

Index to the Financial Statements

	Page
Compañía de Minas Buenaventura S.A.A. and subsidiaries	
Report of Independent Public Accountants	F-2
Consolidated financial statements	
Consolidated Balance Sheets as of December 31, 1999 and 2000	F-3
Consolidated Statements of Income for the years ended December 31, 1998, 1999 and 2000	F-4
Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 1998, 1999 and 2000	F-6
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000	F-7
Notes to the consolidated financial statements	F-9
Minera Yanacocha S.R.L.	
Report of Independent Public Accountants	F-71
Financial statements	
Balance Sheets as of December 31, 1999 and 2000	F-72
Statements of Income for the years ended December 31, 1998, 1999 and 2000	F-73
Statements of Changes in Partners' Equity for the year ended December 31, 1998 and Statements of Changes in Partners' Equity for the years ended December 31, 1999 and 2000	F-74
Statements of Cash Flows for the years ended December 31, 1998, 1999 and 2000	F-75
Notes to the financial statements	F-76

Report of independent public accountants

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, 1999 and 2000, 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, 2000. 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, 1999 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 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 in order to achieve uniformity in the 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 40 and 41 to the consolidated financial statements.

Countersigned by:

Marco Antonio Zaldívar
C.P.C. Register No.12477

Lima, Peru
February 22, 2001

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

Consolidated Balance Sheets

As of December 31, 2000 and 1999

	Note	1999 S/(000)	2000 S/(000)	2000 US\$(000)		Note	1999 S/(000)	2000 S/(000)	2000 US\$(000)
Assets					Liabilities and shareholders' equity				
Current assets					Current liabilities				
Cash and cash equivalents	7	59,815	22,128	6,277	Bank loans and overdrafts	15	40,929	68,149	19,200
Trade and other accounts receivable, net	8	61,215	106,532	30,222	Trade accounts payable	16	32,287	41,002	11,878
Accounts receivable from affiliates	37	34,249	43,587	12,365	Other current liabilities	17	56,519	86,265	24,472
Inventories, net	9	81,871	80,430	22,817	Current portion of long-term debt	18	10,438	11,482	3,144
Prepaid taxes and expenses	10	28,307	26,341	7,472	Total current liabilities		<u>140,173</u>	<u>206,898</u>	<u>58,694</u>
Total current assets		<u>265,457</u>	<u>279,018</u>	<u>79,153</u>	Deferred income tax and workers' profit sharing	27(b)	-	8,159	2,406
Investments	11	361,305	603,497	171,205	Long-term debt	18	13,339	19,293	5,382
Property, plant and equipment, net	12	303,560	307,303	87,178	Total liabilities		<u>153,512</u>	<u>234,350</u>	<u>66,482</u>
Exploration and development investments, net	13	216,011	111,361	31,592	Minority interest	19	82,634	67,655	19,193
Mining concessions, net	14	199,365	234,788	66,607	Shareholders' equity	20			
Total assets		<u>1,345,698</u>	<u>1,535,967</u>	<u>435,735</u>	Capital stock, common shares - Series A		90,663	58,726	16,660
					Capital stock, common shares - Series B		94,345	127,129	36,065
					Investment shares		1,348	501	142
					Additional paid-in capital		513,786	513,786	145,755
					Legal reserve		37,001	37,171	10,545
					Retained earnings		396,310	612,158	173,662
					Cumulative translation adjustment		-	6,607	1,874
					Treasury shares		(23,901)	(122,116)	(34,643)
					Total shareholders' equity		<u>1,109,552</u>	<u>1,233,962</u>	<u>350,060</u>
					Total liabilities and shareholders' equity		<u>1,345,698</u>	<u>1,535,967</u>	<u>435,735</u>

The accompanying notes are an integral part of these consolidated balance sheets.

