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## Report of Independent Auditors

To the Shareholders of **Compañía de Minas Buenaventura S.A.A.**

We have audited the accompanying consolidated balance sheet of **Compañía de Minas Buenaventura S.A.A.** (a Peruvian company) **and its subsidiaries** (together, the Company) as of December 31, 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Minera Yanacocha S.R.L., an equity accounted affiliated entity in which the Company has an 43.65% interest, as of December 31, 2002 and for the year then ended. Those statements have been 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. In the consolidated financial statements of the Company, as derived from the financial statements of Minera Yanacocha S.R.L., the Company's investment and share in the net income in this entity amounts to approximately S/1,030.9 million at December 31, 2002, and approximately S/337.9 million for the year then ended, respectively. The financial statements of Compañía de Minas Buenaventura S.A.A. and its subsidiaries as of December 31, 2001 and for the years ended December 31, 2000 and 2001 were audited by other auditors who have ceased operations, and whose report dated February 27, 2002 expressed an unqualified opinion on those statements.

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

In our opinion, based on our audit 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.** as of December 31, 2002, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Peru.

Accounting principles generally accepted in Peru vary in certain significant respects from accounting principles generally accepted in the United States of America. Application of accounting principles generally accepted in the United States of America would have affected consolidated shareholders' equity as of December 31, 2002, and the consolidated results of operations for the year then ended, to the extent summarized in Notes 37 and 38 to the consolidated financial statements.

Countersigned by:

/S/ VICTOR BURGA

Víctor Burga

C.P.C. Register No.14859

Lima, Peru

March 4, 2003

The following is a copy of the audit report previously issued by Medina, Zaldívar y Asociados (member of Andersen) in connection with the financial statements of Compañía de Minas Buenaventura S.A.A. and its subsidiaries as of December 31, 2001 and 2000. This audit report has not been reissued by Medina, Zaldívar y Asociados in connection with this filing on Form 20-F.

## Report of Independent Auditors

To the Shareholders of **Compañía de Minas Buenaventura S.A.A.**

We have audited the accompanying consolidated balance sheets of **Compañía de Minas Buenaventura S.A.A.** (a Peruvian company) **and subsidiaries** (together, the “Company”) as of December 31, 2000 and 2001, and the related consolidated statements of income, changes in shareholders’ equity and cash flows for each of the three years in the period ended December 31, 2001, stated in Peruvian Nuevos Soles. These consolidated 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Compañía de Minas Buenaventura S.A.A. and subsidiaries** as of December 31, 2000 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in Peru.

During year 2000, the Company made the changes in its accounting practices described in Note 4 to improve the uniform presentation of the financial statements of Buenaventura, its subsidiaries and its affiliates.

Accounting practices used by the Company in preparing the accompanying consolidated financial statements conform with accounting principles generally accepted in Peru, but do not conform with accounting principles generally accepted in the United States of America. A description of the differences and a complete reconciliation of consolidated net income and shareholders’ equity to accounting principles generally accepted in the United States of America are set forth in Notes 39 and 40 to the consolidated financial statements.

Countersigned by:

/S/ VICTOR BURGA

Víctor Burga

C.P.C. Register No.14859

Lima, Peru

February 27, 2002

## Compañía de Minas Buenaventura S.A.A. and subsidiaries

### Consolidated Balance Sheets

As of December 31, 2001 and 2002

	Note	2001 S/.(000)	2002 S/.(000)	2002 US\$(000) (Note 5)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	85,401	89,654	25,506
Trade and other accounts receivable, net	8	67,153	85,013	24,186
Accounts receivable from affiliates	36	27,119	30,327	8,628
Inventories, net	9	71,887	73,597	20,938
Current portion of prepaid taxes and expenses	10	22,893	30,524	8,684
<b>Total current assets</b>		<u>274,453</u>	<u>309,115</u>	<u>87,942</u>
Long-term account receivable	8	255	8,871	2,524
Prepaid taxes and expenses	10	21,924	13,089	3,724
Investments	11	917,335	1,171,534	333,295
Property, plant and equipment, net	12	355,851	365,325	103,933
Development costs and mineral lands, net	13	133,609	146,578	41,701
Mining concessions and goodwill, net	14	185,819	171,856	48,892
<b>Total assets</b>		<u>1,889,246</u>	<u>2,186,368</u>	<u>622,011</u>
<b>Liabilities and shareholders' equity, net</b>				
<b>Current liabilities</b>				
Bank loans	15	111,609	43,348	12,332
Trade accounts payable		35,063	35,948	10,227
Accounts payable to affiliates	36	1,067	22	6
Other current liabilities	16	48,453	63,123	17,958
Current portion of long-term debt	17	7,107	17,005	4,838
<b>Total current liabilities</b>		<u>203,299</u>	<u>159,446</u>	<u>45,361</u>
Deferred income tax and workers' profit sharing	29(b)	13,953	17,274	4,915
Long-term debt	17	132,785	112,095	31,891
<b>Total liabilities</b>		<u>350,037</u>	<u>288,815</u>	<u>82,167</u>
<b>Minority interest</b>	18	<u>29,686</u>	<u>45,485</u>	<u>12,940</u>
<b>Shareholders' equity, net</b>	19			
Capital stock		184,835	604,021	171,841
Investment shares		498	1,634	465
Additional capital		519,806	539,272	153,420
Legal reserve		36,967	76,195	21,677
Retained earnings		780,580	639,188	181,846
Cumulative translation adjustment		5,900	6,885	1,959
Treasury shares		(19,063)	(15,127)	(4,304)
<b>Total shareholders' equity, net</b>		<u>1,509,523</u>	<u>1,852,068</u>	<u>526,904</u>
<b>Total liabilities and shareholders' equity, net</b>		<u>1,889,246</u>	<u>2,186,368</u>	<u>622,011</u>

The accompanying notes are an integral part of these consolidated statements.

## Compañía de Minas Buenaventura S.A.A. and subsidiaries

### Consolidated Statements of Income

For the years ended December 31, 2000, 2001 and 2002

	Note	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)	2002 US\$(000) (Note 5)
<b>Operating revenues</b>					
Net sales	21	428,416	513,897	579,886	164,975
Royalty income	36(a)	52,436	55,170	76,964	21,896
<b>Total revenues</b>		<u>480,852</u>	<u>569,067</u>	<u>656,850</u>	<u>186,871</u>
<b>Costs of operation</b>					
Operating costs	22	245,434	253,851	257,789	73,340
Depreciation	12(d)	32,128	37,250	38,367	10,915
Exploration and development costs in operational mining sites	23	31,161	56,935	72,580	20,649
<b>Total costs of operation</b>		<u>308,723</u>	<u>348,036</u>	<u>368,736</u>	<u>104,904</u>
<b>Gross margin</b>		<u>172,129</u>	<u>221,031</u>	<u>288,114</u>	<u>81,967</u>
<b>Operating expenses</b>					
General and administrative	24	63,584	63,178	74,112	21,084
Exploration costs in non-operational mining areas	25	41,092	48,456	37,673	10,718
Selling	26	29,021	26,328	22,724	6,465
Royalties	35(b)	9,647	13,274	13,721	3,904
Assets impairment loss and write-off	9(b) and 12(c)	-	23,351	1,527	434
<b>Total operating expenses</b>		<u>143,344</u>	<u>174,587</u>	<u>149,757</u>	<u>42,605</u>
<b>Operating income</b>		<u>28,785</u>	<u>46,444</u>	<u>138,357</u>	<u>39,362</u>
<b>Other income (expenses)</b>					
Share in affiliated companies, net	11(c)	278,518	200,176	330,813	94,115
Gain (loss) from exposure to inflation		2,486	1,628	(3,095)	(881)
Amortization of mining concessions and goodwill	14	(6,093)	(14,949)	(16,300)	(4,637)
Interest income	27	6,489	13,574	8,613	2,450
Interest expense	27	(9,015)	(17,725)	(15,610)	(4,441)
Loss from sale of subsidiary's shares	1	-	-	(6,607)	(1,880)
Other, net	28	75,330	9,721	2,761	786
<b>Total other income, net</b>		<u>347,715</u>	<u>192,425</u>	<u>300,575</u>	<u>85,512</u>
<b>Income before workers' profit sharing, income tax, minority interest and cumulative effect of changes in accounting principles</b>					
		376,500	238,869	438,932	124,874
Workers' profit sharing	29	(4,343)	(690)	(1,508)	(429)
Income tax	29	(27,347)	(24,943)	(25,102)	(7,141)
<b>Income before minority interest and cumulative effect of changes in accounting principles</b>		<u>344,810</u>	<u>213,236</u>	<u>412,322</u>	<u>117,304</u>
Minority interest	18	(32,137)	3,972	(23,796)	(6,770)
<b>Income before cumulative effect of changes in accounting principles</b>		<u>312,673</u>	<u>217,208</u>	<u>388,526</u>	<u>110,534</u>
Cumulative effect of changes in accounting principles	4	(63,575)	-	-	-
<b>Net income</b>		<u>249,098</u>	<u>217,208</u>	<u>388,526</u>	<u>110,534</u>

## Consolidated Statements of Income (continued)

	Note	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)	2002 US\$(000) (Note 5)
<b>Basic and diluted earnings per share before cumulative effect of changes in accounting principles, stated in Peruvian Nuevos Soles and U.S. dollars</b>					
	30	2.48	1.72	3.05	0.87
Cumulative effect of accounting changes in basic and diluted earnings per share		(0.51)	-	-	-
<b>Basic and diluted earnings per share, stated in Peruvian Nuevos Soles and U.S. dollars</b>		<u>1.97</u>	<u>1.72</u>	<u>3.05</u>	<u>0.87</u>
<b>Weighted average number of shares outstanding</b>	30	<u>126,252,152</u>	<u>126,608,152</u>	<u>127,221,219</u>	<u>127,221,219</u>

The accompanying notes are an integral part of these consolidated statements.

## Compañía de Minas Buenaventura S.A.A. and subsidiaries

### Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2000, 2001 and 2002

	Capital stock			Additional capital S/.(000)	Legal reserve S/.(000)	Retained earnings S/.(000)	Cumulative translation adjustment S/.(000)	Treasury shares S/.(000)	Total S/.(000)
	Number of shares	Common shares S/.(000)	Investment shares S/.(000)						
<b>Balance as of January 1<sup>st</sup>, 2000</b>	137,444,962	183,992	1,341	510,967	36,798	393,987	-	(23,727)	1,103,358
Declared and paid dividends, Note 19(f)	-	-	-	-	-	(34,565)	-	-	(34,565)
Stock exchange	-	843	(843)	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	169	(169)	-	-	-
Cumulative gain for translation adjustment of investment in Minera Yanacocha S.R.L., Note 19(g)	-	-	-	-	-	-	6,571	-	6,571
Other	-	-	-	-	-	383	-	-	383
Net income	-	-	-	-	-	249,098	-	-	249,098
<b>Balance as of December 31, 2000</b>	<u>137,444,962</u>	<u>184,835</u>	<u>498</u>	<u>510,967</u>	<u>36,967</u>	<u>608,734</u>	<u>6,571</u>	<u>(23,727)</u>	<u>1,324,845</u>
Declared and paid dividends, net of dividends paid to a subsidiary, Note 19(f)	-	-	-	-	-	(45,902)	-	-	(45,902)
Gain from sale of ADR, Note 19(e)	-	-	-	8,839	-	-	-	4,664	13,503
Cumulative loss for translation of investment in Minera Yanacocha S.R.L., Note 19(g)	-	-	-	-	-	-	(671)	-	(671)
Net income	-	-	-	-	-	217,208	-	-	217,208
Other	-	-	-	-	-	540	-	-	540
<b>Balance as of December 31, 2001</b>	<u>137,444,962</u>	<u>184,835</u>	<u>498</u>	<u>519,806</u>	<u>36,967</u>	<u>780,580</u>	<u>5,900</u>	<u>(19,063)</u>	<u>1,509,523</u>
Declared and paid dividends, net of dividends paid to a subsidiary, Note 19(f)	-	-	-	-	-	(70,368)	-	-	(70,368)
Capitalization of retained earnings, Note 19(a) and 19(b)	-	419,186	1,136	-	-	(420,322)	-	-	-
Transfer to legal reserve	-	-	-	-	39,228	(39,228)	-	-	-
Gain from sale of ADR, Note 19(e)	-	-	-	19,466	-	-	-	3,936	23,402
Cumulative gain for translation of investment in Minera Yanacocha S.R.L., Note 19(g)	-	-	-	-	-	-	985	-	985
Net income	-	-	-	-	-	388,526	-	-	388,526
<b>Balance as of December 31, 2002</b>	<u>137,444,962</u>	<u>604,021</u>	<u>1,634</u>	<u>539,272</u>	<u>76,195</u>	<u>639,188</u>	<u>6,885</u>	<u>(15,127)</u>	<u>1,852,068</u>

## Compañía de Minas Buenaventura S.A.A. and subsidiaries

### Consolidated Statements of Cash Flows

For the years ended December 31, 2000, 2001 and 2002

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)	<b>2002</b> US\$(000) (Note 5)
<b>Operating activities</b>				
Collection from customers	411,016	517,974	571,339	162,543
Collection of dividends	92,448	15,238	77,663	22,095
Collection of royalties	49,801	53,116	75,291	21,420
Collection of interest	6,519	9,098	8,638	2,457
Payment to suppliers and third parties	(284,332)	(271,217)	(253,828)	(72,213)
Payment to employees	(88,624)	(89,472)	(95,374)	(27,133)
Payment of exploration activities	(56,605)	(94,361)	(92,163)	(26,220)
Payment of income tax	(21,380)	(20,816)	(28,853)	(8,209)
Payment of interest	(9,016)	(14,842)	(13,511)	(3,844)
Payment of royalties	(7,751)	(12,669)	(12,465)	(3,546)
<b>Net cash provided by operating activities</b>	<u>92,076</u>	<u>92,049</u>	<u>236,737</u>	<u>67,350</u>
<b>Investing activities</b>				
Development expenditures	(58,785)	(40,677)	(34,131)	(9,710)
Purchase of investments, net	-	(6,349)	(11,147)	(3,171)
Purchase of property, plant and equipment	(68,872)	(110,255)	(62,158)	(17,684)
Proceeds from sale of assets and transfer of contractual rights, Note 2	137,545	12,874	-	-
Additional payment as agreed with Cedimin S.A.C., Note 35(c)	(143,035)	-	-	-
Proceeds from sale of fixed assets	-	541	942	268
<b>Net cash used in investing activities</b>	<u>(133,147)</u>	<u>(143,866)</u>	<u>(106,494)</u>	<u>(30,297)</u>
<b>Financing activities</b>				
Increase (decrease) of bank loans, net	32,268	36,864	(69,364)	(19,733)
Payment of dividends, Note 19(f)	(34,565)	(45,902)	(67,539)	(19,214)
Increase of long-term debt	24,905	120,290	545	155
Decrease of long-term debt	(17,033)	(9,843)	(11,877)	(3,379)
Proceeds from ADR sale	-	13,502	23,545	6,698
<b>Net cash provided by financing activities</b>	<u>5,575</u>	<u>114,911</u>	<u>(124,690)</u>	<u>(35,473)</u>
Net increase in cash during the year	(35,496)	63,094	5,553	1,580
Gain (loss) from exposure to inflation of cash and cash equivalents	(2,000)	292	(1,300)	(370)
Cash at beginning of year	<u>59,511</u>	<u>22,015</u>	<u>85,401</u>	<u>24,296</u>
<b>Cash at year-end</b>	<u>22,015</u>	<u>85,401</u>	<u>89,654</u>	<u>25,506</u>

## Consolidated Statements of Cash Flows (continued)

	2000 S/,(000)	2001 S/,(000)	2002 S/,(000)	2002 US\$(000) (Note 5)
<b>Reconciliation of net income to net cash provided by operating activities</b>				
Net income	249,098	217,208	388,526	110,534
<b>Add (deduct)</b>				
Participation in affiliated companies, net of dividends received	(186,069)	(184,938)	(253,150)	(72,020)
Depreciation, Note 12(d)	32,128	39,309	40,449	11,507
Minority interest	32,137	(3,972)	23,796	6,770
Amortization of mining concessions and goodwill, Note 14 (a)	6,093	14,949	16,300	4,637
Amortization of operative mining sites, Note 13(b)	4,886	11,531	16,008	4,554
Net cost of property, plant and equipment retired	3,158	1,972	7,946	2,260
Loss in share's sale from subsidiary, Note 1	-	-	6,607	1,880
Deferred income tax and workers' profit sharing	8,167	4,818	3,320	945
Loss (gain) from exposure to inflation	(2,486)	(1,628)	3,095	881
Assets impairment loss and write-off, Note 9(b) and 12(c)	-	23,351	1,527	434
Loss in sale of shares	-	-	1,321	376
Write-off of development costs	10,464	1,228	-	-
Allowance for doubtful accounts receivable, Note 8(b)	8,031	998	308	88
Loss (gain) on sale of property, plant and equipment	-	116	(839)	(239)
Cumulative effect of changes in accounting principles	63,574	-	-	-
Gain from sale of assets and transfer of contractual rights, Note 2(a)	(80,125)	-	-	-
<b>Net changes in assets and liabilities accounts</b>				
Decrease (increase) of operating assets -				
Trade and other accounts receivable	(45,272)	35,679	(27,186)	(7,734)
Inventories	1,434	7,587	790	225
Prepaid taxes and expenses	9,058	(17,042)	1,536	437
Increase (decrease) of operating liabilities -				
Trade and other accounts payable	(22,199)	(59,117)	6,383	1,815
<b>Net cash provided by operating activities</b>	<u>92,077</u>	<u>92,049</u>	<u>236,737</u>	<u>67,350</u>

The accompanying notes are an integral part of these consolidated statements.

