Compañía de Minas Buenaventura S.A.A.
Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I am the Chief Executive Officer of Compañía de Minas Buenaventura S.A.A. (the “Company”).
2. (A) The Company’s Annual Report on Form 20-F for the year ended December 31, 2014 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, 2015

/s/ ROQUE BENAVIDES GANOZA
Roque Benavides Ganoza
Chief Executive Officer

Compañía de Minas Buenaventura S.A.A.
Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies 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, 2014 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, 2015

/s/ CARLOS E. GÁLVEZ PINILLOS
Carlos E. Gálvez Pinillos
Chief Financial Officer