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

Consolidated Statements of Income

For the years ended December 31, 1998, 1999 and 2000

	Note	1998 S/(000)	1999 S/(000)	2000 S/(000)	2000 US\$(000)
Revenues					
Net sales	22	208,441	361,890	429,734	121,910
Royalty income	37 (a)	39,067	50,328	52,705	14,952
Total revenues		<u>247,508</u>	<u>412,218</u>	<u>482,439</u>	<u>136,862</u>
Operating costs					
Direct costs of sales	23	151,615	219,782	247,182	70,123
Exploration, development and mine preparation costs		44,302	53,488	53,944	15,303
Depreciation	12	18,551	28,206	32,293	9,161
Royalties	36 (b)	5,904	4,750	9,697	2,751
Total operating costs		<u>220,372</u>	<u>306,226</u>	<u>343,116</u>	<u>97,338</u>
Gross margin		<u>27,136</u>	<u>105,992</u>	<u>139,323</u>	<u>39,524</u>
Operating expenses					
Administrative	24	48,705	53,399	55,838	15,841
Selling expenses		13,298	26,502	29,170	8,275
Exploration costs of new mining sites		19,192	24,454	18,680	5,299
Allowance for doubtful accounts	8,37	-	59	8,072	2,290
Provision due to change from exploitation to exploration in the mining unit of Julcani	17	-	14,266	-	-
Total operating expenses		<u>81,195</u>	<u>118,680</u>	<u>111,760</u>	<u>31,705</u>
Operating result		<u>(54,059)</u>	<u>(12,688)</u>	<u>27,563</u>	<u>7,819</u>
Other income (expenses)					
Participation in affiliated companies	11 (c)	184,853	221,002	286,042	81,147
Result from exposure to inflation	6	13,828	4,466	2,498	709
Amortization of mining concessions	14	(30,292)	(12,765)	(12,219)	(3,466)
Financial, net	25	16,724	(5,749)	(2,539)	(720)
Other, net	26	13,057	(8,205)	77,087	21,869
Total other income, net		<u>198,170</u>	<u>198,749</u>	<u>350,869</u>	<u>99,539</u>

Consolidated Statements of Income (continued)

	Note	1998 S/(000)	1999 S/(000)	2000 S/(000)	2000 US\$(000)
Income before unusual item, workers' profit sharing, income tax, minority interest and cumulative effect of changes in accounting principles		144,111	186,061	378,432	107,358
Unusual item - write-off of oil operation	11(d)	<u>(14,179)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income before workers' profit sharing, income tax, minority interest and cumulative effect of changes in accounting principles		129,932	186,061	378,432	107,358
Workers' profit sharing	27 (a)	<u>-</u>	<u>-</u>	<u>(4,366)</u>	<u>(1,239)</u>
Income before income tax, minority interest and cumulative effect of changes in accounting principles		129,932	186,061	374,066	106,119
Income tax	27 (a)	<u>(11,562)</u>	<u>(15,035)</u>	<u>(27,488)</u>	<u>(7,798)</u>
Income before minority interest and cumulative effect of changes in accounting principles		118,370	171,026	346,578	98,321
Minority interest	19	<u>(8,163)</u>	<u>(6,082)</u>	<u>(32,301)</u>	<u>(9,163)</u>
Income before cumulative effect of changes in accounting principles		110,207	164,944	314,277	89,158
Cumulative effect of changes in accounting principles	4	<u>-</u>	<u>-</u>	<u>(63,902)</u>	<u>(18,128)</u>
Net income		<u>110,207</u>	<u>164,944</u>	<u>250,375</u>	<u>71,030</u>
Basic and diluted income per share before the cumulative effect of changes in accounting principles, stated in Peruvian Nuevos Soles	28	0.87	1.31	2.49	0.71
Cumulative effect of the accounting changes in the basic and diluted income per share	28	<u>-</u>	<u>-</u>	<u>(0.51)</u>	<u>(0.15)</u>
Basic and diluted income per share, stated in Peruvian Nuevos Soles	28	<u>0.87</u>	<u>1.31</u>	<u>1.98</u>	<u>0.56</u>

The accompanying 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, 1998, 1999 and 2000