## **Compañía de Minas Buenaventura S.A.A. and subsidiaries**

### **Notes to the Consolidated Financial Statements**

As of December 31, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002

#### **1. Business activity**

Compañía de Minas Buenaventura S.A.A. (hereafter “Buenaventura” or “the Company”) is a public company incorporated in 1953. It is engaged in the exploration, extraction, concentration and commercialization of polymetallic ores. Exploration activities of the Company are carried out both individually and in association with third parties.

Buenaventura operates three mining units in Peru (Julcani, Uchucchacua and Orcopampa) and has a controlling interest in four Peruvian mining companies that own the Colquijirca, Antapite, Ishihuinca, Shila and Paula mines. In addition, the Company holds direct and indirect interests in a number of other mining companies; the most important of such interests is in Minera Yanacocha S.R.L. (hereafter “Yanacocha”), an entity in which the Company owns 43.65 percent of outstanding stock through Compañía Minera Condesa S.A. (hereafter “Condesa”), see Note 11(b). The Company also owns an electric power distribution company and a mining engineering services consulting company.

In 1999 and 2001, respectively, Buenaventura decided to suspend exploitation activities in the Julcani and Huachocolpa mines and only continue to carry out exploration activities in Julcani. Mineral found in Julcani during exploration activities is treated and sold.

The number of employees at the Company was 2,075 as of December 31, 2002 (1,711 as of December 31, 2001). Buenaventura’s legal address is Carlos Villarán 790, Santa Catalina, Lima, Peru.

## Notes to the Consolidated Financial Statements (continued)

The consolidated financial statements include the financial statements of the following subsidiaries:

Subsidiaries	Ownership percentages as of December 31,				Business activities
	2001		2002		
	Direct %	Indirect %	Direct %	Indirect %	
Buenaventura Ingenieros S.A.	100.00	-	100.00	-	Advisory and engineering services related to the mining industry.
Cedimin S.A.C.	-	100.00	-	100.00	Holds investments in S.M.R.L. Chaupiloma Dos de Cajamarca, Minas Conga S.R.L., and other affiliated companies engaged in mining activities.
Compañía Minera Condesa S.A.	99.99	-	99.99	-	Holds investments in Buenaventura, Yanacocha and other affiliated companies engaged in mining activities.
Compañía Minera Colquirrumi S.A.	73.63	-	73.63	-	Extraction, concentration and commercialization of polymetallic ores, principally zinc and lead. Currently is also engaged in electric power sales.
Consorcio Energético de Huancavelica S.A.	99.99	0.01	99.99	0.01	Transmission of electric power to mining companies.
Contacto Corredores de Seguros S.A.	-	99.99	-	99.99	Placement of insurance contracts and provision of administrative and technical services in insurance matters.
Inversiones Colquijirca S.A. (i)	59.66	-	59.02	-	Extraction, concentration and commercialization of polymetallic ores, principally zinc and lead, through its subsidiary Sociedad Minera El Brocal S.A.
Inversiones Mineras del Sur S.A.	78.04	-	78.04	-	Extraction, concentration and commercialization of gold bars and concentrates.
Metalúrgica Los Volcanes S.A.	100.00	-	100.00	-	Treatment of minerals and concentrates.

## Notes to the Consolidated Financial Statements (continued)

Minera Paula 49 S.A.C.	-	51.00	-	51.00	Extraction, concentration and commercialization of concentrates, primarily gold.
Minas Conga S.R.L.	-	60.00	-	60.00	Effective December 19, 2000, this entity transferred to Yanacocha its exploration and exploitation rights related to the S.M.R.L. Chaupiloma Dos de Cajamarca's mining concessions.
Minera Shila S.A.C.	50.00	50.00	50.00	50.00	Extraction, concentration and commercialization of concentrates, primarily gold.
Minera Huallanca S.A.C. (ii)	-	100.00	-	-	Extraction, concentration and commercialization of polymetallic concentrates, principally lead and zinc.
Minera Yanaquihua S.A.C. (iii)	-	100.00	-	-	Extraction, concentration and commercialization of polymetallic concentrates, primarily gold.
S.M.R.L. Chaupiloma Dos de Cajamarca	20.00	40.00	20.00	40.00	Legal owner of the mining concessions explored and exploited by Yanacocha.

Additionally, the Company holds minor investments in other companies engaged in mining activities, whose financial statements have been included in the preparation of these consolidated statements.

- (i) During the first quarter of 2002, the Company sold to third parties 307,360 shares of its subsidiary Inversiones Colquijirca S.A. at a price of S/.312,582. Later, the Company made a capital contribution of S/.35,340, equivalent to 34,750 shares, which had the effect of diluting the participation of the other stockholders in Inversiones Colquijirca S.A. As a consequence of these transactions, Buenaventura's participation in Inversiones Colquijirca S.A. decreased from 59.66 percent as of December 31, 2001 to 59.02 percent as of December 31, 2002.
- (ii) On March 30, 2002, the Company transferred its participation in Minera Huallanca S.A.C. (Huallanca) to BHL - Perú S.A.C., by selling its Huallanca shares at a price of US\$2,000,000. From this amount, US\$1,500,000 is due in three equal semi-annual installments finishing on September 30, 2004 and the remaining US\$500,000 is due on September 30, 2006 provided that: (i) the level of economic reserves measured between September 30, 2004 and September 30, 2006 allows Huallanca to produce 15,000 metric tons per month of mineral and (ii) the average price of zinc is higher than US\$1,050 metric tons in that period. If these conditions are not met, the final price of the transaction will be reduced to US\$1,500,000. This transaction has generated a loss amounting to S/.6,607,000, assuming a sales price of US\$1,500,000, which is separately presented in the consolidated statements of income.
- (iii) On April 2, 2002, the Company sold to third parties its participation in Minera Yanaquihua S.A.C. Under the sale agreement, the buyers will pay royalties equal to a percentage of the net sales of Minera Yanaquihua S.A.C.; the royalty payment percentages will be equal to 5 percent in 2004, 6 percent in 2005, 7 percent in 2006 and 8 percent in 2007. Under the contract, the buyers have an option to forego continued royalty payments and to buy out the annual royalties section of the agreement for an amount equal to US\$ 3,000,000; if this option has not been exercised at December 31, 2007, the royalties will increase to 10 percent of yearly net sales effective January 1, 2008. The Company's former carrying amount of the investment of S/.5,241,000 (US\$1,492,000) is shown as a long - term account receivable. No income was recognized on this transaction.

## Notes to the Consolidated Financial Statements (continued)

### 2. Unitization of properties

In October 2000, the Company and Newmont Mining Corporation agreed to unitize in Yanacocha their properties in northern Peru. Under the unitization plan and according to agreements signed with Newmont Mining Corporation in December 2000, the Company transferred to Yanacocha approximately S/.50,209,000 for machinery and equipment (China Linda lime plant), mining rights, inventory and land. In addition, the Company obtained a gain of approximately S/.100,210,000 by transferring to Yanacocha its contractual rights in the agreements signed with S.M.R.L. Chaupiloma Dos de Cajamarca and other.

In 2000, the Company collected S/.137,545,000 from the transactions explained in the above paragraph; the remaining balance was collected in 2001.

The net gain on the sale of these assets and transfer of contractual rights, after eliminating intercompany profits of approximately S/.36,710,000, amounted to approximately S/.80,125,000 and is reported in the consolidated statement of income as other. See Note 28.

### 3. Significant accounting principles and practices

In the preparation and presentation of the consolidated financial statements, Management has followed certain International Financial Reporting Standards (IFRS) effective in Peru as of December 31, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002, which differ in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP"). A description of these differences and their approximate effects on net income and shareholders' equity is set forth in Notes 37 and 38. The consolidated financial statements arise from the statutory consolidated financial statement presentation and include certain additional disclosures in order to conform more closely to the form and content of financial statements required by the Securities and Exchange Commission of the United State of America (the "SEC"). The significant accounting principles and practices used are summarized below:

- (a) Use of estimates and assumptions -  
The preparation of financial statements in conformity with generally accepted accounting principles in Peru requires Management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the disclosure of contingent assets and liabilities in the notes to the financial statements; additionally these estimates and assumptions affect the amounts of revenues and expenses reported for the period. Actual results may differ from those estimates.
- (b) Comparative financial statements -  
Figures presented in the consolidated financial statements as of December 31, 2001 and for the years ended 2000 and 2001 have been inflation adjusted to reflect the change in the National Wholesale Price index (IPM) at December 31, 2002.

Certain figures of the consolidated financial statements as of December 31, 2001 have been reclassified to conform to presentation standards adopted for 2002 financial reporting purposes.

- (c) Financial statements adjusted by inflation -  
The consolidated accompanying financial statements have been prepared from the Company's accounting books and records that are maintained in nominal Peruvian currency and adjusted to reflect changes in the National Wholesale Price Level index (IPM). The inflationary/deflationary price variation according the IPM index was as follows, in percentage terms:

## Notes to the Consolidated Financial Statements (continued)

<b>Year</b>	<b>Inflation (deflation)</b>
1998	6.5
1999	5.5
2000	3.8
2001	(2.2)
2002	1.7

The methodology used by the Company to adjust the consolidated financial statements for inflation was as follows:

- Non-monetary accounts in the consolidated balance sheets were adjusted using coefficients determined based on the IPM, according to the items original transaction date.
  - Monetary accounts were not adjusted, as the book balances represent the monetary value or their components as of the dates of the consolidated balance sheets.
  - Income statement accounts were adjusted on a monthly basis by applying average IPM coefficients; exchange differences were excluded. Depreciation and amortization expense were calculated from the adjusted amounts of the related assets.
  - The net result from exposure to inflation arising from such adjustments is presented in the consolidated statements of income.
- (d) Principles of consolidation -  
The consolidated financial statements include the accounts of Buenaventura and the accounts of those subsidiaries in which the Company possesses more than 50 percent equity participation and voting powers. All significant inter-company balances and transactions have been eliminated.
- (e) Cash and cash equivalents -  
Cash and cash equivalents include all cash balances and all highly liquid investments with original maturities of three months or less.
- (f) Financial assets and liabilities -  
Financial assets and liabilities presented in the consolidated balance sheets correspond to cash and cash equivalents, accounts receivable, investments carried at cost and accounts payable. Financial instruments are offset when the Company has a legally enforceable right to net settle the amount due from a third party against the amount due to the same third party and Management has the intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.
- (g) Inventories -  
Inventories are stated at the lower of average cost or net realizable value. Net realizable value is defined as the estimated sales price obtainable in the ordinary course of business, less estimated costs of completion and estimated selling and distribution expenses.
- The accrual for obsolescence is based on an item-by-item analysis completed by Management and related amounts are charged to expense in the period in which the obsolescence is deemed to have occurred.
- (h) Investments -  
Investments in which the Company's interest is lower than 20 percent are stated at cost, less any impairment recognized as a result of declines in value deemed to be permanent. Dividends corresponding to these investments are credited to income when declared.

## Notes to the Consolidated Financial Statements (continued)

Investments in entities in which the Company's ownership is greater than 20 percent but less than 50 percent are accounted for by the equity method, recognizing the Company's proportionate share in the results of the affiliates in the consolidated statements of income. The measurement and reporting currency of affiliates is the Peruvian Nuevo Sol, with the exception of Yanacocha whose measurement and reporting currency is the U.S. dollar. The translation of the financial statements of Yanacocha results in exchange differences arising from translating (a) income and expense items at the exchange rates prevailing on the individual transaction dates, (b) assets and liabilities at the closing exchange rate, and (c) equity accounts at the historical exchange rates. The net exchange difference is classified in equity until further disposal of the net investment.

The purchase method is used to record business acquisitions. Under this method, the assets and liabilities of acquired businesses are recorded at fair value and any difference between the amount paid and the fair value of assets and liabilities acquired is recognized in the balance sheet as a mining concession.

For companies in which the Company's ownership is between 20 and 50 percent, any amount paid in excess of book value of the shares is reported in the Investment caption. The Company presents in this caption amounts paid over the book value of Yanacocha shares, and amortizes this amount using the units-of-production method based on proven and probable reserves, see Note 11(b).

As explained in Note 3(s), IAS 39 will be effective in Peru as of January 1, 2003. In accordance with this standard, investments carried at cost should be measured at fair value through equity. Changes in fair value of investments carried at cost are to be recorded as a debit or credit to net equity.

Adoption of this standard will result in the Company recording a charge to retained earnings at January 1, 2003 of approximately S/.5,634,000.

- (i) Property, plant and equipment -  
Property, plant and equipment are stated at cost, net of accumulated depreciation. Maintenance and minor repairs are charged to expense as incurred. Expenditures that result in future economic benefits, beyond those originally contemplated in standards of performance for the existing assets, are capitalized.

Depreciation is calculated under the straight-line method of accounting considering the following estimated useful lives:

	<b>Years</b>
Buildings, constructions and other	33
Machinery and equipment	5 and 10
Transportation units	5
Furniture and fixtures	10

The useful life assigned and the depreciation method chosen by the Company are reviewed periodically to ensure that the method and the depreciation period are consistent with the economic benefit and life expectations for use of property, plant and equipment items.

Gains or losses resulting from disposal or retirement of these assets in the normal course of business are reported in the "other" caption of the consolidated statements of income.

- (j) Exploration and mine development costs -  
Exploration costs are charged to expense as incurred.

## Notes to the Consolidated Financial Statements (continued)

When it is determined that a mineral property can be economically developed, the costs incurred to develop it, including the costs to further delineate the ore body and remove overburden to initially expose the ore body, are capitalized. In addition, expenditures that increase significantly the economic reserves in the mining units under exploitation are capitalized. Mine development costs are amortized using the units-of-production method based on proven and probable reserves. On-going development expenditures to maintain production are charged to operations as incurred.

- (k) Joint venture agreements -  
The Company has entered into joint venture agreements with other mining companies for the purpose of exploring potential mining sites. The associated exploration costs are recognized using the pro-rata share method and are charged to expense when incurred.

- (l) Mining concessions -  
The mining concessions balance corresponds to the amounts paid in excess of fair value of net assets acquired in the purchase of Cedimin S.A.C. (Cedimin), Inversiones Colquijirca S.A. (Colquijirca), Sociedad Minera El Brocal S.A. (El Brocal) and Consorcio Energético de Huancavelica S.A. (Conenhua). The mining concession balances corresponding to Colquijirca and El Brocal are amortized using the units-of-production method based on proven and probable reserves, while the mining concession balances corresponding to Cedimin S.A.C. and Conenhua are amortized using the straight-line method over a period of 15 and 10 years, respectively.

Annually, the Company reviews the carrying amounts of mining concessions and assesses whether any potential impairment issues exist respective to recoverability. If it is evident that the mining concessions are impaired, the Company provides for the impairment loss in the statements of income.

- (m) Impairment of assets -  
The Company reviews for and evaluates the potential impact of impairment on its assets when events or changes in circumstance occur that indicate the book value may not be recoverable. An impairment loss is recognized for the amount by which the book value of an asset exceeds the higher of its net selling price or value in use. The value in use of an asset is generally calculated as the present value of the estimated future cash flows expected to be earned from continual use of the asset and from its disposal at the end of its useful life. An impairment loss recognized in a previous year is reversed if events or changes occur that indicate the estimates used when the impairment loss was recognized should be adjusted to reflect a more favorable cash flow scenario. The future cash flow assumptions used include, among other items, estimates of recoverable ounces and metric tons, estimates of realizable prices and costs, and estimates of production quantities. Assumptions in which estimated future cash flows are based are subject to risk and uncertainty. Differences between assumptions and market conditions and/or the Company's development profile could have a material effect on the financial condition and results of operations of the Company.

- (n) Accruals -  
An accrual is recognized only when the Company has a present obligation as a result of a past event, it is probable that resources of the Company will be required to settle the obligation, and the related amount can be reasonably estimated. Accruals are revised periodically and are adjusted to reflect the best available information at the date of the consolidated balance sheets.

- (o) Recognition of revenues, costs and expenses -  
Sales of concentrates are recorded at the time of shipment in the case of export sales or, when the concentrates physically pass to the customer's warehouse for domestic sales. Sales are recorded at estimated value according to preliminary billings. The sales amount is then adjusted in the period in which final billings are released. When it is evident that the quotations to be used in the final billings are lower than those used in the preliminary billing, the excess is reversed in the period in which final prices are known.

## Notes to the Consolidated Financial Statements (continued)

Costs and expenses are recorded on an accrual basis.

- (p) Foreign currency transactions -  
Transactions occurring in a foreign currency are recorded in local Peruvian currency by applying to the foreign currency amount the exchange rate at the transaction date. Exchange gains and losses resulting from differences between the closing exchange rate and the exchange rate used to initially record transactions, are recognized in the statement of income in the period in which they arise, see Note 6, and are presented in the caption “gain (loss) from exposure to inflation”.
- (q) Income tax and workers’ profit sharing -  
The income tax and workers’ profit sharing balances are calculated and recorded pursuant to current legal regulations effective in Peru. Following the balance sheet liability method, the Company recognizes the effect of temporary differences between book and tax basis of assets and liabilities to the extent that such differences result in a deferred tax liability. Should a deferred asset arise, it is not recognized unless it is more likely than not that it will be recoverable.
- (r) Contingencies -  
Contingencies identified are assessed as remote, possible or probable. When a loss contingency is viewed to be possible, it is disclosed together with a range of possible loss, when determinable. When a loss contingency is viewed to be probable, it is disclosed and an accrual as to the most likely loss scenario is incorporated 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.

- (s) Derivative transactions and risk management activities -  
The Company and its operations are exposed to a number of market risks as a result of fluctuations in world metal prices, interest rates and exchange rates. Buenaventura uses derivative financial instruments to mitigate and manage these risks to the extent that the Company has a significant exposure.

Gains and losses on derivative financial instruments designed to cover variations in commodity metal prices are recorded upon settlement and are presented as “net sales” in the consolidated statements of income.

Gains and losses on derivative financial instruments designed to cover interest rate variability are recorded as realized or accrued, and are presented as “interest expense” in the consolidated statements of income.

When the exchange rate at the date of the consolidated balance sheet is less than the stated exchange rate fixed in a forward currency exchange agreement, the Company recognizes the corresponding loss in the consolidated statements of income.

IAS 39 “Recognition and Measurement of Financial Instruments” is effective in Peru on January 1, 2003. This IAS requires all assets or liabilities related to derivative instruments be recognized in the consolidated balance sheet at fair value. Unless certain criteria are met which allow the derivatives to qualify as hedges, changes in fair value must be recognized in the results of the period.

As a result of the adoption of IAS 39 on January 1, 2003, the Company will record a charge to retained earnings of approximately S/.428,551,000 in connection with derivative instruments, which must be marked to market under the new accounting standard.

## Notes to the Consolidated Financial Statements (continued)

- (t) Basic and diluted earnings per share -  
Basic and diluted earnings per share have been calculated based on the weighted average number of common and investment shares outstanding at the date of the consolidated balance sheets; treasury shares have been excluded from the calculation.

### 4. Changes in accounting principles

Effective January 1, 2000, the Company made the following accounting changes to improve the uniform presentation of its financial statements. The accounting changes, as well as their effects during 2000 are described below:

- (a) Until December 31, 1999, the Company recorded in current results the exchange differences arising as a result of translating the net investment in Yanacocha denominated in U.S. dollars (Yanacocha's functional and reporting currency) at the closing exchange rate. Effective January 1, 2000, the exchange differences arising as a result of applying the methodology described in Note 3(h), are classified as equity until the disposal of the net investment. The cumulative effect of the change was a net loss of S/.20,856,000.
- (b) Until December 31, 1999, the Company's policy was to capitalize all exploration costs in non-operational mining areas if there was a reasonable probability of successful future exploitation. These costs were amortized following the units-of-production method once the commercial exploitation of the reserves started. When management reached the conclusion that there was no future value of the mining unit, the carrying amount of the exploration costs was charged to expenses. Exploration costs under joint venture agreements with other mining companies were treated in the same way. Effective January 1, 2000, all exploration costs are charged to expenses as incurred. The cumulative effect of this change was a loss of S/.162,031,000.
- (c) Yanacocha capitalizes and fully amortizes its development costs per year. Up to December 31, 1999, the Company used to recognize its participation in the results of Yanacocha without modifying such accounting treatment. Effective January 1, 2000, the Company adjusts the net equity of Yanacocha to conform it to the accounting policy described in Note 3 (j). The cumulative effect of this change was a gain of S/.126,940,000.
- (d) Effective January 1, 2000, Yanacocha changed its revenue recognition policy. Until December 31, 1999, sales of precious metals were recognized when dore bars were produced. Effective January 1, 2000, such sales are recognized when dore bars are delivered. The participation of the Company in the cumulative change in accounting principle was a loss of S/.7,628,000.

### 5. Convenience Translation of Peruvian Nuevos Soles amounts into U.S. dollar amounts

The consolidated financial statements are stated in Peruvian Nuevos Soles. U.S. dollar amounts are included solely for the convenience of the reader, and were obtained by dividing Peruvian Nuevos Soles amounts by the exchange rate for selling U.S. dollars at December 31, 2002 (S/.3.515 to US\$1), as published by the Superintendencia de Banca y Seguros (Superintendent of Bank and Insurance, or "SBS"). The convenience translation should not be construed as a representation that the Peruvian Nuevos Soles amounts have been, could have been or could be converted into U.S. dollars at the foregoing or any other rate of exchange.

### 6. Foreign currency transactions

Translations to foreign currency are completed using exchange rates prevailing in the market. As of December 31, 2002, the average exchange rate in the market for U.S. dollar transactions was S/.3.513 for buying and S/.3.515 for selling (S/.3.441 for buying and S/.3.446 for selling as of December 31, 2001). As of December 31, 2001 and 2002, the Company had the following assets and liabilities denominated in U.S. dollars:

## Notes to the Consolidated Financial Statements (continued)

	2001		2002	
	US\$(000)	Equivalent to S/.(000)	US\$(000)	Equivalent to S/.(000)
<b>Assets</b>				
Cash and cash equivalents	2,225	7,816	3,163	11,112
Trade and other accounts receivable	18,156	63,782	21,475	75,442
Accounts receivable from affiliates	7,029	24,693	8,539	29,998
Long-term account receivable (including current portion)	-	-	2,494	8,761
	<u>27,410</u>	<u>96,291</u>	<u>35,671</u>	<u>125,313</u>
<b>Liabilities</b>				
Bank loans	31,733	111,541	12,314	43,284
Trade accounts payable	965	3,392	6,404	22,510
Other current liabilities	5,458	19,185	2,470	8,682
Long-term debt (including current portion)	23,224	81,632	36,728	129,099
	<u>61,380</u>	<u>215,750</u>	<u>57,916</u>	<u>203,575</u>
<b>Net liability position</b>	<u>(33,970)</u>	<u>(119,459)</u>	<u>(22,245)</u>	<u>(78,262)</u>

The devaluation (revaluation) rates of the Peruvian Nuevo Sol with respect to the U.S. dollar are as follows:

Year	Devaluation (revaluation) %
1998	15.4
1999	11.1
2000	0.5
2001	(2.3)
2002	2.0

The translation of foreign currency assets and liabilities in 2002 resulted in a net loss of S/.5,837,000 (net loss of S/.447,000 in 2001, and net gain of S/.6,498,000 in 2000). These amounts are included in the consolidated statements of income as “gain (loss) from exposure to inflation.”

## Notes to the Consolidated Financial Statements (continued)

### 7. Cash and cash equivalents

(a) This item consists of:

	<b>2001</b>	<b>2002</b>
	S/.(000)	S/.(000)
Cash	859	1,131
Current demand deposit accounts	9,467	5,823
Saving accounts	-	6,712
Time deposits		
In local currency	70,661	73,000
In foreign currency	4,414	2,988
	<u>85,401</u>	<u>89,654</u>

(b) The Company maintains its current demand deposit accounts in local banks in Peruvian Nuevos Soles and U.S. dollars; these funds are unrestricted and earn interest at prevailing market rates.

(c) The Company maintains a time deposit in Peruvian currency for S/.73,000,000, at an annual interest rate of 12 percent with maturity on January 9, 2003. Concurrent with contracting this time deposit, and with the purpose of hedging the foreign currency exchange risk associated to such, the Company executed a foreign currency forward contract for US\$20,555,053 that expires on January 9, 2003 and has a specified exchange rate of S/.3.6714 for each U.S. dollar. The time deposit and the forward contract were renewed on January 9, 2003 for a 101-day term.

In 2001 and 2002, the Company earned interest income from time deposits and forward contracts in the amounts of S/.8,079,585 and S/.7,027,229, respectively.

Notes to the Consolidated Financial Statements (continued)

**8. Trade and other accounts receivable, net**

(a) This item consists of:

	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
<b>Trade</b>	<u>58,166</u>	<u>67,858</u>
<b>Other</b>		
Account receivable from Compañía Minera El Palomo S.A.	8,052	8,052
Account receivable related to sale of Minera Yanaquihua S.A.C. shares, Note 1	-	5,241
Account receivable related to sale of Minera Huallanca S.A.C. shares, Note 1	-	4,040
Reimbursement of advances given to GyM S.A.	-	2,882
Advances and loans to suppliers and third parties	1,956	2,319
Interest receivable	2,119	2,139
Advances and loans to directors, officers and employees	3,449	2,110
Value added tax subject to reimbursement, Note 20(e)	159	1,485
Account receivable from TEBAMA on sale of trucks	-	1,088
Account receivable from Sociedad Minera Corona S.A. for sale of electric energy	315	446
Advance to Ferrovías Central Andino S.A.	-	398
Deposits in guarantee	33	383
Account receivable from shareholders of El Futuro de Ica S.R.L.	53	359
Other accounts receivable	3,308	5,426
	<u>19,444</u>	<u>36,368</u>
Less - Allowance for doubtful accounts (b)	<u>(10,202)</u>	<u>(10,342)</u>
	9,242	26,026
Less - Non current portion	<u>(255)</u>	<u>(8,871)</u>
	<u>8,987</u>	<u>17,155</u>
	<u><u>67,153</u></u>	<u><u>85,013</u></u>

Trade accounts receivable are denominated in U.S. dollars, have current maturities and do not earn interest. Advances and loans to directors, officers and employees have current maturities and earn interest that is presented in the statements of income as financial income.

## Notes to the Consolidated Financial Statements (continued)

- (b) Movement within the allowance for doubtful accounts for the years ended December 31, 2000, 2001 and 2002 is as follows:

	<b>2000</b> S/(.000)	<b>2001</b> S/(.000)	<b>2002</b> S/(.000)
<b>Beginning balance</b>	1,157	8,993	10,202
Accrual for the year, Note 24	8,031	998	308
Loss (gain) from exposure to inflation	(195)	211	(168)
<b>Ending balance</b>	<u>8,993</u>	<u>10,202</u>	<u>10,342</u>

In Management's opinion, the allowance for doubtful accounts is sufficient to cover bad debt risk on trade and other accounts receivable at the date of the consolidated balance sheets.

- (c) The non-current portion of the receivable will mature as detailed below:

<b>Year ended as of December 31,</b>	<b>Amount</b> S/(.000)
2004	3,419
2005	211
2007	5,241
	<u>8,871</u>

### 9. Inventories, net

- (a) This item consists of:

	<b>2001</b> S/(.000)	<b>2002</b> S/(.000)
Mineral concentrates	28,495	31,324
Supplies	49,076	48,147
	<u>77,571</u>	<u>79,471</u>
Less - Slow moving and obsolescence supplies reserves	(5,684)	(5,874)
	<u>71,887</u>	<u>73,597</u>

The Company expects to use its supplies inventory in the normal course of operations. An immaterial amount related to supplies with slow turnover is classified as a current asset within this caption.

Notes to the Consolidated Financial Statements (continued)

(b) The inventory reserve for supplies had the following movements during 2000, 2001 and 2002:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
<b>Beginning balance</b>	3,438	1,639	5,684
Accrual for the year	-	4,045	190
Write - off	(1,799)	-	-
<b>Ending balance</b>	<u>1,639</u>	<u>5,684</u>	<u>5,874</u>

In Management's opinion, the reserve above created is sufficient to cover the risks of slow moving and obsolete supplies at December 31, 2001 and 2002.

## Notes to the Consolidated Financial Statements (continued)

### 10. Prepaid taxes and expenses

This item consists of:

	2001 S/.(000)	2002 S/.(000)
Value added tax credit	37,626	24,938
Income tax credit	2,959	10,719
Pre-paid insurance	1,293	4,178
Advances subject to reimbursement	703	891
Other	2,236	2,887
	<u>44,817</u>	<u>43,613</u>
Less - Current portion	(22,893)	(30,524)
<b>Non - current portion</b>	<u>21,924</u>	<u>13,089</u>

In Management's opinion, the value added tax credit will be recoverable through the offset of value added tax liabilities which are expected to arise in relation to future operations and through tax authority reimbursements.

### 11. Investments

(a) This item consists of:

	<u>Equity ownership percentage</u>		<u>Amount</u>	
	2001 %	2002 %	2001 S/.(000)	2002 S/.(000)
<b>Investments carried at cost</b>				
Sociedad Minera Cerro Verde S.A.	9.17	9.17	19,176	19,176
Other			4,405	4,727
			<u>23,581</u>	<u>23,903</u>
<b>Equity method investments</b>				
Minera Yanacocha S.R.L. (b)	43.65	43.65	768,675	1,030,867
Equity Share			124,128	115,985
Mining concession, net			<u>892,803</u>	<u>1,146,852</u>
Sociedad Minera Coshuro de Responsabilidad Limitada	45.90	45.90	938	779
Other			13	-
			<u>893,754</u>	<u>1,147,631</u>
			<u>917,335</u>	<u>1,171,534</u>

The amount to be recorded as equity participation in Yanacocha was determined from audited financial statements as of December 31, 2001 and 2002. As detailed in the paragraph below, the equity share that came directly from Yanacocha was S/.393,584,000 in 1999, S/.205,758,000 in 2001 and S/.337,898,000 in 2002.

## Notes to the Consolidated Financial Statements (continued)

In the last quarter of 2002, the Company sold 800,000 shares of El Brocal for S/.1,526,000, resulting in the recognition of a loss in the amount of S/.524,000, which is presented as “other, net” in the consolidated statements of income.

- (b) The calculation of the equity investment in Yanacocha is as follows:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
Yanacocha shareholders' equity at beginning of year	649,314	1,354,262	1,789,196
Participation percentage	43.65%	43.65%	43.65%
Company's participation in Yanacocha equity as of January 1 <sup>st</sup> ,	283,425	591,135	780,984
Payment over the book value of Yanacocha's shares, net of cumulative amortization (i)	136,650	130,587	124,128
Elimination of intercompany gains (ii)	-	(13,203)	(12,309)
Balance of investment as of January 1 <sup>st</sup>	420,075	708,519	892,803
Participation in Yanacocha income before cumulative effect of change in accounting principle	295,128	205,758	337,898
Participation in the cumulative effect of changes in accounting principles (iii)	98,456	-	-
Dividends received, Note 36(a)	(92,447)	(15,238)	(77,663)
Amortization of payment over the book value of Yanacocha's shares (i)	(6,063)	(6,459)	(8,143)
Elimination of intercompany gains	(13,203)	-	-
Realization of intercompany gains (ii)	-	894	972
Cumulative translation effect, Note 19(g)	6,573	(671)	985
<b>Balance as of December 31,</b>	<b>708,519</b>	<b>892,803</b>	<b>1,146,852</b>

- (i) Corresponds to a premium paid over the book value of Yanacocha shares in previous years, in connection with the Company's acquisition of an additional 11.35 percent interest in Yanacocha, through exercise of its preferential rights. Such premium is amortized using the unit-of-production method, based on the gold proven and probable reserves of Yanacocha. See Note 3(h).
- (ii) The elimination of related inter-company gains corresponds to profits generated in past years, and is presented net of the investment in Yanacocha for reporting purposes. The Company increases the investment and recognizes a gain in the share in affiliated companies as Yanacocha depreciates and amortizes the acquired assets.

## Notes to the Consolidated Financial Statements (continued)

- (iii) The participation in the cumulative effect of changes in accounting principles includes the following items:

	S/.(000)
Capitalization of mine development costs, Note 4(c)	126,940
Cumulative translation effect, Note 4(a)	(20,856)
Change in the revenue recognition accounting principle, Note 4(d)	<u>(7,628)</u>
	<u>98,456</u>

- (c) The amount recognized in the consolidated statements of income as “share in affiliated companies, net” consists of:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
Minera Yanacocha S.R.L.	289,065	200,193	330,728
Sociedad Minera Coshuro de Responsabilidad Limitada	(10,715)	(17)	85
Other	<u>168</u>	<u>-</u>	<u>-</u>
	<u>278,518</u>	<u>200,176</u>	<u>330,813</u>

Yanacocha’s income, and consequently the Company’s share in such, has increased in 2002 as compared to 2001, primarily as a result of the following: (i) increase in price per ounce realized on gold sales from US\$270 per ounce in 2001 to US\$311 per ounce in 2002, and (ii) increase in volume of gold sold from 1,914,566 ounces in 2001 to 2,291,967 ounces in 2002. Higher revenues have been partially offset by: (i) an increase in the cash cost per ounce from US\$123 in 2001 to US\$133 in 2002, due to the start-up of a new mining unit, La Quinoa, in October 2001, (ii) an increase in depreciation expense resulting from the addition of La Quinoa’s fixed assets, and (iii) an increase of interest expense due to higher indebtedness.

- (d) The Company’s most significant investment is its ownership of 43.65 percent of common stock of Yanacocha. The Company’s share of Yanacocha earnings was significant as compared to Buenaventura’s net income in 2000, 2001 and 2002. Presented below is selected information about Yanacocha:

### **Economic activity -**

Yanacocha is engaged in the exploration for and exploitation of gold in the open pit mines of Carachugo, San José, Maqui Maqui, Cerro Yanacocha and La Quinoa; all mines are located in the department of Cajamarca, Peru. Chaupiloma is the legal owner of the mineral rights on the mining concessions exploited by Yanacocha, see additional information in Note 36(a).

### **Summary financial information based on the Yanacocha financial statements -**

Yanacocha carries its accounting records in U.S. dollars, according to tax stabilization agreements signed with the Peruvian government. Presented below is certain summary financial information extracted from the Yanacocha financial statements and adjusted to conform to accounting practices and principles of the Company:

## Notes to the Consolidated Financial Statements (continued)

Summary Yanacocha balance sheet data as of December 31, 2001 and 2002:

	<b>2001</b>	<b>2002</b>
	US\$(000)	US\$(000)
Total assets	962,555	1,055,281
Total liabilities	429,327	374,823
Shareholders' equity	533,228	680,458

Summary data from the Yanacocha statements of income for the years ended 2000, 2001 and 2002:

	<b>2000</b>	<b>2001</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
Total revenues	495,393	519,567	714,813
Operating income	237,663	174,039	262,533
Net income	189,611	133,797	197,922

### **Dividends paid by Yanacocha -**

Cash dividends paid by Yanacocha to Buenaventura were S/.77,663,000 in 2002, S/.15,238,000 in 2001, and S/.92,447,000 in 2000.