	Capital stock		Investment shares S/(000)	Additional capital S/(000)	Legal reserve S/(000)	Cumulative translation adjustment S/(000)	Retained earnings S/(000)	Treasury shares S/(000)	Total S/(000)
	Common shares Series A S/(000)	Common shares Series B S/(000)							
Balance as of January 1, 1998	90,663	69,207	26,486	513,786	24,291	-	198,855	(8,283)	915,005
Declared and paid dividends	-	-	-	-	-	-	(34,534)	-	(34,534)
Stock exchange, Note 20(b)	-	25,138	(25,138)	-	-	-	-	-	-
Net income	-	-	-	-	-	-	110,207	-	110,207
Transfer to legal reserve	-	-	-	-	12,710	-	(12,710)	-	-
Acquisition of treasury shares, Note 20(e)	-	-	-	-	-	-	-	(15,618)	(15,618)
Other	-	-	-	-	-	-	3,622	-	3,622
Balance as of December 31, 1998	<u>90,663</u>	<u>94,345</u>	<u>1,348</u>	<u>513,786</u>	<u>37,001</u>	<u>-</u>	<u>265,440</u>	<u>(23,901)</u>	<u>978,682</u>
Declared and paid dividends	-	-	-	-	-	-	(33,881)	-	(33,881)
Other	-	-	-	-	-	-	(193)	-	(193)
Net income	-	-	-	-	-	-	164,944	-	164,944
Balance as of December 31, 1999	<u>90,663</u>	<u>94,345</u>	<u>1,348</u>	<u>513,786</u>	<u>37,001</u>	<u>-</u>	<u>396,310</u>	<u>(23,901)</u>	<u>1,109,552</u>
Declared and paid dividends	-	-	-	-	-	-	(34,742)	-	(34,742)
Stock exchange, Notes 20(a) and (b)	(31,937)	32,784	(847)	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	170	-	(170)	-	-
Cumulative translation adjustment, Note 20(g)	-	-	-	-	-	6,607	-	-	6,607
Adjustment to the value of the treasury shares acquired, Note 20(e)	-	-	-	-	-	-	-	(98,215)	(98,215)
Other	-	-	-	-	-	-	385	-	385
Net income	-	-	-	-	-	-	250,375	-	250,375
Balance as of December 31, 2000	<u>58,726</u>	<u>127,129</u>	<u>501</u>	<u>513,786</u>	<u>37,171</u>	<u>6,607</u>	<u>612,158</u>	<u>(122,116)</u>	<u>1,233,962</u>

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

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

Consolidated Statements of Cash Flows

For the years ended December 31, 1998, 1999 and 2000

	1998 S/(000)	1999 S/(000)	2000 S/(000)	2000 US\$(000)
Operating activities				
Collection from customers	193,664	382,659	413,127	117,199
Collection of dividends	104,530	126,053	92,923	26,361
Collection of royalties	34,518	39,895	42,267	11,991
Payments to suppliers	(151,986)	(258,541)	(289,934)	(82,251)
Payments to employees	(63,815)	(71,979)	(57,669)	(16,360)
Payments of income tax	(11,562)	(15,035)	(21,490)	(6,096)
Payments of interest	(6,677)	(10,328)	(9,062)	(2,571)
Other collections (payments), net	19,593	(21,546)	(33,660)	(9,549)
Net cash and cash equivalents provided by operating activities	<u>118,265</u>	<u>171,178</u>	<u>136,502</u>	<u>38,724</u>
Investing activities				
Proceeds from sale of assets and transfers of contractual positions	2,551	-	151,194	42,892
Proceed from sale of shares	-	-	2,117	600
Additional payment due to the Cedimin S.A.C. settlement	-	-	(143,770)	(40,786)
Exploration and development expenditures	(82,308)	(93,942)	(115,982)	(32,903)
Additions of property, plant and equipment	(43,771)	(55,811)	(69,338)	(19,670)
Purchase of investments	(84,368)	(57,713)	(2,003)	(568)
Decrease of time deposits	167,588	-	-	-
Net cash and cash equivalents used in investing activities	<u>(40,308)</u>	<u>(207,466)</u>	<u>(177,782)</u>	<u>(50,435)</u>
Financing activities				
Increase (decrease) of bank loans and overdrafts, net	(169,443)	(28,194)	32,433	9,201
Increase (decrease) of long-term debt, net	-	(8,350)	7,913	2,245
Payments of dividends	(31,625)	(33,881)	(34,742)	(9,856)
Net cash and cash equivalents provided by (used in) financing activities	<u>(201,068)</u>	<u>(70,425)</u>	<u>5,604</u>	<u>1,590</u>
Net decrease in cash and cash equivalents during the year	(123,111)	(106,713)	(35,676)	(10,121)
Result from exposure to inflation of cash and cash equivalents	15,153	3,249	(2,011)	(570)
Cash and cash equivalents at beginning of year	261,152	163,279	59,815	16,968
Cash originated by the consolidation of subsidiaries	10,085	-	-	-
Cash and cash equivalents at year-end	<u>163,279</u>	<u>59,815</u>	<u>22,128</u>	<u>6,277</u>

Consolidated Statements of Cash Flows (continued)

	1998 S/(000)	1999 S/(000)	2000 S/(000)	2000 US\$(000)
Reconciliation of net income to net cash and cash equivalents provided by operating activities				
Net income	110,207	164,944	250,375	71,030
Add (less)				
Cumulative effect of changes in accounting principles	-	-	63,902	18,128
Minority interest	8,163	6,082	32,301	9,163
Depreciation	18,551	28,206	32,293	9,161
Amortization of mining concessions	30,292	12,765	12,219	3,466
Write-off of exploration and development investments	19,669	19,910	10,518	2,984
Deferred income tax and workers' profit sharing	-	-	8,210	2,329
Allowance for doubtful accounts	-	59	8,072	2,290
Amortization in operating mining units	1,637	4,971	5,211	1,478
Net cost of fixed assets retired	16,381	3,492	3,174	900
Participation in affiliated companies, net of cash dividends	(80,323)	(94,949)	(193,119)	(54,786)
Gain from transfers of contractual positions, fixed assets and other assets	-	-	(80,537)	(22,847)
Result from exposure to inflation	(13,828)	(4,466)	(2,498)	(709)
Provision (write-off) for obsolescence	-	3,330	(1,743)	(494)
Provision due to change from exploitation to exploration in the mining unit of Julcani	-	14,266	-	-
Write-off of oil operation	14,179	-	-	-
Other	(3,873)	(4,556)	-	-
Net changes in assets and liabilities accounts				
Decrease (increase) in trade and other accounts receivable	(20,989)	(3,003)	(57,006)	(16,172)
Decrease (increase) in inventories	635	(8,101)	3,184	903
Decrease (increase) in prepaid taxes and expenses	(5,809)	(7,047)	9,105	2,583
Increase in trade accounts payable and other current liabilities	23,373	35,275	32,841	9,317
	<u>118,265</u>	<u>171,178</u>	<u>136,502</u>	<u>38,724</u>
Net cash and cash equivalents provided by operating activities				
	<u>118,265</u>	<u>171,178</u>	<u>136,502</u>	<u>38,724</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, 1999 and 2000 and for the years ended December 31, 1998, 1999 and 2000.

1. Business activity

Compañía de Minas Buenaventura S.A.A. (hereinafter “Buenaventura”) is a public corporation incorporated in 1953. It is engaged in the extraction, concentration and commercialization of polymetallic ores. In addition, Buenaventura and its subsidiaries (together “the Company”) hold interest in other mining companies, such as Minera Yanacocha S.R.L. (hereinafter “Yanacocha”), an entity in which it has a 43.65 percent stock share through a wholly-owned subsidiary Compañía Minera Condesa S.A.

The number of the Company’s employees was 1,832 and 1,879 as of December 31, 2000 and 1999, respectively. The Company’s legal address is Carlos Villarán 790, Santa Catalina, La Victoria, Peru.

Buenaventura operates four mining units (Julcani, Uchucchacua, Orcopampa and Huachocolpa) and keeps controlling interest in five mining companies that own the Colquijirca, Ishihuinca, Shila, Paula and Huallanca mines. These operations are developed in Peru. The Company also owns an electric power distribution company and a mining engineering services consulting company.

In November 1999, Buenaventura decided to cease the exploitation of the Julcani mine and carry out exploration activities only. As a result of this change, Buenaventura recorded in year 1999 a provision of S/14,266,000 that is shown as operating expenses in the consolidated statement of income.

The Company is exploring several projects in Peru, on its own and associated with foreign companies, aimed at developing polymetallic ore reserves, mainly gold and copper.

The financial statements as of December 31, 2000 have been approved by the Board of Directors on February 22, 2001, and will be subject to approval by the shareholders in the Ordinary Shareholders’ meeting to be held on March 29, 2001.