### **Investment credit of Yanacocha -**

Under Supreme Decree N°027-98-EF, mining companies can obtain a tax benefit ("Investment Credit") by reinvesting undistributed profits into capital expansion projects that increase the Company's productivity ("Reinvestment Program"). Investment Credits must be approved by the Ministry of Energy and Mines and are granted for an amount equal to 80 percent of the reinvested amount. In December of 2001 and 2002, Yanacocha established a Reinvestment Program for the years 2001 – 2004 with the decision to reinvest US\$80 million respective to 2001 profits, and US\$80 million respective to 2002 profits. The Reinvestment Program for 2001 generated an Investment Credit of US\$19.2 million, which was used in equal parts to reduce the income tax of 2001 and 2002. The Investment Credit generated in 2002 respective to the Reinvestment Program was also US\$19.2 million, which was used to reduce 2002 income tax. A Reinvestment Program with a total expenditure amount of US\$255 million has been filed before the Ministry of Energy and Mines for approval. Undistributed profits of US\$160 million, which are reserved for use in the Reinvestment Program, are classified as restricted earnings at December 31, 2002 and must be capitalized. The capitalized amount cannot be distributed in the four years subsequent to its capitalization.

Notes to the Consolidated Financial Statements (continued)

12. **Property, plant and equipment and accumulated depreciation**

(a) The movements within the property, plant and equipment and accumulated depreciation account are shown below:

	<b>Beginning balance</b> S/.(000)	<b>Additions</b> S/.(000)	<b>Retirements</b> S/.(000)	<b>Sales</b> S/.(000)	<b>Write-off</b> S/.(000)	<b>Transfers</b> S/.(000)	<b>Ending balance</b> S/.(000)
<b>Cost</b>							
Land	5,454	309	(73)	-	-	-	5,690
Buildings, constructions and other	344,669	1,759	(4,762)	-	-	12,291	353,957
Machinery and equipment	462,581	33,536	(5,346)	-	-	1,401	492,172
Transportation units	33,757	245	(276)	(3,836)	(3,615)	211	26,486
Furniture and fixtures	10,553	45	(178)	-	-	16	10,436
Work in progress	17,706	26,264	(346)	-	-	(13,919)	29,705
	<u>874,720</u>	<u>62,158</u>	<u>(10,981)</u>	<u>(3,836)</u>	<u>(3,615)</u>	<u>-</u>	<u>918,446</u>
<b>Accumulated depreciation</b>							
Building, constructions and other	156,981	10,297	(154)	-	-	-	167,124
Machinery and equipment	330,859	28,788	(2,601)	-	-	-	357,046
Transportation units	22,670	2,575	(127)	(2,645)	(2,278)	-	20,195
Furniture and fixtures	8,359	550	(153)	-	-	-	8,756
	<u>518,869</u>	<u>42,210</u>	<u>(3,035)</u>	<u>(2,645)</u>	<u>(2,278)</u>	<u>-</u>	<u>553,121</u>
<b>Net cost</b>	<u>355,851</u>						<u>365,325</u>

## Notes to the Consolidated Financial Statements (continued)

- (b) Fully depreciated assets amount to S/.296,266,000 and S/.316,654,000 as of December 31, 2001 and 2002, respectively.
- (c) In 2001, an impairment loss of S/.17,041,000 related to constructions at Julcani and Huachocolpa was recognized, after Management closed operations at those mining sites. Additionally, subsidiaries of the Company had idle asset write-offs in the amount of S/.2,265,000 in 2001.
- (d) The distribution of annual depreciation expense to the balance sheet and statement of income captions was as follows:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
Inventories	7,473	2,771	1,761
Operating costs	32,128	37,250	38,367
Exploration costs in non-operative mining areas	-	2,059	2,082
	<u>39,601</u>	<u>42,080</u>	<u>42,210</u>

- (e) In 2002, the Company has written-off certain idle assets with a net book value of S/.1,337,000.

Notes to the Consolidated Financial Statements (continued)

13. Development costs and mineral lands, net

(a) The movement of the cost and accumulated amortization follows:

	Balance as of January 1 <sup>st</sup> , 2001 S/.(000)	Additions S/.(000)	Write-off S/.(000)	Balance as of December 31, 2001 S/.(000)	Additions S/.(000)	Retirement for sale of investment in shares S/.(000)	Balance as of December 31, 2002 S/.(000)
<b>Development costs</b>							
Antapite	30,857	15,435	-	46,292	-	-	46,292
Uchucchacua	42,411	3,255	-	45,666	18,883	-	64,549
Orcopampa	6,640	7,486	-	14,126	3,256	-	17,382
Tajo Norte	11,025	-	-	11,025	-	-	11,025
Ishihuinca	10,876	-	-	10,876	-	-	10,876
Huallanca	4,232	-	-	4,232	-	(4,232)	-
Other	1,228	946	(1,228)	946	276	-	1,222
	<u>107,269</u>	<u>27,122</u>	<u>(1,228)</u>	<u>133,163</u>	<u>22,415</u>	<u>(4,232)</u>	<u>151,346</u>
<b>Mineral land</b>							
Los Tapados	12,906	-	-	12,906	-	-	12,906
Coshuro	2,298	-	-	2,298	-	-	2,298
Ishihuinca	455	-	-	455	-	-	455
Other	4,351	343	-	4,694	34	-	4,728
	<u>20,010</u>	<u>343</u>	<u>-</u>	<u>20,353</u>	<u>34</u>	<u>-</u>	<u>20,387</u>
<b>Stripping costs - Tajo Norte (c)</b>	<u>14,103</u>	<u>13,212</u>	<u>-</u>	<u>27,315</u>	<u>11,682</u>	<u>-</u>	<u>38,997</u>
<b>Total cost</b>	<u>141,382</u>	<u>40,677</u>	<u>(1,228)</u>	<u>180,831</u>	<u>34,131</u>	<u>(4,232)</u>	<u>210,730</u>

Notes to the Consolidated Financial Statements (continued)

	<b>Balance as of January 1st, 2001 S/.(000)</b>	<b>Additions S/.(000)</b>	<b>Write - off S/.(000)</b>	<b>Balance as of December 31, 2001 S/.(000)</b>	<b>Additions S/.(000)</b>	<b>Retirement for sale of investment in shares S/.(000)</b>	<b>Balance as of December 31, 2002 S/.(000)</b>
<b>Accumulated amortization of: Development costs</b>							
Antapite	-	2,315	-	2,315	4,615	-	6,930
Uchucchacua	19,250	4,954	-	24,204	5,776	-	29,980
Orcopampa	-	2,145	-	2,145	2,503	-	4,648
Tajo Norte	2,338	868	-	3,206	870	-	4,076
Ishihuinca	10,876	-	-	10,876	-	-	10,876
Huallanca	7	-	-	7	-	(7)	-
Other	-	14	-	14	1,170	-	1,184
	<u>32,471</u>	<u>10,296</u>	<u>-</u>	<u>42,767</u>	<u>14,934</u>	<u>(7)</u>	<u>57,694</u>
<b>Mineral lands</b>							
Los Tapados	39	1,291	-	1,330	1,290	-	2,620
Coshuro	7	230	-	237	229	-	466
Ishihuinca	455	-	-	455	-	-	455
Other	1,993	440	-	2,433	484	-	2,917
	<u>2,494</u>	<u>1,961</u>	<u>-</u>	<u>4,455</u>	<u>2,003</u>	<u>-</u>	<u>6,458</u>
<b>Total accumulated amortization</b>	<u>34,965</u>	<u>12,257</u>	<u>-</u>	<u>47,222</u>	<u>16,937</u>	<u>(7)</u>	<u>64,152</u>
<b>Net carrying value</b>	<u>106,417</u>			<u>133,609</u>			<u>146,578</u>

## Notes to the Consolidated Financial Statements (continued)

- (b) The annual amortization expense was distributed as follows:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
Exploration and development costs in operational mining sites, Note 23	4,844	9,570	14,005
Operating costs	42	1,961	2,003
Inventories	299	726	929
	<u>5,185</u>	<u>12,257</u>	<u>16,937</u>

- (c) Deferred stripping costs -

The Company has deferred certain mining costs incurred in the expansion of the Tajo Norte area (estimated life of seven years) with the intent to reasonably match revenues and production costs. These mining costs, which are commonly referred to as “deferred stripping” costs, are incurred in mining activities that are associated with the removal of waste rock. The deferred accounting stripping method is generally accepted in the mining industry where mining operations have diverse grades and waste-to-ore ratios; however, some mining companies expense waste removal costs as incurred. If the Company were to expense stripping costs as incurred, there could be greater volatility in the Company’s period-to-period results of operations. In order to calculate the amount of deferred stripping cost to record as normal period expense, Management obtains a coefficient by dividing the estimated tons of waste material to move by the estimated tons of mineral to be extracted during the useful life of the related area. This coefficient is estimated to be 7.47 MT of waste material requiring to be moved to obtain 1 MT of extracted mineral. The actual coefficient was 10.48/1 in 2002 (11.21/1 in 2001). Costs related to additional quantities of waste that must be moved to obtain 1 MT of mineral are deferred when the actual waste material extracted is higher than the estimate; likewise, these costs are amortized when actual waste mineral extraction is lower than the estimate. The amortization of the deferred stripping costs will be reflected in the Consolidated Statement of Income over the life of the Tajo Norte area, based on proven and probable reserves, so that no unamortized balance remains at mine closure (there were no amortization expenses in prior years and in the current year). Management expects to begin the amortization of the deferred stripping costs in 2004.

## Notes to the Consolidated Financial Statements (continued)

### 14. Mining concessions and goodwill, net

(a) Movements within the mining concession cost and accumulated amortization accounts were as follows:

	<b>Balance of January 1, 2001</b>	<b>Additions</b>	<b>Balance as of December 31, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance as of December 31, 2002</b>
	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)	S/.(000)
<b>Cost</b>						
Cedimin S.A.C.	167,313	-	167,313	-	(3,011)	164,302
Inversiones Colquijirca S.A.	39,694	-	39,694	-	-	39,694
Consorcio Energético de Huancavelica S.A.	8,515	-	8,515	-	-	8,515
Sociedad Minera El Brocal S.A. (b)	-	-	-	10,328	(4,980)	5,348
	<u>215,522</u>	<u>-</u>	<u>215,522</u>	<u>10,328</u>	<u>(7,991)</u>	<u>217,859</u>
<b>Accumulated amortization</b>						
Cedimin S.A.C.	9,029	10,712	19,741	10,343	-	30,084
Inversiones Colquijirca S.A.	5,725	4,164	9,889	4,168	-	14,057
Consorcio Energético de Huancavelica S.A.	-	73	73	872	-	945
Sociedad Minera El Brocal S.A.	-	-	-	917	-	917
	<u>14,754</u>	<u>14,949</u>	<u>29,703</u>	<u>16,300</u>	<u>-</u>	<u>46,003</u>
<b>Net cost</b>	<u>200,768</u>		<u>185,819</u>			<u>171,856</u>

- (b) During the first semester of 2002, Buenaventura acquired 4,447,342 shares of Sociedad Minera El Brocal S.A. through a Lima Stock Exchange transaction in the amount of S/.11,888,000. The amount paid exceeded fair value of the investment shares by S/.10,328,000.
- (c) Management estimates that the amortization expense for each of the next five years will be approximately S/.16.5 million.

## Notes to the Consolidated Financial Statements (continued)

### 15. Bank loans

Bank loans, contracted in U.S. dollars, consist of:

	Annual interest rate	2001 S/.(000)	2002 S/.(000)
<b>Compañía de Minas Buenaventura S.A.A.</b>			
Banco de Crédito del Perú	2.61% to 3.60%	35,386	-
BBVA Banco Continental	2.03% to 2.92%	28,028	-
<b>Sociedad Minera El Brocal S.A.</b>			
Banco de Crédito del Perú	Ranging from 3.68% to 4.69%	10,514	10,545
Banco Internacional del Perú - Interbank	Ranging from 5.18% to 5.55%	6,483	7,030
Banco Wiese Sudameris	Ranging from 5.32% to 5.84%	8,761	4,868
Banco Interamericano de Finanzas - BIF	Ranging from 4.32% to 4.48%	876	3,093
<b>Inversiones Mineras del Sur S.A.</b>			
Banco Wiese Sudameris	3.38%	13,926	7,638
Banco Wiese Sudameris	3.88%	-	6,327
Banco de Crédito del Perú	2.63%	3,505	3,515
<b>Other subsidiaries</b>			
		4,130	332
		<u>111,609</u>	<u>43,348</u>

Bank loans were obtained to finance working capital needs and have short-term maturities. The pre-export loans obtained by Sociedad Minera El Brocal S.A. are guaranteed by the related shipments of lead and zinc concentrate inventories. The other bank loans do not have specific guarantees.

The weighted average annual interest rate on bank loans was 5.8 percent in 2001 and 3.51 percent in 2002. The weighted average annual interest rate was 3.64 percent at December 31, 2001 and 4.39 percent at December 31, 2002.

## Notes to the Consolidated Financial Statements (continued)

### 16. Other current liabilities

This item consists of:

	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
Taxes payable	15,782	17,672
Stock Appreciation Rights, Note 24	2,223	8,526
Remuneration and similar benefits payable	4,191	8,288
Accrual for mine closing and environmental protection expenses	10,346	6,966
Royalties payable, Note 35(b)	3,884	5,097
Accrual for exchange difference loss related to a forward contract, Note 7(c)	-	3,341
Dividends payable	1,351	1,328
Workers' profit payable	144	848
Other liabilities, each individually less than S/.1,500,000	10,532	11,057
	<u>48,453</u>	<u>63,123</u>

#### Stock Appreciation Rights -

The Company has a program under which certain executives earn a cash bonus equal to that executive's allotted number of ADS units multiplied by the difference between the market value at a future date of the Company's ADS and the base price on the executive's ADS units. This program remains in effect as long as the executive works for the Company at each program's settlement date. The measurement is made at the end of each reporting period based on the current market price of the stock. Compensation expense is recognized ratably over the vesting period of 5 years.

The number of ADS units upon which this bonus is granted, together with their base prices, are detailed below:

<b>Number of ADS units</b>	<b>Base price</b> US\$
125,000	17.904
170,000	12.478
190,000	16.407
195,000	12.928
200,000	19.310
<u>880,000</u>	

## Notes to the Consolidated Financial Statements (continued)

The number of ADS units which will be granted to executives and subject to the stock appreciation rights bonus in future years, are as follows:

<b>Years</b>	<b>Number of ADS units to be granted</b>
2003	45,000
2004	81,200
2005	115,600
2006	147,800
2007	180,200
Thereafter	310,200
	<hr style="width: 100%; border: 0.5px solid black;"/>
	880,000
	<hr style="width: 100%; border: 0.5px solid black;"/>

During the year ended December 31, 2002, the Company recorded an expense amounting to S/.6,303,000 in connection with this program (S/.2,223,000 as of December 31, 2001), which is recorded in the “general and administrative” account in the operating expenses section of the consolidated statements of income.

### **Accrual for mine closing and environmental protection expenses -**

In November 1999, Management decided to suspend exploitation activities in the Julcani mining unit and to dedicate its efforts in the exploration for new reserves. Later, in November 2001, the Company decided to suspend exploration and exploitation operations in the Huachocolpa mining site. A detail of the movements within the accrual for mine closing and environmental protection expenses is presented in the following table:

	S/.(000)
<b>Balance as of January 1st, 2000</b>	16,892
Disbursements	(3,793)
Write-off	(1,427)
Gain from exposure to inflation	(365)
	<hr style="width: 100%; border: 0.5px solid black;"/>
<b>Balance as of January 1st, 2001</b>	11,307
Additions	1,109
Disbursements	(2,279)
Loss from exposure to inflation	209
	<hr style="width: 100%; border: 0.5px solid black;"/>
<b>Balance as of December 31, 2001</b>	10,346
Disbursements	(3,205)
Gain from exposure to inflation	(175)
	<hr style="width: 100%; border: 0.5px solid black;"/>
<b>Balance as of December 31, 2002</b>	6,966
	<hr style="width: 100%; border: 0.5px solid black;"/>

The accrual for mine closing and environmental protection expenses is based on studies completed by independent engineers and completed in accordance with current environmental protection regulations. The Company expects to disburse all amounts related to this program by the end of 2005.

## Notes to the Consolidated Financial Statements (continued)

### 17. Long-term debt

(a) Long-term debt, principally denominated in U.S. dollars, consists of:

Entity	Guarantee	Annual interest rate	Final maturity	2001 S/.(000)	2002 S/.(000)
<b>Inversiones Mineras del Sur S.A.</b> Banco de Crédito del Perú (i)	Guaranteed by Buenaventura	11.00%	January 2008	70,092	70,300
<b>Consortio Energético de Huancavelica S.A.</b> BBVA Banco Continental	Guaranteed by Buenaventura	Libor plus 1.20% (2.58% as of December 31, 2002)	April 2005	42,932	32,748
<b>Sociedad Minera El Brocal S.A. (c)</b> Banco de Crédito del Perú	No specific guarantees	Libor plus 3.75% (5.13% as of December 31, 2002)	September 2006	19,275	19,333
Teck Cominco Metals Ltd. (ii)	No specific guarantees	Libor plus 6.00% (7.38% as of December 31, 2002)	September 2008	5,484	5,942
Other				956	777
<b>Other subsidiaries</b>				1,153	-
				<u>139,892</u>	<u>129,100</u>
Less-Current portion				<u>(7,107)</u>	<u>(17,005)</u>
<b>Long-term portion</b>				<u>132,785</u>	<u>112,095</u>

(i) This note contains a quarterly roll over provision, has a final maturity date in 2008 and is fully guaranteed by Buenaventura. In January 2003, this loan was rolled over and an annual interest rate of 4.5 percent was established.

(ii) This loan is subordinated to the obligations established in the loan agreement signed with Banco de Crédito del Perú.