Notes to the Consolidated Financial Statements (continued)

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

Subsidiaries	Ownership as of December 31,				Economic activity
	1999		2000		
	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	Investments in Buenaventura, S.M.R.L. Chaupiloma Dos de Cajamarca, Minas Conga S.R.L. and other mining companies.
Compañía Minera Condesa S.A.	100.00	-	100.00	-	Investments in Yanacocha and in other affiliated companies engaged in mining activities.
Compañía Minera Colquirrumi S.A.	73.63	-	73.63	-	Extraction, concentration and commercialization of polymetallic ores, mainly zinc and lead. Currently it is also selling electric power.
Consorcio Energético de Huancavelica S.A.	77.84	7.60	99.99	0.01	Transmission of electric power to mining companies.
Contacto Corredores de Seguros S.A.	-	99.99	-	99.99	Placing insurance contracts and providing administrative and technical services in insurance matters.
Inversiones Colquijirca S.A.	51.94	-	51.94	-	Extraction, concentration and commercialization of polymetallic ores, mainly zinc and lead through its subsidiary Sociedad Minera El Brocal S.A.
Inversiones Mineras del Sur S.A.	70.11	-	76.09	-	Extraction, concentration and commercialization of gold in bars and in concentrates.
Metalúrgica Los Volcanes S.A.	100.00	-	100.00	-	Treatment of minerals and concentrates.
Minera Paula 49 S.A.C.	25.50	25.50	-	51.00	Extraction, concentration and commercialization of concentrates, mainly gold.

Notes to the Consolidated Financial Statements (continued)

Subsidiaries	Ownership as of December 31,				Economic activity
	1999		2000		
	Direct %	Indirect %	Direct %	Indirect %	
Minas Conga S.R.L.	20.00	40.00	20.00	40.00	Effective December 19, 2000, it is not carrying out exploration activities as a result of the transfer to Yanacocha of its rights for the exploration and exploitation of the mining rights owned by S.M.R.L. Chaupiloma Dos de Cajamarca (see Note 2).
Minera Shila S.A.C.	50.00	50.00	50.00	50.00	Extraction, concentration and commercialization of concentrates, mainly gold.
Minera Huallanca S.A.C.	-	100.00	-	100.00	Extraction, concentration and commercialization of polymetallic concentrate, mainly lead and zinc.
S.M.R.L. Chaupiloma Dos de Cajamarca	20.00	40.00	20.00	40.00	It owns the mining rights being explored and exploited by Yanacocha.

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 Yanacocha in December 2000, the Company sold to Yanacocha the following assets:

	Sales price S/(000)	Net cost S/(000)	Gain on sale S/(000)
Machinery and equipment (China Linda lime plant and other)	32,259	27,367	4,892
Mining rights	10,100	4,283	5,817
Erial land	6,001	-	6,001
Inventories	1,903	1,903	-
Land	203	203	-
	<u>50,466</u>	<u>33,756</u>	<u>16,710</u>

In addition, the Company had a gain of S/100,725,000 from transferring to Yanacocha its contractual positions in the agreements signed with S.M.R.L. Chaupiloma Dos de Cajamarca and other.

The net gain on the sale of the assets and transfer of contractual positions above mentioned, after eliminating intercompany profits of S/38,898,000, amounted to S/80,537,000 and is presented in the consolidated statement of income as other income.

The Company will be the administrator of the China Linda lime plant acquired. The agreed monthly fee is US\$10,000 plus reimbursement of all incurred costs. The agreement expires on December 18, 2010 and can be extended for similar periods at the Company's option.

3. Summary of significant accounting principles and practices

(a) Basis of presentation -

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Peru ("Peruvian GAAP"), 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

Notes to the Consolidated Financial Statements (continued)

approximate effects on net income and shareholders' equity is set forth in Notes 40 and 41. 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 States of America (the "SEC").

- (b) Uses of estimates in the preparation of financial statements -
The preparation of financial statements in conformity with generally accepted accounting principles in Peru requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 1998, 1999 and 2000. Actual results could differ from those estimates.

- (c) Reclassifications -
Certain figures from the consolidated financial statements as of December 31, 1999 have been reclassified to conform to the 2000 presentation.