## Notes to the Consolidated Financial Statements (continued)

- (b) The long-term debt maturity schedule as of December 31, 2002 is as follows:

Year ended December 31,	Amount S/.(000)
2004	22,422
2005	12,916
2006	6,457
2008	70,300
	<hr/>
	112,095
	<hr/>

- (c) The financing agreements include certain covenants that require compliance with financial indicators as specified in the contracts. As of December 31, 2001 and 2002, the Company has fulfilled all commitments related to financial indicators.
- (d) The weighted average interest rate on long-term debt was 10.77 percent and 7.68 percent in 2001 and 2002, respectively.

### 18. Minority interest

The minority interest liability shown in the consolidated balance sheets consists of:

	2001 S/.(000)	2002 S/.(000)
Inversiones Colquijirca S.A.	18,314	31,042
S.M.R.L. Chaupiloma Dos de Cajamarca	10,770	13,396
Minera Paula S.A.C.	1,826	1,628
Inversiones Mineras del Sur S.A.	(534)	1,072
Minera Colquirrumi S.A.	(468)	(1,355)
Others	(222)	(298)
	<hr/>	<hr/>
	29,686	45,485
	<hr/>	<hr/>

Minority interest income (expense) is presented in the consolidated statements of income and consists of:

	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
Inversiones Colquijirca S.A.	4,142	16,644	(1,761)
Inversiones Mineras del Sur S.A.	2,172	1,947	(1,607)
S.M.R.L. Chaupiloma Dos de Cajamarca	(14,262)	(14,901)	(21,609)
Minas Conga S.R.L.	(24,245)	258	887
Other	56	24	294
	<hr/>	<hr/>	<hr/>
	(32,137)	3,972	(23,796)
	<hr/>	<hr/>	<hr/>

## Notes to the Consolidated Financial Statements (continued)

### 19. Shareholders' equity, net

#### (a) Capital stock -

The Company has common shares that represent 100 percent of its outstanding share capital. Holders of common shares are entitled to one vote per share, with the exception of the election of the Board of Directors, where each such holder is entitled to one vote per share per nominee. Each holder's votes may be cast all for a single nominee or distributed among the nominees at the holder's discretion. Holders of common shares may attend and vote at shareholder meetings either in person or through a proxy. Additionally, holders of common shares have the right to participate in the distribution of dividends and shareholders' equity resulting from liquidation.

The Mandatory Annual Shareholders' meeting held on March 26, 2002, decided to increase the Company's capital stock from S/.184,835,000 to S/.604,021,000 through the capitalization of a portion of retained earnings as of December 31, 2001 and by increasing the nominal value of the common shares - Series A and B from S/.1 to S/.4. From the capitalized amount of S/.419,186,000, S/.131,409,000 corresponds to common shares - Series A and S/.287,777,000 to common shares - Series B.

The Shareholders' Meeting held on April 30, 2002 approved the re-designation of common shares - Series B as common shares - Series A, and then immediately approved the re-designation of common shares - Series A as common shares. Both decisions were effective May 3, 2002, at which date the Company's capital stock was comprised of 137,444,962 common shares with a nominal value of S/.4 each.

As a result of the restatement of the 2001 financial statements for inflation at December 31, 2002, the Company is permitted to issue additional common shares for a total value of S/.54,241,000.

#### (b) Investment shares -

The investment shares do not represent the Company's stock obligations. Holders of investment shares are neither entitled to exercise voting rights nor to participate in shareholder meetings. However, investment shares confer upon the holders thereof the right to participate in the dividends distributed according to their nominal value, in the same manner as common shares.

The Annual Shareholders' meeting mentioned in paragraph (a) above, also decided to increase the investment shares account from S/.498,000 to S/.1,634,000, by increasing the nominal value of investment shares from S/.1 to S/.4, concurrent with capitalization of a portion of retained earnings equal to S/.1,136,000. As a consequence, effective May 3, 2002, there are 372,320 investment shares with a nominal value of S/.4 each.

As a result of the restatement of the 2001 financial statements for inflation at December 31, 2002, the Company is permitted to issue additional investment shares for a total value of S/.145,000.

#### (c) Additional capital -

The additional paid-in capital principally relates to the premium received on the issuance of Series B common shares. Additionally, it includes a gain that resulted from the sale of ADRs, as explained in paragraph 19(e).

#### (d) Legal reserve -

According to the Ley General de Sociedades (General Corporations Law), applicable to individual and unconsolidated financial statements, a minimum of 10 percent of distributable income in each year, after deducting income tax, shall be transferred to a legal reserve until such reserve is equal to 20 percent of capital stock. This legal reserve may be used to offset losses or may be capitalized; however, if used to offset losses or if capitalized, the reserve must be replenished with future profits.

## Notes to the Consolidated Financial Statements (continued)

(e) Treasury shares -

In January of 2001, in compliance with Article N°104 of the Nueva Ley General de Sociedades (New General Corporations Law), Buenaventura sold its treasury shares through a Lima Stock Exchange transaction. The treasury shares, which were constituted by 628,856 common shares – Series A, with a carrying value of S/.8,238,000, were sold to its subsidiary Condesa for a total value of S/.17,502,000. The gain generated by this sale amounted to S/.9,264,000 and was eliminated in the consolidation of the financial statements as such arose as a result of an inter-company transaction.

In September of 2001, with the participation of the Bank of New York, Condesa exchanged through the Lima Stock Exchange 1,000,000 of Buenaventura's common shares - Series B for 500,000 ADRs (one ADR has a value equivalent to two shares). Subsequently, Condesa sold to third parties 178,000 ADRs for approximately S/.13,502,000, thus realizing a gain of S/.8,839,000, which is presented as "additional paid-in capital" in the consolidated statements of changes in shareholders' equity.

In the first quarter of 2002, Condesa sold to third parties an additional 322,000 ADRs for approximately S/.23,545,000, realizing a gain of S/.19,466,000, which is presented as "additional paid-in capital" in the consolidated statements of changes in shareholders' equity.

(f) Declared and paid dividends -

**2002 dividends**

The Annual Shareholders' meeting held on March 26, 2002 approved a cash dividend of S/.29,568,000 (equivalent to S/.0.21 per common and investment share), from retained earnings as of December 31, 2001. The cash dividend includes dividends of S/.2,268,000 paid to a subsidiary. The dividends were available to shareholders from April 2002.

The Board of Directors' meeting held on October 22, 2002 approved a dividend distribution of S/.43,825,000 (equivalent to S/.0.32 per common and investment share), corresponding to a portion of the retained earnings as of December 31, 2002. The cash dividend includes dividends of S/.3,369,000 paid to a subsidiary. In addition, the Directors approved a dividend distribution to be paid using the shares of Sociedad Minera El Brocal S.A. (the El Brocal share dividend paid one El Brocal share to all entities and individuals holding between 1 and 100 common or investment shares of Buenaventura; entities or individuals with more than 100 shares were allotted one additional El Brocal share for each 100 common or investment shares held). Pursuant to this dividend declaration, the Company distributed 1,379,995 common shares of El Brocal at a fair value of S/.2,829,000 (S/.2.05 per share), including El Brocal stock dividends to a subsidiary with a fair value equal to S/.217,000. The net carrying value of these shares was S/.3,625,000, after having recognized a loss of S/.796,000, which is presented as "other, net" in the consolidated statements of income. Cash dividends and dividends in shares of El Brocal were available in December 2002.

**2001 dividends**

The Mandatory Annual Shareholders' meeting held on March 29, 2001 approved a cash dividend of S/.34,816,000 (equivalent to S/.0.25 per common and investment shares), from retained earnings as of December 31, 2000. The cash dividends paid include dividends of S/.2,922,000 paid to a subsidiary. The dividends were available to shareholders in May 2001.

In addition, the Board of Directors' meeting held on October 29, 2001 approved a cash dividend of S/.15,260,000 (equivalent to S/.0.11 per common and investment shares), on profits of 2001. The cash dividend paid includes dividends of S/.1,252,000 paid to a subsidiary. The dividends were available to shareholders in November 2001.

**2000 dividends**

The dividends of 2000 of approximately S/.34,565,000 include S/.20,674,000, equivalent to S/.0.16 per common and investment shares, corresponding to retained earnings as December 31, 1999; these

## Notes to the Consolidated Financial Statements (continued)

dividends were paid in April 2000. The balance, approximately S/.13,891,000, equivalent to S/.0.11 per common and investment shares, was paid in November 2000.

- (g) Cumulative translation adjustment -  
This amount corresponds to the exchange differences that arise as a result of applying the methodology described in Note 3(h) when translating the financial statements of Yanacocha from U.S. dollars to Peruvian Nuevos Soles.

These exchange differences will be presented in equity until the related investment is disposed of.

### 20. Taxation

- (a) The Company is subject to Peruvian tax law. The statutory income tax rate in Peru was 30 percent for the years ended 2001 and 2000. For the year ended 2002 and thereafter, the income tax rate will be 27 percent.

Effective January 1, 2003, the following income tax amendments will be in force:

- The Company must withhold 4.1 percent on dividends distributed to all individual persons and corporations not legally domiciled in Peru.
- If it is determined that a corporation has distributed dividends by unauthorized or indirect means, the corporation will be required to pay an additional tax of 4.1 percent on the amount distributed.
- Peruvian corporations are obligated to make an additional payment in advance of the income tax, which will be considered as a prepayment toward the annual income tax to be paid. The amount of this advance payment will be calculated based on the Company's net assets as of December 31 of the previous year adjusted by the Wholesale Price inflation index as of March 31 of the year to which the payment corresponds. The resulting prepayment amount shall be paid in nine equal installments from April to December of each year.

## Notes to the Consolidated Financial Statements (continued)

- (b) The tax authorities are legally entitled to review and, if necessary, adjust the income tax calculated by the Company during the four years subsequent to the year of the related tax return filing. The income tax and value added tax returns of the following years are pending review by the tax authorities:

<b>Entity</b>	<b>Years open to review by tax authorities</b>
Buenaventura	2000, 2001 and 2002
Buenaventura Ingenieros S.A.	1998, 1999, 2000, 2001 and 2002
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. – Cedimin	1998, 1999, 2000, 2001 and 2002
Compañía Minera Condesa S.A.	1998, 1999, 2000, 2001 and 2002
Compañía Minera Colquirrumi S.A.	1998, 1999, 2000, 2001 and 2002
Consorcio Energético deHuancavelica S.A.	1998, 1999, 2000, 2001 and 2002
Contacto Corredores de Seguros S.A.	1998, 1999, 2000, 2001 and 2002
Inversiones Colquijirca S.A.	1998, 1999, 2000, 2001 and 2002
Inversiones Mineras del Sur S.A.	1998, 1999, 2000, 2001 and 2002
Metalúrgica Los Volcanes S.A.	1998, 1999, 2000, 2001 and 2002
Minera Paula 49 S.A.C.	1998, 1999, 2000, 2001 and 2002
Minas Conga S.R.L.	1998, 1999, 2000, 2001 and 2002
Minera Shila S.A.C.	1998, 1999, 2000, 2001 and 2002
S.M.R.L. Chaupiloma Dos de Cajamarca	1998, 1999, 2000, 2001 and 2002

Due to various possible interpretations of current legislation, it is not possible to determine whether or not future reviews will result in tax liabilities for the Company. In the event that additional taxes payable, interest and surcharges result from tax authority reviews, they will be charged to expense in the period assessed and paid. However, in the opinion of Management, there are no issues that may result in significant tax contingencies for the Company and any additional tax assessment would not be significant to the financial statements as of December 31, 2001 and 2002.

- (c) During 2000, the tax authorities reviewed Yanacocha's income tax and value added tax returns for the years ended 1998 and 1999, and additionally reviewed the value added tax returns for January and February 2000. As a result of such review, Yanacocha has received tax assessments amounting to US\$24.9 million; Yanacocha has appealed these assessments.

In the opinion of Yanacocha's management and its tax advisors, the outcome of appeals related to these assessments is expected to be favorable to Yanacocha.

## Notes to the Consolidated Financial Statements (continued)

- (d) The detail of the tax loss carryforward of Buenaventura and its subsidiaries consists of:

	<b>2001</b>	<b>2002</b>	<b>Year of expiration</b>
	S/.(000)	S/.(000)	
Compañía de Minas Buenaventura S.A.A.	21,042	54,845	2004
Inversiones Colquijirca S.A. (Sociedad Minera El Brocal S.A.)	27,155	36,361	(**)
Inversiones Mineras del Sur S.A.	38,097	25,986	(*)
Compañía de Exploraciones, Desarrollo e Inversiones Mineras S.A.C. – CEDIMIN	10,270	12,429	(*)
Buenaventura Ingenieros S.A.	13,044	12,280	(***)
Compañía Minera Condesa S.A.	-	10,249	2004
Consorcio Energético Huancavelica S.A.	6,349	2,719	2004
Minera Huallanca S.A.C.	10,747	-	-

(\*) The tax loss carryforward for these entities can be offset in four years since they obtain taxable income.

(\*\*) Out of this amount, S/.14,354,000 expires in 2004 and S/.22,007,000 in 2005.

(\*\*\*) Out of this amount, S/.12,004,000 expires in 2003 and S/.425,000 in 2006.

- (e) Buenaventura is allowed to recover the value added tax (VAT) paid on acquisitions that support export activities. VAT paid on acquisitions that support export activities, generally calculated as a proportionate percentage of all acquisitions, might be used to offset VAT payables resulting from local sales, income tax and other taxes. Alternatively, a request for refund may be filed with the tax authorities.

### 21. Net sales by geographic region

The Company's revenues primarily result from the sale of precious metal concentrates, including silver-lead, silver-gold, zinc and lead-gold-copper concentrates and dore bars. The following table shows net sales by geographic region:

	<b>2000</b>	<b>2001</b>	<b>2002</b>
	S/.(000)	S/.(000)	S/.(000)
Peru	167,211	251,490	306,331
Europe	79,134	124,853	164,411
North America	106,295	29,210	35,704
Asia	29,437	48,746	19,603
Other	4,978	-	4,916
	<u>387,055</u>	<u>454,299</u>	<u>530,965</u>
Income from hedging transactions, Note 32	41,361	59,598	48,921
	<u>428,416</u>	<u>513,897</u>	<u>579,886</u>

See also Note 34, which discusses sales commitments and concentrations.

## Notes to the Consolidated Financial Statements (continued)

### 22. Operating costs

This item consists of:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
Contractors	75,400	75,628	83,510
Supplies	64,047	71,025	65,206
Personnel expenses	53,130	57,889	56,354
Other	52,857	49,309	52,719
	<u>245,434</u>	<u>253,851</u>	<u>257,789</u>

### 23. Exploration and development costs in operational mining sites

This item consists of:

	<b>2000</b> S/.(000)	<b>2001</b> S/.(000)	<b>2002</b> S/.(000)
<b>Exploration expenses</b>			
Uchucchacua	13,248	14,679	20,002
Orcopampa	8,505	11,170	16,349
Tajo Norte	-	5,562	-
Huallanca	1,991	3,511	-
Julcani	-	-	2,514
Paula	1,039	3,119	2,094
Antapite	-	2,970	8,962
Yanaquihua	-	2,374	-
Shila	-	2,008	4,645
Ishihuinca	1,511	1,972	2,262
Others	23	-	1,747
	<u>26,317</u>	<u>47,365</u>	<u>58,575</u>
<b>Amortization of development costs, Note 13(b)</b>	<u>4,844</u>	<u>9,570</u>	<u>14,005</u>
	<u>31,161</u>	<u>56,935</u>	<u>72,580</u>

## Notes to the Consolidated Financial Statements (continued)

### 24. General and administrative expenses

This item consists of:

	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
Personnel expenses	27,461	32,214	32,732
Professional fees	7,170	9,099	13,932
Stock Appreciation Rights, Note 16	-	2,223	6,303
Board member's remuneration	2,618	2,749	2,856
Insurance	1,102	1,219	1,473
Supplies	3,204	1,654	1,452
Rentals	2,371	2,333	825
Maintenance	750	893	741
Accrual for doubtful receivables, Note 8(b)	8,031	998	308
Other expenses	10,877	9,796	13,490
	<u>63,584</u>	<u>63,178</u>	<u>74,112</u>

### 25. Exploration costs in non-operational mining areas

This item consists of:

	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
<b>Exploration in areas external to the mining sites</b>			
Buenaventura owned projects, Note 35(d)	<u>7,064</u>	<u>17,582</u>	<u>18,542</u>
Exploration in Joint ventures, Note 35(e)	<u>1,767</u>	<u>3,393</u>	<u>9,397</u>
<b>Exploration in mining sites</b>			
Huachocolpa	3,509	12,564	4,816
Julcani	16,934	10,149	1,619
Antapite	-	-	1,765
China linda	5,810	-	-
Orcopampa	1,661	-	-
	<u>27,914</u>	<u>22,713</u>	<u>8,200</u>
<b>Studies and project expenses</b>	<u>4,347</u>	<u>4,768</u>	<u>1,534</u>
	<u>41,092</u>	<u>48,456</u>	<u>37,673</u>

## Notes to the Consolidated Financial Statements (continued)

### 26. Selling expenses

This item consists of:

	<b>2000</b> S/(.000)	<b>2001</b> S/(.000)	<b>2002</b> S/(.000)
Freight	21,138	18,867	15,621
Sundry services	4,210	4,461	5,155
Other	3,673	3,000	1,948
	<u>29,021</u>	<u>26,328</u>	<u>22,724</u>

### 27. Interest income and expense

This item consists of:

	<b>2000</b> S/(.000)	<b>2001</b> S/(.000)	<b>2002</b> S/(.000)
<b>Interest income</b>			
Interest on loans	3,873	3,466	136
Interest on deposits	2,616	10,108	8,477
	<u>6,489</u>	<u>13,574</u>	<u>8,613</u>
<b>Interest expense</b>			
Interest on loans	9,015	(17,387)	(14,461)
Interest on overdrafts and other	-	(338)	(1,149)
	<u>9,015</u>	<u>(17,725)</u>	<u>(15,610)</u>