- (d) Financial statements adjusted by inflation -
The accompanying consolidated financial statements have been prepared from the Company's accounting records that are carried out in nominal monetary terms adjusted to reflect the changes in the National Wholesale Price Level index (IPM). The net result from exposure to inflation as arising from such adjustment is shown in the consolidated statements of income. The IPM was 6.5 percent, 5.5 percent and 3.8 percent in years 1998, 1999 and 2000, respectively.

Non-monetary accounts in the consolidated balance sheets were adjusted using the coefficients determined from the IPM, according to their original date. Monetary accounts were not adjusted, as the book balances represent the monetary value of their components at the date of the consolidated balance sheets. Income statement accounts were adjusted on a monthly basis by applying average coefficients; exchange differences were excluded. Depreciation and amortization were determined from the adjusted amounts of the related assets.

Notes to the Consolidated Financial Statements (continued)

(e) Principles of consolidation -

The consolidated financial statements include all the accounts of Buenaventura and its more-than-50%-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

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 with the amount paid is recognized in the balance sheet as a mining concession.

(f) Cash and cash equivalents -

Cash and cash equivalents consist of all cash balances and highly liquid investments with an original maturity term of three months or less.

(g) Allowance for doubtful accounts -

Allowance for doubtful accounts is calculated based on a specific analysis of the recovery risk made periodically by management and is charged to expenses in the year in which the allowance is required.

(h) Financial assets and liabilities -

Financial assets and liabilities shown in the consolidated balance sheets correspond to cash and cash equivalents, accounts receivable, investments and accounts payable.

Financial instruments are offset when the Company has a legally enforceable right to set off the recognized amounts and management intends either to settle them on a net basis, or realize the asset and settle the liability simultaneously.

(i) Hedging transactions -

The Company uses derivative financial instruments to mitigate certain market risks to which the Company is exposed. In order for derivative financial instruments to qualify for hedge accounting, the following criteria must be met: (a) the hedging instrument must be designated as a hedge; (b) the hedged exposure must be specifically identifiable and expose the Company to risk; and (c) it must be highly probable that a change in the fair value of the derivative financial instrument and an opposite change in the fair value of the hedged exposure may have a high degree of correlation. The Company's derivative activity

Notes to the Consolidated Financial Statements (continued)

relates mainly to forward contracts for gold and silver. Gains and losses on derivative financial instruments are recorded upon settlement and are presented in net sales in the consolidated statements of income.

- (j) Inventories -
Inventories are stated at the lower of average cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell. The provision for obsolescence is based on an item by item analysis made by management and is charged to expenses in the period the obsolescence occurs.

- (k) Investments -
Investments in which the Company's interest is lower than 20 percent are stated at cost, less any permanent impairment. The corresponding dividends are credited to income when declared.

Investments in entities in which the Company's ownership is greater than 20 percent and less than 50 percent are accounted for by the equity method, recognizing the Company's share in the results of the affiliates in the consolidated statements of income.

The functional currency of the affiliates is the Peruvian Nuevo Sol, except for Yanacocha whose functional currency is the U.S. dollar. The translation of Yanacocha's financial statements results in exchange differences arising from translating (a) income and expense items at the exchange rates at the dates of the transactions, (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 disposal of the net investment. See accounting change for translating the financial statements of Yanacocha in Note 4(a).

Notes to the Consolidated Financial Statements (continued)

(l) 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 expenses when incurred. See accounting change in Note 4(b).

(m) Property, plant and equipment -
Property, plant and equipment are stated at cost, net of accumulated depreciation. Maintenance and minor repairs are charged to expenses as incurred. Significant improvements are capitalized. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	Years
Buildings, constructions and other	33 and 10
Machinery and equipment	5 and 10
Transportation units	5
Furniture and fixtures	10

Useful lives and the depreciation method are reviewed periodically to assure that they are consistent with the economic benefits involved in these assets.

Gains and losses from normal sale or retirement of these assets are included in other income or expense.

(n) Exploration and mine development costs -
Exploration costs are charged to expenses as incurred. See accounting change explained in Note 4(b).

When it is determined that a mineral property can be economically developed, the costs incurred to develop such property, including 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 reserves in the mining units under exploitation are capitalized. Mine development costs are amortized using the units-of-production method. On-going development expenditures to maintain production are charged to operations as incurred.

Notes to the Consolidated Financial Statements (continued)

- (o) Mining concessions -
Includes the amounts paid in excess of the fair value of the net assets of Yanacocha, Inversiones Colquijirca S.A. (Colquijirca), Cedimin S.A.C. and Consorcio Energético de Huancavelica S.A. (Conehua). The costs corresponding to Yanacocha and Colquijirca are amortized using the unit-of-production method, while the costs corresponding to Cedimin S.A.C. and Conehua are amortized using the straight-line method with an annual rate of 10 percent.

Annually, the Company reviews the recovery of the carrying amounts of mining rights. If there is evidence that the mining rights are impaired, the Company recognizes the impairment loss in the statement of income.

- (p) Provisions -
A provision is only recognized when: the Company has a present obligation as a result of past events, it is probable to require resources to settle the obligation and the amount can be reasonably estimated. Provisions are reviewed periodically and are adjusted to reflect the best estimation at the date of the consolidated balance sheets.
- (q) Recognition of revenue and expenses -
Sales of concentrates are recorded at the time of shipment when title passes to the customers. Sales are recorded at estimated value used by the Company for preliminary billings. The sales amounts are subject to an adjustment based upon final quality assessment and quotations. When it is evident that the quotations to be used in the final billing are lower than those used in the preliminary billing, the excess is recorded in the period in which final prices are known. Costs and expenses are recorded on an accrual basis.
- (r) Foreign currency transactions -
Assets and liabilities in foreign currency are stated in local currency at the prevailing purchasing and selling exchange rates, respectively.

Notes to the Consolidated Financial Statements (continued)

(s) Income tax and workers' profit sharing -

The current portion of the income tax and workers' profit sharing is calculated and recorded in accordance with current Peruvian legal regulations. In addition, following the liability method, the Company recognizes the effect of the temporary differences between book and tax bases to the extent that those differences result in a deferred liability. Should a deferred asset arise, it is not recognized if it is more likely than not that it will not be recoverable.

(t) Contingencies -

Contingent liabilities are recorded in the consolidated financial statements when it is probable that future events will confirm them and when the amount can be reasonably estimated. Contingent liabilities deemed as possible are only disclosed in the notes to the financial statements.

Contingent assets are not recognized in the financial statements; however, they are disclosed in the notes to the financial statements if it is probable that they will be realized.

(u) Basic and diluted income per share -

Basic and diluted income per share have been calculated based on the weighted average of common and investment shares outstanding at the date of the consolidated balance sheets, without considering treasury shares.

4. Changes in accounting principles

Effective January 1, 2000, the Company made the following accounting changes to achieve uniformity in the presentation of its financial statements and those of its subsidiaries and affiliates:

- (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 at the closing exchange rate. Effective January 1, 2000, the exchange differences arising as a result of applying the methodology described in Note 3(k), are classified as equity until the disposal of the net investment. The cumulative effect of the change was a net loss of S/20,963,000.

Notes to the Consolidated Financial Statements (continued)

- (b) Until December 31, 1999, the Company's policy was to capitalize all exploration costs in new mining units 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/162,864,000 comprised of the following:

	2000 S/(000)
Exploration costs under joint venture	49,937
Exploration costs in new mining units, net of minority interest of S/27,460	112,927
	<u>162,864</u>

- (c) Yanacocha capitalizes and fully amortizes in one year its development costs. Until December 31, 1999, the Company recognized 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(n). The cumulative effect of this change is a gain of S/127,592,000.
- (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 is a loss of S/7,667,000.

Notes to the Consolidated Financial Statements (continued)

5. Translation of Peruvian Nuevos soles amounts into U.S. dollar amounts

The consolidated financial statements are stated in Peruvian Nuevos soles. The translation of Peruvian Nuevos soles amounts into U.S. dollar amounts is included solely for the convenience of the reader, using the average market exchange rates for the purchase and sale of the U.S. dollar at December 31, 2000, which was S/3.52 to US\$1, as published by the Superintendencia de Banca y Seguros (Superintendent of Bank and Insurance, or "SBS"). The convenience translations should not be construed as representations that the Peruvian Nuevos soles amounts have been, could have been or could in the future be converted into U.S. dollar at said or any other rate of exchange.