## Notes to the Consolidated Financial Statements (continued)

### 28. Other income and expense, net

This item consists of:

	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
<b>Other income</b>			
Gain from termination of contract, Note 36	-	6,434	-
Gain on sale of supplies, net	-	-	2,877
Net gain on transfer of contractual position on sale of assets, Note 2	80,125	-	-
Gain on sale of property, plant and equipment	-	-	1,619
Revenues related to services provided to Yanacocha, net	-	-	1,565
Revenues from sale of energy	-	726	1,002
Other	2,068	3,879	2,062
	<u>82,193</u>	<u>11,039</u>	<u>9,125</u>
<b>Other expenses</b>			
Additional taxes	-	298	1,439
Employee termination bonuses	-	1,020	1,436
Accrual for impairment loss on investments	-	-	1,414
Loss on sale of shares, Note 11 and 19(f)	-	-	1,320
Project for social development in the department of Huancavelica	-	-	755
Exchange of shares	4,174	-	-
Other	2,689	-	-
	<u>6,863</u>	<u>1,318</u>	<u>6,364</u>
<b>Net</b>	<u>75,330</u>	<u>9,721</u>	<u>2,761</u>

## Notes to the Consolidated Financial Statements (continued)

### 29. Income tax and workers' profit sharing

(a) The income tax and workers' profit sharing expenses shown in the consolidated statements of income consists of:

	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
<b>Income tax</b>			
Current			
S.M.R.L. Chaupiloma Dos de Cajamarca	15,322	16,058	20,120
Minera Shila S.A.C.	1,152	-	2,170
Compañía Minera Condesa S.A.	-	4,617	-
Minas Conga S.R.L.	5,171	-	-
Other	39	140	301
	<u>21,684</u>	<u>20,815</u>	<u>22,591</u>
Deferred			
Inversiones Colquijirca S.A.	6,016	2,886	2,494
Minera Shila S.A.C.	(361)	(260)	17
Other	8	1,502	-
	<u>5,663</u>	<u>4,128</u>	<u>2,511</u>
<b>Total</b>	<u><u>27,347</u></u>	<u><u>24,943</u></u>	<u><u>25,102</u></u>
<b>Workers' profit sharing (i)</b>			
Current			
Minera Shila S.A.C.	333	-	699
Minas Conga S.R.L.	1,499	-	-
	<u>1,832</u>	<u>-</u>	<u>699</u>
Deferred			
Inversiones Colquijirca S.A.	2,614	122	803
Minera Shila S.A.C.	(105)	(83)	6
Other	2	651	-
	<u>2,511</u>	<u>690</u>	<u>809</u>
<b>Total</b>	<u><u>4,343</u></u>	<u><u>690</u></u>	<u><u>1,508</u></u>

(i) In accordance with Peruvian legislation, mining companies that have more than 20 employees should accrue an amount equal to 8 percent of annual taxable income to be distributed under an employee profit-sharing plan. As of December 31, 2001 and 2002, S.M.R.L. Chaupiloma Dos de Cajamarca and Compañía Minera Condesa S.A. have less than 20 employees.

## Notes to the Consolidated Financial Statements (continued)

- (b) As explained in Note 3(q), the Company recognizes temporary differences between tax and book bases of assets and liabilities through the recording of deferred tax assets and liabilities. The income tax and workers' profit sharing liability consists of:

	2001			2002		
	Income tax S/.(000)	Workers' profit sharing S/.(000)	Total S/.(000)	Income tax S/.(000)	Workers' profit sharing S/.(000)	Total S/.(000)
<b>Deferred asset</b>						
Tax loss carryforward	46,903	14,129	61,032	38,748	11,352	50,100
Impairment of assets	4,231	1,366	5,597	4,361	1,405	5,766
Stock Appreciation Rights	552	178	730	2,118	682	2,800
Accrual for mine closing and environmental protection expenses	2,571	828	3,399	1,730	557	2,287
Write-down of inventory	1,413	454	1,867	1,392	448	1,840
Accrual for employee vacations	33	11	44	546	176	722
Other	918	295	1,213	1,028	330	1,358
	<u>56,621</u>	<u>17,261</u>	<u>73,882</u>	<u>49,923</u>	<u>14,950</u>	<u>64,873</u>
Less - Allowance for deferred asset recoverability	<u>(55,670)</u>	<u>(16,951)</u>	<u>(72,621)</u>	<u>(48,895)</u>	<u>(14,620)</u>	<u>(63,515)</u>
	<u>951</u>	<u>310</u>	<u>1,261</u>	<u>1,028</u>	<u>330</u>	<u>1,358</u>
<b>Deferred liability</b>						
Mineral stripping costs	(6,784)	(2,186)	(8,970)	(9,687)	(3,120)	(12,807)
Voluntary revaluation	(4,710)	(1,516)	(6,226)	(4,350)	(1,401)	(5,751)
Other	(14)	(4)	(18)	(56)	(18)	(74)
	<u>(11,508)</u>	<u>(3,706)</u>	<u>(15,214)</u>	<u>(14,093)</u>	<u>(4,539)</u>	<u>(18,632)</u>
<b>Deferred liability, net</b>	<u>(10,557)</u>	<u>(3,396)</u>	<u>(13,953)</u>	<u>(13,065)</u>	<u>(4,209)</u>	<u>(17,274)</u>

## Notes to the Consolidated Financial Statements (continued)

### 30. Basic and diluted income per share

The computation of the basic and diluted earnings per share for the years ended December 31, 2000, 2001 and 2002 is presented below:

	For the year ended December 31, 2000			For the year ended December 31, 2001			For the year ended December 31, 2002		
	Net income (numerator)	Shares (denominator)	Earnings per share	Net income (numerator)	Shares (denominator)	Earnings per share	Net income (numerator)	Shares (denominator)	Earnings per share
	S/.		S/.	S/.		S/.	S/.		S/.
<b>Basic and diluted income per share before the cumulative effect of changes in accounting principles</b>	312,673,000	126,252,152	2.48	217,208,000	126,608,152	1.72	388,526,000	127,221,219	3.05
Cumulative effect of accounting changes in basic and diluted earnings per share	(63,575,000)	126,252,152	(0.51)	-	126,608,152	-	-	127,221,219	-
<b>Basic and diluted income per share</b>	<u>249,098,000</u>	126,252,152	<u>1.97</u>	<u>217,208,000</u>	126,608,152	<u>1.72</u>	<u>388,526,000</u>	127,221,219	<u>3.05</u>

The number of shares to be used as the denominator in the calculation of basic and diluted income per share for the years ended December 31, 2000, 2001 and 2002 was determined as follows:

	2000	2001	2002
Common shares	137,444,962	137,444,962	137,444,962
Investment shares	372,320	372,320	372,320
	<u>137,817,282</u>	<u>137,817,282</u>	<u>137,817,282</u>
Less - treasury shares	(11,565,130)	(11,209,130)	(10,596,063)
	<u>126,252,152</u>	<u>126,608,152</u>	<u>127,221,219</u>

## Notes to the Consolidated Financial Statements (continued)

### 31. Disclosure about information by segments

International Accounting Standard (IAS) 14 and SFAS 131 require enterprises to disclose financial information by business and/or geographical segment. Companies should consider their organizational and management structure and their internal financial reporting system when identifying segments. Segments are generally defined by the manner in which the Company presents data to high-level management for their use in evaluating each unit's past performance and for making decisions about future allocations of resources. Management of Buenaventura bases their decisions on and evaluates business development in terms of the mining segments' performance. The electric, mining consulting and insurance segments are not significant and, therefore, are not considered in the making of decisions or in the evaluation of business development. Management therefore considers that the Company's only reportable segment is mining.

There are no significant assets in locations outside of Peru.

### 32. Derivative financial instruments

#### Risk of commodity price fluctuations

- (a) The Company utilizes derivative financial instruments to mitigate certain market risks to which the Company is exposed. The principal market risk for the Company relates to the impact of price fluctuations on precious metals. Historically, world market prices for precious metals have fluctuated widely and are subject to the influence of several factors beyond the Company's control.

The Company's derivative contracts are limited in number and confined to activities that Management believes to be consistent with the Company's risk management objectives. The Company does not hold or issue financial instruments for trading purposes.

Senior management of the Company actively participates in the quantification, monitoring and control of all significant risks. Within the Company, there exist appropriate controls to ensure segregation of functions, such as execution, registry, valuation, monitoring and payment, related to derivative activities. Additionally, Management reports periodically to the Audit Committee of the Board of Directors on subjects related to derivative activities and open contract positions.

- (b) The Company recognized revenues of S/.48,921,000 in 2002, S/.59,598,000 in 2001, and S/.41,569,000 in 2000 in connection with derivative operations settled in the period. These revenues are presented as part of the "net sales" caption in the consolidated statements of income.
- (c) The tables below present details related to commodity derivative instruments outstanding as of December 31, 2002:

## Notes to the Consolidated Financial Statements (continued)

### - *Compañía de Minas Buenaventura S.A.A.*

The summary of the forward sales contracts and collared options outstanding as of December 31, 2002 follows:

Metal	Quantity		Price range (US\$/Oz)	Period
	Minimum	Maximum		
Silver	8,104,000	12,704,000 (i)	US\$5.80 to US\$6.33	January 2003 - August 2006
Gold	3,104,500	3,457,000 (ii)	US\$340 to US\$420	January 2003 - December 2011

- (i) Maximum quantity includes 3,500,000 Oz Ag with a guaranteed minimum sale price of US\$5.80 ounce per silver (minimum price valid only and when silver price is above US\$4.15 per ounce of silver) and a maximum sale price of US\$6.20 per ounce of silver. Maximum quantity also includes 1,100,000 per ounce of silver with a guaranteed sales price of US\$6 per ounce of silver, only and when the silver price is above US\$4 per ounce of silver.
- (ii) Maximum quantity includes guaranteed sales of 142,500 per ounce of gold and 210,000 per ounce of gold only and when gold prices are above US\$279.50 per ounce of gold and 265 per ounce of gold, respectively.

### *Sociedad Minera El Brocal S.A.*

The summary of the put options, call options and forward commodity contracts outstanding at December 31, 2002 follows:

Metal	Quantity	Price	Period
Put options			
Zinc	10,800 MT	US\$775/MT	January 2003 - December 2003
Call options			
Zinc	10,800 MT	US\$900/MT	January 2003 - December 2003
Future contracts			
Zinc (*)	10,800 MT	US\$895/MT	January 2003 - December 2003
Zinc	10,800 MT	US\$869/MT	January 2003 - December 2003
Silver	600,000 Oz	US\$5.10/Oz	January 2003 - December 2003
Silver	300,000 Oz	US\$5.05/Oz	January 2003 - December 2003

(\*) This derivative instrument has a daily fade-out provision if zinc price is at or below US\$ 750/MT.

The mark-to-market value at December 31, 2002 of the outstanding derivative transactions is negative by S/.428,112,000.

### **Foreign currency exchange risk –**

#### *Sociedad Minera El Brocal S.A. -*

In December of 2002, Sociedad Minera El Brocal S.A. signed a forward currency exchange contract to purchase US\$1,000,000 in February 2003 at a rate of S/.3.5482 per U.S. dollar. As

## Notes to the Consolidated Financial Statements (continued)

agreed under the contract, the Company was committed to establish a restricted fund in the amount of US\$100,000 (S/.351,000) as of December 31, 2002. This restricted fund was created and is shown as “other accounts receivable”, see Note 8(a) – Deposits in guarantee.

The fair value of this contract at December 31, 2002 is negative by S/.33,000.

### *Compañía de Minas Buenaventura S.A.A. -*

Buenaventura has entered a forward currency exchange contract in order to hedge risks associated with a time deposit denominated in local Peruvian currency. For additional details; see Note 7.

At December 31, 2002, the fair value of this contract is negative by S/.3,341,000 and is presented as “other current liabilities” in the consolidated balance sheet; see Note 16.

### **Interest rate risk -**

#### *Sociedad Minera El Brocal S.A.A.*

In 2001, Sociedad Minera El Brocal S.A.A. signed two interest rate contracts which swapped floating for fixed on a nominal value of US\$7,750,000; these contracts each possessed a 24-month maturity. The annual fixed interest rates offered under the swap agreements were 4.7 percent and 3.7 percent.

During 2002, Sociedad Minera El Brocal S.A.A. entered into an additional interest rate contract that swapped LIBOR for a fixed annual rate of 3.05 percent; this swap agreement has a stated maturity of September 2005.

The mark to market value of these interest rate swap contracts was negative by S/.406,000 as of December 31, 2002, and is presented as other liabilities in the accrued liabilities caption, see Note 16.

### **33. Fair value of financial instruments**

Fair value is defined as the amount at which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm’s length transaction. Information about the fair value of the Company’s financial instruments, including derivatives, is presented below:

- Current assets and liabilities approximate their fair value due to the short-term maturities of these financial instruments.
- The carrying amount of long-term debt, including current maturity, approximates its fair value based on analysis of rates currently available for similar debts in the market.
- The fair value of the investment held in Sociedad Minera Cerro Verde S.A. is S/.13,542,000 as of December 31, 2002 (S/.12,709,000 as of December 31, 2001). Fair value for this investment is determined based on quoted market price of shares.
- The estimated mark to market value of derivative contracts is based on quotations received from the Company’s counter- parties (see Note 32), and is negative S/.431,892,000.

### **34. Sales commitments and concentrations**

In 2002, the Company’s three largest customers accounted for 35 percent, 32 percent and 12 percent, respectively, of total sales (31 percent, 17 percent and 15 percent of total sales in 2001). As of December 31, 2002, 83 percent of the trade accounts receivable are related to these customers (62 percent as of December 31, 2001). Each of these customers has executed one or more purchase and sale contracts with the Company

## Notes to the Consolidated Financial Statements (continued)

that guarantee them the production output from specified Company mines at prices based on market quotations. Currently, the Uchucchacua, Orcopampa, Julcani, Colquijirca, Shila, Ishihuinca and Antapite mines are subject to such purchase and sale agreements; these agreements have various maturity dates but do not extend beyond December 31, 2003.

### 35. 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 presented preliminary studies covering Environmental Assessment (EVAP) and Environmental Adjustment and Management Programs ("PAMA") for each of the mining units. The Ministry of Energy and Mines has approved the PAMAs related to Uchucchacua, Julcani, Orcopampa, Colquijirca, Ishihuinca, Huachocolpa, Shila and Paula as well as the Environmental Impact Study ("EIA") of Antapite. As of December 31, 2002, the activities as defined in the PAMAs respective to the Uchucchacua, Julcani, Orcopampa, Colquijirca and Ishihuinca mining units had been completed.

#### (b) Land and mineral rights leases -

The Company has obtained the right to operate in certain areas through the execution of land lease contracts, as shown below:

Leaseholder	Leasing company	Year in which the contracts end	Royalties
Compañía de Minas Buenaventura S.A.A.	Sindicato Minero Orcopampa S.A. (Arequipa)	2013	10% concentrate revenues, subject to certain conditions.
Inversiones Mineras del Sur S.A.	El Futuro de Ica S.R.L. (Arequipa)	2015	7% of concentrate revenues.

Royalty expenses, which are included in the operating expenses section of the consolidated statements of income, are allocated among the mineral rights lease contracts, as follows:

	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
Sindicato Minero Orcopampa S.A.	8,011	11,576	12,674
El Futuro de Ica S.R.L.	743	572	1,047
Other	893	1,126	-
	<u>9,647</u>	<u>13,274</u>	<u>13,721</u>

Royalties payable amount to S/.5,097,000, as of December 31, 2002 (S/.3,884,000 as of December 31, 2001), see Note 16.

#### (c) Legal processes - Arbitrage on Cedimin S.A.C.'s shares -

In October 2000, Buenaventura signed a Transactional Agreement by means of which BRGM, Mine Or, Normandy and their related entities (SEREM) fully desisted to initiate or continue any action

## Notes to the Consolidated Financial Statements (continued)

related to preferential rights of the Cedimin S.A.C.'s shares, which was under arbitration before the International Chamber of Commerce. In December 2000, the controversy was definitively solved by a one-time payment, made by the Company through Compañía Minera Condesa S.A. (S/.143,035,000 at constant value as of December 31, 2002).

Damages claimed by a French citizen -

In February of 2002, the Company and Condesa, together with Newmont Mining, Newmont Second and certain individual persons, were defendants in an action initiated by a French citizen, with jurisdiction before the District Court of the state of Colorado in the United States. The plaintiff alleges that he was engaged as an advisor to Normandy respective to a lawsuit that concluded in October of 1998, and that such lawsuit separately motivated the execution of a Global Transaction Agreement in 2000 between the Company, BRGM, Mine Or, Normandy and their related entities (SEREM). The Global Transaction Agreement provided for full and permanent revocation and annulment of any preferential rights on the shares of Cedimin S.A.C. in exchange for a one-time payment of US\$80 million, of which the Company paid US\$40 million.

The plaintiff asserts that he was injured because Normandy had promised to pay him a commission based fee if he was able to increase the amount of the Company's payment as ordered by the Court, which did not occur, and seeks damages of not less than US\$25 million plus interest, in addition to unspecified punitive damages that could increase the amount by threefold. Additionally, the plaintiff alleges violations of the federal RICO statute and similar provisions of Colorado law, interference with contract rights, defamation and other damages.

The defendants have filed various motions to dismiss the action and believe the arguments presented for dismissal have solid legal ground; however, rather than responding to these motions for dismissal, the plaintiff has filed another demand. The Company and Condesa have presented motions to reject the new demand. At this date is not possible to predict when the court will rule on the motions, the possible outcome of such motions or a possible range of loss.

Other -

From time to time in the normal course of its activities, the Company is involved in various legal proceedings of a diverse nature. Management believes that any possible loss, which may result from these lawsuits, will not have a materially adverse effect on the Company's financial position.

(d) Exploration projects of the Company -

The Company, on its own behalf and acting as project operator, has commitments respective to the following exploration project:

Ccarhuarazo -

In accordance with rights assumed under the mining concession contract signed with Inversiones Mineras La Familia S.A.C. (La Familia) in January of 2001, Buenaventura has the authority to carry out exploration activities in the areas where La Familia holds mineral rights (department of Ayacucho). In exchange for the right to perform exploration on these concessions, the Company must pay to La Familia a compensation equivalent to 5 percent of the net revenues received on mineral concentrate extracted during the period covered by the contract.

In January of 2003, Buenaventura notified La Familia of its decision to terminate the mining concession contract. At the same time, Condesa notified the shareholders of La Familia of its decision to dissolve the purchase-sale agreement with reservation of ownership signed in February 2001.

## Notes to the Consolidated Financial Statements (continued)

With the cancellation of the above contracts, all obligations assumed by Buenaventura in their execution were extinguished.

- (e) Joint Venture contracts -  
Information respective to exploration projects undertaken in association with third parties, including commitments assumed by the Company, are presented below:

### Poracota -

In accordance with the commitment letter signed in April of 2002 between Buenaventura, Southwestern Resources Corp. and Teck Cominco Limited, the following commitments have been assumed:

- (i) A mining concession from Minas Poracota S.A. (100 percent owned by Minera del Suroeste S.A.C.), effective for a three-year period. This concession was received in exchange for an annual payment of US\$1,000, and a commitment by Buenaventura to invest US\$400,000, US\$1,000,000 and US\$1,600,000 during the first, second and third year, respectively, in exploration activities.
- (ii) An option on 50 percent of the capital stock of Minas Poracota S.A. for US\$4,500,000 for a three-year term. In order to maintain the right of exercise for the option, Buenaventura must pay US\$600,000 (US\$100,000 at the time of signing the commitment letter and US\$200,000 and US\$300,000, respectively, as of the first and second anniversaries of the effective date of the contract).

Additionally, Buenaventura has an option over 25 percent of the remaining capital stock of Poracota for a price of US\$1,000. To execute this option, Buenaventura must have complied with the investment requirements stated in (i) and executed the option detailed in (ii).

Once the obligations established in (i) have been fulfilled and both stock purchase options have been executed, Buenaventura may perform a pre-feasibility study to evaluate the commercial viability of the project.

### Los Pircos -

Through a contract signed in January of 2001, Buenaventura granted Minera Meridian Perú S.A. (“Meridian”) an option and an irrevocable offer to create a company under the guidelines defined for a closed anonymous society (“SAC”): Buenaventura will have a 49 percent participation and Meridian will have a 51 percent participation. Currently, Meridian is the operator and may execute the option it holds when the accumulated investment reaches US\$3,000,000.

Furthermore, once the entity is incorporated, Meridian may acquire from Buenaventura additional shares equal to 14 percent of the capital stock of the new entity for a price of US\$1,000,000.

### Salpo -

In April of 2002, the shareholders of Compañía Minera Salpo S.A. (Salpo), collectively “Grupo Wiese”, granted to Buenaventura an option on 51 percent of the capital stock of Salpo, subject to an investment of US\$2,000,000. The option has a 3-year term.

Once the option is executed, Buenaventura will have the option to buy an additional 9 percent of the capital stock of Salpo for US\$900,000 payable immediately upon option exercise. In the event that as of December 31, 2005, Buenaventura has executed this second option and the proved and probable

## Notes to the Consolidated Financial Statements (continued)

gold or equivalent metal reserves of the project have come to be estimated at 1,500,000 or above, Buenaventura will pay to Grupo Wiese an additional US\$900,000.

### Patagonia -

In February of 2003, Buenaventura signed a contract with the following Argentine companies: Lorenzon Ltd. (a subsidiary of a Peruvian mining company), Yamana Resources Inc., Yamana Resources Ltd., Recursos Yamana Ltd. and Recursos Yamana S.A., whose effective date was agreed to be April 12, 2002, (this date corresponds to the signing of a memorandum of understanding between Buenaventura and Yamana Resources Inc.).

Pursuant to the terms of this contract, Buenaventura is committed to acquire shares representing 50 percent of the capital stock of Yamana Resources Inc., and to carry out exploration activities in Santa Cruz, Argentina. The amounts to be invested are US\$500,000, US\$1,000,000 and US\$1,350,000 in the first, second and third year, respectively. Additionally, Buenaventura has the option to increase its participation in Recursos Yamana Ltd. to 66.67 percent with the investment of an additional US\$3,000,000 over a three-year period.

### Samana -

In December of 2000, Buenaventura, Minera Ayacucho S.R.L. ("Ayacucho") and Newmont Limited, Perú Branch ("Newmont") signed a contract by virtue of which Ayacucho granted to Buenaventura the mining rights on certain of its properties until December 31, 2003. Currently, these areas are under exploration.

In compensation for the mining concession rights granted, Buenaventura will pay to Ayacucho an amount equivalent to 3 percent of the net sales value of extracted mineral once the commercial production starts.

## 36. Transactions with affiliated companies

- (a) The Company had the following transactions with its affiliated companies during the year-ended December 31, 2002:

### S.M.R.L. Chaupiloma Dos de Cajamarca ("Chaupiloma")

Chaupiloma is the legal owner of the mineral rights on the mining concessions exploited by Yanacocha, and receives a 3 percent royalty on the net sales of Yanacocha. Royalties earned amounted to S/.76,964,000 in 2002, S/.55,170,000, and S/.52,436,000 in 2000, and are presented as "royalty income" in the consolidated statements of income.

### Minera Yanacocha S.R.L. ("Yanacocha")

Compañía Minera Condesa S.A. received cash dividends from Yanacocha for approximately S/.77,663,000 in 2002, S/.15,238,000 in 2001 and S/.92,447,000 in 2000.

In March of 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 will be related to the construction of mining projects and will include completion of analysis and studies, work plan design, and functions related to planning, monitoring and administrating the infrastructure projects required by Yanacocha in its operations. This contract will expire on December 31, 2003. The revenues related to this service contract amounted to approximately S/.9,986,000 for the year-ended December 31, 2002.

## Notes to the Consolidated Financial Statements (continued)

In October of 2000, the Company and Newmont Mining Corporation agreed to combine interests that each company separately held in properties in northern Peru into Yanacocha, a company in which Buenaventura and Newmont Mining Corporation are the principal shareholders. Under the unification plan for these property interest and in accordance with agreements signed between the Company and Newmont Mining Corporation in December 2000, Buenaventura invoiced to Yanacocha approximately S/.36,994,000 for machinery and equipment, mining concession rights, inventory and land. The remaining balance at December 31, 2000 of S/.12,874,000 was fully collected in 2001.

In accordance with the terms of a contract signed between Yanacocha and Buenaventura on December 19, 2000, Buenaventura was engaged to be in charge of the administration of the China Linda lime plant; this contract had an original maturity of December 18, 2010; however, Yanacocha elected to terminate the contract in 2001 through a payment of US\$1,800,000 (S/.6,434,000).

In November of 2000, Conenhua signed an agreement with Yanacocha for the construction 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 should be finished in October of 2001. Concurrently, Yanacocha and the Company signed a 10-year agreement covering electric energy transmission and infrastructure operation beginning November 2001. In exchange for Buenaventura operating and managing the transmission project, Yanacocha will pay an annual fee of US\$3.7 million. The revenues for these services amounted to approximately S/.13,859,000 in 2002 (S/.2,259,000 in 2001).

- (b) As a result of the above and other minor transactions, the Company has the following accounts receivable and payable from affiliated companies at December 31, 2001 and 2002:

	<b>2001</b>	<b>2002</b>
	S/.(000)	S/.(000)
<b>Receivable</b>		
Minera Yanacocha S.R.L.	25,891	30,149
Other	1,228	178
	<u>27,119</u>	<u>30,327</u>
<b>Payable</b>		
Minera Yanacocha S.R.L.	1,052	-
Other	15	22
	<u>1,067</u>	<u>22</u>

### 37. Summary of significant differences between accounting principles followed by the Company and U.S. generally accepted accounting principles

The Company's consolidated financial statements have been prepared in accordance with Peruvian GAAP, which differ in certain respects from U.S. GAAP. The effects of these differences are reflected in the approximations provided in Note 38 and are principally related to the items discussed in the following paragraphs:

#### Restatement of financial statements for general price level changes

Peruvian GAAP - Peruvian GAAP require the restatement of assets and liabilities into constant Peruvian Nuevos Soles as of the date of the latest financial statements presented. All non-monetary assets and liabilities and income statement amounts have been restated to reflect changes in the Peruvian wholesale price index, from the date the assets were acquired or the liabilities were incurred to the year-end. The purchasing power gain (loss) included in income (loss) reflects the effect of Peruvian inflation on the monetary liabilities

## Notes to the Consolidated Financial Statements (continued)

of the Company during the year, net of the loss resulting from the effect of inflation on monetary assets held. See Note 3(c).

U.S. GAAP - Under U.S. GAAP, account balances and transactions are stated in the units of currency of the period when the transactions are originated. This accounting model is commonly known as the historical cost basis of accounting. SEC rules establish that foreign private issuers that prepare their financial statements in a reporting currency that comprehensively includes the effects of price level changes are not required to eliminate such effects in the reconciliation to U.S. GAAP. Therefore, the U.S. GAAP reconciliation of net income and shareholders' equity shown in Note 38 does not reflect as a difference the effect of the general price level restatement.

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

Peruvian GAAP - Up to December 31, 2000, impairment loss of long-lived assets was not mandatory under Peruvian GAAP; therefore, Peruvian corporations did not recognize any impairment loss as of that date. Effective January 1, 2001, impairment loss of long-lived assets is recognized according to International Accounting Standard (IAS) 36, "Impairment of Assets". See Note 3(m).

Impairment loss is recognized for the amount by which the book value of an asset exceeds the higher of its net selling price or value in use. The value in use of an asset is generally calculated as the present value of the estimated future cash flows expected to be earned from continual use of the asset and from its disposal at the end of its useful life. An impairment loss recognized in a previous year is reversed if events or changes occur that indicate the estimates used when the impairment loss was recognized should be adjusted to reflect a more favorable cash flow scenario.

U.S. GAAP - Under Statement of Financial Accounting Standard N°144 "Accounting for the Impairment or Disposal of Long-Lived Assets" superseded SFAS 121. SFAS 144 establishes a single accounting model, based on the framework of SFAS 121 ("Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of"), for long-lived assets to be disposed of by sale. This statement was adopted on January 1, 2002 and there was no impact upon adoption.

Under SFAS 144, an impairment loss is measured as the amount by which asset-carrying value exceeds fair value. Fair value is generally determined using estimated cash flows analysis. Impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Once recognized, an impairment loss is not reversed.

### **Intangibles (exploration and development costs)**

Peruvian GAAP - Until December 31, 1999, exploration costs of new mining sites were capitalized if there existed a reasonable probability of successful future exploitation. These costs were charged to expenses in the year in which management determined that no future value was expected from the respective mining sites.

Annually, management made an assessment of the future value of the mining units. Similar costs related to the currently exploited mining units were included in the operating costs of the period. Effective January 1, 2000, all exploration costs are charged to expenses as incurred. See Note 4(b).

Development costs are capitalized. On-going development expenditures to maintain production are charged to operations as incurred.

U.S. GAAP - Exploration costs incurred before development of a site begins are expensed as incurred.

Development costs are capitalized. On-going development expenditures to maintain production are charged to operations as incurred.

## Notes to the Consolidated Financial Statements (continued)

### **Amortization of intangibles (exploration and development costs)**

Peruvian GAAP - Until December 31, 1999, the capitalized exploration costs under Peruvian GAAP were amortized using the units-of-production method on the basis of total estimated units of proven reserves. Effective January 1, 2000, these costs are charged to expenses as incurred. See Note 4(b).

The capitalized development costs are amortized using the units-of-production method on the basis of total estimated units of proven reserves.

U.S. GAAP - Exploration costs are expensed as incurred. The capitalized development costs are amortized using the units-of-production method on the basis of total estimated units of proven reserves.

### **Share in Yanacocha**

Peruvian GAAP - In the consolidated financial statements, Yanacocha is accounted for by the equity method. Until December 31, 1999, the consolidated results and shareholders' equity include the share in Yanacocha, which is obtained from its financial statements prepared in accordance with Peruvian GAAP. Under Peruvian GAAP, Yanacocha's mine development costs are capitalized and amortized in one year. Effective January 1, 2000, Buenaventura's share in Yanacocha's income is retroactively modified to record principally the amortization of the mine development costs using the units-of-production method. This accounting treatment approximates U.S. GAAP and is consistent with Buenaventura's current accounting policy for amortizing mine development costs. See Note 4(c).

In addition, Buenaventura maintains the payment made in excess over the book value of Yanacocha's shares (recorded as mining concession within the investment caption) in Peruvian Nuevos Soles, its reporting currency.

U.S. GAAP - The consolidated results and shareholders' equity include the share in Yanacocha obtained from Yanacocha's financial statements prepared in accordance with U.S. GAAP.

Under U.S. GAAP, the mining concession in Yanacocha must be kept in the same functional and reporting currency of this entity, that is U.S. dollars, and not in Peruvian Nuevos Soles.

### **Income tax**

Peruvian GAAP - Current income tax is determined in accordance with applicable legal regulations. In addition, under International Accounting Standard 12 (IAS 12), Peruvian corporations must recognize the tax effect of temporary differences between the financial reporting basis of their liabilities and assets and the related tax basis.

The deferred income tax asset is only recognized if it is probable that some portion or the entire deferred income tax asset will be realized. Otherwise, it is only disclosed in the notes to the financial statements.

U.S. GAAP - Under Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS 109"), which designates the liability method as the required accounting method for taxes in the United States, companies must recognize the tax effect of temporary differences between the financial reporting basis of their liabilities and assets and the related tax basis.

Under SFAS 109, the deferred income tax asset is recognized and reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

## Notes to the Consolidated Financial Statements (continued)

### **Workers' profit sharing**

Peruvian GAAP - Workers share in the profits of the Company by receiving a percentage of the Company's taxable income. Under Peruvian GAAP, Peruvian corporations must recognize a liability for temporary differences related to workers' profit sharing on a basis similar to that used for income tax.

Similar to income tax, the deferred workers' profit sharing asset is only recognized if it is more likely than not that some portion or all of the deferred workers' profit sharing asset will be realized. Otherwise, it is only disclosed in the notes to the financial statements.

In addition, the workers' profit sharing expense is shown in the consolidated statements of income in a similar way to the income tax expense presentation.

U.S. GAAP - The common practice is to recognize the effect of temporary differences between book and tax income related to workers' profit sharing on a basis similar to that used for income tax.

Similar to income tax, the deferred workers' profit sharing asset is recognized and reduced by a valuation allowance if, based on the weight of the available evidence, it is more likely than not that some portion or all of the deferred workers' profit sharing asset will not be realized.

In addition, the workers' profit sharing expense is shown in the consolidated statements of income as operating expenses.

### **Available-for-sale investments**

Peruvian GAAP - Investments in which the Company's interest is lower than 20 percent (Sociedad Minera Cerro Verde S.A.) are stated at cost, less any permanent impairment.

U.S. GAAP - The investments must be classified, according to management's intent, into one of the following categories: trading, available-for-sale, or held-to-maturity. Available-for-sale investments should be marked-to-fair value, with the resulting unrealized gain or loss recorded directly to a separate component of equity until realized, at which time the gain or loss is recorded in income.

If the decline in fair value is judged to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis and the amount of the write-down is included in earnings (that is, accounted for as a realized loss). The new cost basis is not changed for subsequent recoveries in fair value.

### **Amortization of goodwill**

Peruvian GAAP – In 2001, Buenaventura paid an amount in excess of the book value of the shares of its subsidiary Consorcio Energético de Huancavelica S.A., and amortizes such excess (goodwill) using the straight-line method over a 10-year period.

U.S. GAAP – SFAS 142, "Goodwill and other Intangible Assets", effective January 1, 2002, requires, among other things, the discontinuance of amortization related to goodwill and indefinite lived intangible assets. These assets will then be subject to an impairment test at least annually. As shown in Note 38, the effect of adopting SFAS 142 was a decrease in annual amortization expense of S/.872,000 (US\$248,000).

### **Legal reserve**

Peruvian GAAP - In accordance with the General Corporations Law, the Company has created a legal reserve, which can be used only to offset losses or be capitalized and cannot be distributed as dividends.

## Notes to the Consolidated Financial Statements (continued)

U.S. GAAP - Accumulated losses generally cannot be offset against other components of shareholders' equity.

### **Capitalization of interest**

Peruvian GAAP - Interest costs relating to construction are not capitalized.

U.S. GAAP - Statement of Financial Accounting Standard No. 34 "Capitalization of Interest Cost" ("SFAS 34"), states that a portion of interest paid during periods in which assets were constructed or developed must be capitalized. It is assumed that the proceeds of loans outstanding during construction periods were used to fund the construction.

No allocation of the interest paid relating to assets constructed or developed was included in the reconciliation presented in Note 38 as the interest to be allocated was not material (accumulated effect of S/.750,000 as of December 31, 2002).

### **Derivative financial instruments**

Peruvian GAAP - The Company uses derivative financial instruments to mitigate certain market risks to which the Company is exposed. There are no specific rules for accounting for the derivative financial instruments in Peru. The Company uses the following accounting treatment to record its contracts:

- Gains and losses on derivative financial instruments designed to cover variations in commodity metal prices (economic hedge) are recorded upon settlement and are presented as "net sales" in the consolidated statements of income.
- Gains and losses on derivative financial instruments designed to cover interest rate variability are recorded as realized or accrued, and are presented as "interest expense" in the consolidated statements of income.
- When the exchange rate at the date of the consolidated balance sheet is less than the stated exchange rate fixed in a forward currency exchange agreement, the Company recognizes the corresponding loss in the consolidated statements of income.

IAS 39 "Recognition and Measurement of Financial Instruments" is effective in Peru on January 1, 2003. This IAS requires all assets or liabilities related to derivative instruments be recognized in the consolidated balance sheet at fair value. Unless certain criteria are met which allow the derivatives to qualify as hedges, changes in fair value must be recognized in the results of the period.

U.S. GAAP - SFAS N°133 requires recognition of all derivative instruments on the balance sheet as either assets or liabilities and measurement at fair value. Changes in the derivative's fair value will be recognized currently in earnings unless specific hedge accounting criteria are met. Gains and losses on derivative hedging instruments must be recorded in either Other Comprehensive Income or current earnings, depending on the nature of the instrument.

The commodity, interest rate and forward exchange rate contracts entered into by the Company fulfill strategic economic goals, but do not meet the strict FAS 133 criteria for hedge accounting treatment, and thus, these contracts are marked-to-market through earnings.

In 2002, the Company recognized the fair value of its derivative instruments through earnings. This represented an adoption of a new accounting principle and amounted to a loss of S/.46,184,000.

**38. Reconciliation between net income and shareholders' equity determined under Peruvian GAAP and U.S. GAAP**

The following is a summary of the approximate adjustments to net income for the years ended December 31, 2000, 2001 and 2002 and to shareholders' equity as of December 31, 2001 and 2002 that would be required if U.S. GAAP had been applied instead of Peruvian GAAP in the consolidated financial statements:

	<b>For the years ended December 31,</b>		
	<b>2000</b>	<b>2001</b>	<b>2002</b>
	S/.(000)	S/.(000)	S/.(000)
Net income according to the financial statements prepared under Peruvian GAAP	249,098	217,208	388,526
<b>Items increasing (decreasing) reported net income</b>			
Fair value of derivative instruments	(46,184)	(63,643)	(318,724)
Write-down of an available-for-sale investment to fair value	-	-	(5,634)
Depreciation originated by the impaired long-lived assets	1,496	810	602
Impairment of long-lived assets recorded under Peruvian GAAP	-	17,041	-
Exploration costs	153,771	-	-
Share in Yanacocha's equity- restated, see (a), (d)	(122,304)	(1,653)	(33,442)
Share in Yanacocha's equity – mining concession	-	-	540
Cumulative translation loss recorded under Peruvian GAAP (b)	20,856	-	-
Amortization of goodwill of Consorcio Energético de Huancavelica S.A.	-	-	872
Effect of U.S. GAAP adjustments on minority interest (c)	(14,822)	(5,645)	1,948
Deferred income tax asset, net	(51,901)	21,199	72,244
Deferred workers' profit sharing asset, net	(7,973)	1,473	23,115
Valuation allowance on deferred income tax and workers' profit sharing	58,897	(25,357)	(95,359)
Net adjustments	(8,164)	(55,775)	(353,838)
<b>Net income under U.S. GAAP</b>	240,934	161,433	34,688
Other comprehensive income (loss)			
Cumulative translation adjustment, net of workers' profit sharing and income tax	(8,591)	(873)	(4,752)
Unrealized gain (loss) on available-for-sale investments	2,585	(9,047)	-
<b>Total comprehensive income under U.S. GAAP</b>	234,928	151,513	29,936
<b>Accumulated other comprehensive income (loss) under U.S. GAAP</b>	7,421	(2,499)	(7,251)
<b>Basic and diluted income per share before cumulative effect of change in accounting principles under U.S. GAAP</b>	2.27	1.28	0.28
<b>Cumulative effect of change in accounting principle in basic and diluted earnings per share – derivate financial instruments</b>	(0.36)	-	-
<b>Basic and diluted income per share (in Peruvian Nuevos Soles)</b>	1.91	1.28	0.28
<b>Weighted average number of shares outstanding</b>	126,252,152	126,608,152	127,221,219

- (a) Buenaventura's accounting policies are similar to accounting policies followed by Yanacocha in preparing its financial statements under U.S. GAAP. Effective December 31, 2000, there are no differences between Peruvian GAAP and U.S. GAAP in recognizing the share in Yanacocha. The amount that appears in the above reconciliation table is the catch – up amount recorded under Peruvian GAAP, if the Company had recorded its equity share of Yanacocha's income using Yanacocha's U.S. GAAP net income. See Note 4(c) and Note 37: Share in Yanacocha.

- (b) Under Peruvian GAAP, the Company made a retroactive adjustment (loss) to record cumulative translation adjustment when determining the equity participation of the investment in Yanacocha, see Note 4(a). Under U.S. GAAP, this effect had already been recognized in the corresponding periods.
- (c) Represents the net effect of the U.S. GAAP adjustments on minority interest in the net income of the Company's consolidated subsidiaries.
- (d) In 2002, Yanacocha restated its figures of prior years as a result of a reaudit requested by its Newmont Mining Corporation ("the Principal"). The principle changes were in connection with the useful lives of the property, plant and equipment and mine development costs; in certain instances, Yanacocha was using different useful lives for similar assets and in other cases, the Company was depreciating mine facility assets using useful lives in excess of the estimated life of the gold reserves. The effects in Buenaventura were as follows: S/.17,150,000 of increased retained earnings as of January 1, 2000, and additional expenses of S/.7,350,000 and S/.9,100,000 in 2000 and 2001, respectively.

In addition, in 2002, the SEC challenged the accounting treatment for inventories followed by the Principal and Yanacocha, consisting on charging the depreciation directly to expenses and not allocating to inventories. Before issuing the 2002 financial statements, the SEC requested the Principal and Yanacocha to restate their prior financial statements. The effects in Buenaventura were as follows: S/.13,763,000 of increased retained earnings as of January 1, 2000, and increased income of S/.11,532,000 and S/.7,447,000 in 2000 and 2001, respectively.

The financial statements of Yanacocha for 2000, 2001 and 2002 were audited by PricewaterhouseCoopers and have issued opinions on those years.

In 2002, the Company considered these restatements when determined the share in Yanacocha under Peruvian GAAP; consequently, there is no difference in the accounting treatment between Peruvian GAAP and U.S. GAAP as of December 31, 2002. The reconciliation of net income of 2000 and 2001, and shareholders' equity as of December 31, 2001 shows the amounts not recognized under Peruvian GAAP in and as of those years.

The next table shows the reconciliation item corresponding to the Yanacocha's share as reported in prior years and as restated:

	<b>Year 2000</b>	<b>Year 2001</b>
	S/.(000)	S/.(000)
Share in Yanacocha's equity, as originally issued	(126,486)	-
Adjustments	4,182	(1,653)
	<u>          </u>	<u>          </u>
Share in Yanacocha's equity, as restated	<u>(122,304)</u>	<u>(1,653)</u>

The amounts shown in the net income reconciliation are presented before tax, except for the share in Yanacocha. The tax effect of each item, except the share in Yanacocha, is included in the deferred income tax line item.

	<b>At December 31,</b>	
	<b>2001</b>	<b>2002</b>
	S/.(000)	S/.(000)
Shareholders' equity according to the financial statements prepared under Peruvian GAAP	1,509,523	1,852,068
<b>Items increasing (decreasing) reported shareholders' equity</b>		
Fair value of derivative instruments	(109,827)	(428,551)
Impairment of long-lived assets recorded under U.S. GAAP	(31,712)	(31,712)
Depreciation originated by the impaired long-lived assets	6,145	6,747
Impairment of long-lived assets recorded under Peruvian GAAP	18,492	18,492
Share in Yanacocha's equity, see (d)	33,442	-
Amortization of goodwill of Consorcio Energético de Huancavelica S.A.	-	872
Cumulative translation adjustment –Yanacocha's mining concession	-	(7,520)
Effect of U.S. GAAP adjustments on minority interest (a)	(4,776)	(2,740)
Fair value of available-for-sale investments	(6,462)	(5,634)
Deferred income tax asset, net	83,246	157,247
Deferred workers' profit sharing asset, net	25,835	49,516
Valuation allowance on deferred income tax and workers' profit sharing	(111,018)	(206,377)
Net adjustments	(96,635)	(449,660)
<b>Shareholders' equity in accordance with U.S. GAAP</b>	<b>1,412,888</b>	<b>1,402,408</b>

(a) Represents the net effect of the U.S. GAAP adjustments on minority interest in the net equity of the Company's consolidated subsidiaries.

(b) As previously discussed, Yanacocha restated its financial statements of prior years to give effect to the two adjustment mentioned in (d) above. The following table summarizes the accumulated effect on the adjustments as of December 31, 2001:

	S/.(000)
Accumulated earnings increase as of January 1, 2000	30,913
Year 2000 (gain)	4,182
Year 2001 (loss)	(1,653)
<b>Net adjustments as of December 31, 2001</b>	<b>33,442</b>

The following is a roll forward of the components of shareholders' equity under U.S. GAAP:

	S/.(000)
<b>Shareholders' equity in accordance with U.S. GAAP at December 31, 2000</b>	1,293,419
Net income in accordance with U.S. GAAP	161,433
Declared and paid dividends	(45,902)
Cumulative translation adjustment, net of workers' profit sharing of S/.54 and deferred income tax of S/.256 (loss)	(873)
Proceeds from sale of treasury ADR	13,503
Fair value of available-for-sale investment	(9,047)
Other	355
<b>Shareholders' equity in accordance with U.S. GAAP at December 31, 2001</b>	<b>1,412,888</b>
Net income in accordance with U.S. GAAP	34,688
Declared and paid dividends	(70,368)
Cumulative translation adjustment, net of workers' profit sharing of S/.566 and deferred income tax of S/.1,757	(4,752)
Proceeds from sale of treasury ADR	23,402
Reduction of unrealized losses on an available-for-sale investment due to a write down to fair value	6,462
Other	88
<b>Shareholders' equity in accordance with U.S. GAAP at December 31, 2002</b>	<b>1,402,408</b>

With regard to the consolidated balance sheets and statements of income, the following captions determined under U.S. GAAP would have been:

	At December 31,	
	2001 S/.(000)	2002 S/.(000)
<b>Balance sheets</b>		
Investments	944,044	1,158,380
Property, plant and equipment, net	348,671	358,852
Mining concessions and goodwill, net	185,764	172,728
Total assets	1,916,731	2,167,613
Derivative instruments (liability)	109,827	428,551
Deferred income tax liability	12,971	12,773
Deferred workers' profit sharing liability	4,177	4,115
Total liabilities	469,389	716,980
Minority interest	34,454	48,225

	For the years ended December 31,		
	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
<b>Statements of income</b>			
Net sales	386,941	454,464	530,965
Depreciation	(30,623)	(36,428)	(37,765)
Assets impairment loss and write-off	-	(6,304)	-
Total operating costs and expenses	(454,998)	(501,918)	(519,399)
Operating income (expense)	(15,637)	7,698	88,530
Share in affiliated companies	283,693	198,464	297,911
Loss on derivative instruments, net	(4,834)	(4,361)	(269,803)
Write-down of an available-for-sale investment to fair value	-	-	(5,634)
Provision for income tax	(28,097)	(26,812)	(25,102)
Effect of change in tax law	3,670	(3,433)	-
Other current and deferred taxes	(31,767)	(23,379)	(25,102)
Income before cumulative effect of change in accounting principle	287,118	161,433	39,782
Cumulative effect of change in accounting principle – derivative financial instruments	(46,184)	-	-

**39. Additional disclosures required by U.S. GAAP and the SEC**

The provision for income tax is as follows:

	For the years ended December 31,		
	2000 S/.(000)	2001 S/.(000)	2002 S/.(000)
Current	21,684	20,815	22,591
Deferred	6,413	5,997	2,511
<b>Total</b>	<b>28,097</b>	<b>26,812</b>	<b>25,102</b>

The tax effects of significant temporary differences are as follows:

	<b>As of December 31, 2001</b>	<b>Effect on statement of income</b>	<b>Effect on net equity</b>	<b>As of December 31, 2002</b>
	S/.(000)	S/.(000)	S/.(000)	S/.(000)
<b>Deferred income tax asset</b>				
Market values of derivative instruments	27,284	79,168	-	106,452
Tax loss carryforward (i)	46,903	(8,155)	-	38,748
Impairment of long-lived assets	5,991	(22)	-	5,969
Stock Appreciation Rights	552	1,566	-	2,118
Cumulative translation adjustment – Yanacocha’s mining concession	-	-	2,002	2,002
Accrual for mine closing and environmental protection expenses	2,571	(841)	-	1,730
Write-down of inventory	1,413	(21)	-	1,392
Accrual for employee vacations	33	513	-	546
Other	918	110	-	1,028
	<u>85,665</u>	<u>72,318</u>	<u>2,002</u>	<u>159,985</u>
<b>Deferred income tax liability</b>				
Mineral stripping cost	(6,784)	(2,903)	-	(9,687)
Voluntary revaluation at acquisition (fair value)	(4,710)	360	-	(4,350)
Cumulative translation adjustment (ii)	(1,465)	-	(245)	(1,710)
Other	(14)	(42)	-	(56)
	<u>(12,973)</u>	<u>(2,585)</u>	<u>(245)</u>	<u>(15,803)</u>
	72,692	69,733	(1,757)	144,182
Valuation allowance (i)	<u>(84,711)</u>	<u>(72,244)</u>	<u>-</u>	<u>(156,955)</u>
<b>Deferred income tax liability, net</b>	<u>(12,019)</u>	<u>(2,511)</u>	<u>1,757</u>	<u>(12,773)</u>

- (i) The Company does not record either the deferred income tax and workers’ profit sharing assets or the valuation allowance when it is more likely than not that some portion or the entire deferred income tax asset will not be realized. It is only disclosed in notes to the financial statements. Under U.S. GAAP, the deferred assets and the corresponding valuation allowance are recorded.
- (ii) The Company does not record the deferred income tax and workers’ profit sharing liability originated by the cumulative translation adjustment. This is recognized in the income and shareholders’ equity determined under U.S. GAAP.

The reconciliation of the income tax provision computed at the statutory Peruvian income tax rate to the provision for income tax recorded on an U.S. GAAP basis in the consolidated statements of income is as follows:

	<b>For the years ended December 31,</b>		
	<b>2000</b>	<b>2001</b>	<b>2002</b>
	S/.(000)	S/.(000)	S/.(000)
<b>Approximate income before income tax according to U.S. GAAP</b>	311,719	191,506	81,638
Statutory income tax rate	30%	30%	27%
Expected income tax provision in accordance with U.S. GAAP	93,516	57,452	22,042
<b>Effect of items increasing (decreasing) the effective tax rate</b>			
Share in affiliated companies (a)	(41,938)	(55,232)	(74,001)
Write-down of an available-for-sale investment to fair value	-	-	1,510
Cumulative effect of changes in accounting principles	19,067	-	-
Tax loss of the current year (b)	5,574	-	-
Effect of change in tax law	(3,670)	3,433	-
Other permanent items	7,449	(40)	3,307
<b>Income tax expense (benefit) in accordance with U.S. GAAP</b>	79,998	5,613	(47,142)
<b>Change in valuation allowance</b>	(51,901)	21,199	72,244
<b>Income tax expense</b>	<b>28,097</b>	<b>26,812</b>	<b>25,102</b>

- (a) According to the income tax law, share in affiliated companies are not taxable.
- (b) Tax loss of the current year cannot be used to the extent it is originated by non-taxable revenues.

### **Recently Issued Accounting Pronouncements**

#### *FAS 143, Accounting for asset retirement obligations*

In June 2001, the FASB issued Statement No. 143, Accounting for Asset Retirement Obligations (“FAS 143”), which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. FAS 143 require entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When a liability is initially recorded, an entity capitalizes the cost by increasing the carrying amount of the related long-lived asset. Over time, a liability is increased each period to reflect an interest element considered in its initial measurement at fair value, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, we will record any gain or loss that occurs. FAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company is currently in the process of assessing the effects of implementing the new standard.

#### *FAS 146, Accounting for costs associated with exit or disposal activities*

In June 2002, the FASB issued Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities (FAS 146). FAS 146 addresses issues relating to the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities.

FAS 146 requires that the initial liability for costs associated with exit and disposal activities be measured at fair value. It prohibits the recognition of a liability based solely on an entity's commitment to a plan, and requires that the liability for costs associated with exit and disposal activities be re-evaluated each subsequent reporting period. FAS 146 requires costs for which a liability is not recorded expensed as incurred, even if those costs are incremental to other operating costs and will be incurred as a direct result of the plan. FAS 146 is effective for exit or disposal activities initiated after December 31, 2002. Retroactive application of FAS 146 is prohibited, so liabilities recognized prior to the initial application of FAS 146 will continue to be accounted for under existing guidance.

*FIN 45, Guarantor's accounting and disclosure requirements for guarantees*

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees ("FIN 45"). FIN 45 clarifies the requirements of Statement No. 5, Accounting for Contingencies, relating to a guarantor's accounting for, and disclosure of, the issuance of certain types of guarantees. FIN 45 requires that upon issuance of a guarantee, the guarantor must recognize a liability for the fair value of the obligation it assumes under that guarantee. The disclosure provisions of FIN 45 are effective for these financial statements, but the provisions for recognition and measurement are effective only for guarantees that are issued or modified after December 31, 2002.

*FIN 46, Consolidation of Variable Interest Entities*

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities", that addresses consolidation by business enterprises of variable interest entities, which has certain characteristics. The Board believes that if a business enterprise has a controlling financial interest in a variable interest entity, the assets, liabilities and results of the activities of the variable interest entity should be included in consolidated financial statements with those of the business enterprise.

This interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date.