6. Foreign currency transactions

Foreign currency transactions are made at the free market exchange rates. The exchange rates were 3.523 Peruvian Nuevos Soles = US\$1 for buying and 3.527 Peruvian Nuevos Soles = US\$1 for selling as of December 31, 2000 (3.505 Peruvian Nuevos Soles = US\$1 for buying and 3.511 Peruvian Nuevos soles = US\$1 for selling as of December 31, 1999). As of December 31, 2000 and 1999, the Company had the following assets and liabilities denominated in foreign currency:

	1999 US\$(000)	2000 US\$(000)
Assets		
Cash and cash equivalents	16,037	5,622
Trade and other accounts receivable	15,915	14,264
Accounts receivable from affiliates	6,362	12,022
	<u>38,314</u>	<u>31,908</u>
Liabilities		
Bank loans and overdrafts	11,024	19,200
Other current liabilities	6,827	10,446
Long-term debt (includes current portion)	6,017	8,526
	<u>23,868</u>	<u>38,172</u>
Net asset (liability) position	<u>14,446</u>	<u>(6,264)</u>

Notes to the Consolidated Financial Statements (continued)

The devaluation rates of the local currency with respect to the U.S. dollar, and the inflation rates according to the National Wholesale Price Level index published by the Peruvian Institute of Statistics for the last five years, are as follows:

Year	Devaluation	Inflation
	%	%
1996	12.1	11.4
1997	5.1	5.0
1998	15.4	6.5
1999	11.1	5.5
2000	0.5	3.8

The net gains from foreign currency transactions were S/47,189,000, S/9,750,000, and S/6,538,000 in 1998, 1999 and 2000, respectively, and are included in the result from exposure to inflation caption in the consolidated statements of income.

7. Cash and cash equivalents

This item is made up as follows:

	1999	2000
	S/(000)	S/(000)
Cash	527	1,976
Demand accounts	20,333	14,435
Time deposits	38,955	5,717
	<u>59,815</u>	<u>22,128</u>

The Company maintains its demand accounts in local banks, in Peruvian Nuevos Soles and U.S. dollars; these funds are available on demand and earn interest at market rates. Time deposits are denominated in U.S. dollars, earn an annual interest rate of 5 percent and mature in less than 30 days.

Notes to the Consolidated Financial Statements (continued)

8. Trade and other accounts receivable, net

This item is made up as follows:

	1999 S/(000)	2000 S/(000)
Trade (1)	<u>47,779</u>	<u>62,660</u>
Other		
Receivable from an associate (2)	-	31,288
Advances and loans to officers and employees (3)	4,254	6,178
Advances to suppliers, contractors and third parties	2,241	3,485
Interest receivable	432	403
Value added tax pending reimbursement, Note 21(e)	3,378	316
Other	<u>4,294</u>	<u>3,323</u>
	<u>14,599</u>	<u>44,993</u>
Trade and other accounts receivable	62,378	107,653
Less - Allowance for doubtful accounts	<u>(1,163)</u>	<u>(1,121)</u>
Trade and other accounts receivable, net	<u>61,215</u>	<u>106,532</u>

(1) The trade accounts receivable are denominated in U.S. dollars, have current maturity and earn no interest.

(2) The receivable from an associate corresponds to funds advanced by Minas Conga S.R.L. to Newmont Second Capital. These advances arise from the unitization of properties explained in Note 2.

(3) These advances and loans have current maturity and earn no interest.

Notes to the Consolidated Financial Statements (continued)

The allowance for doubtful accounts analysis for the years ended December 31, 1998, 1999 and 2000 follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Beginning balance	1,163	1,121	1,163
Provision for the year	-	59	89
Gain from exposure to inflation	(42)	(17)	(131)
	<u>1,121</u>	<u>1,163</u>	<u>1,121</u>
Ending balance	<u>1,121</u>	<u>1,163</u>	<u>1,121</u>

In management's opinion, the allowance for doubtful accounts adequately covers the recovery risk at the date of the consolidated balance sheets.

9. Inventories, net

This item is composed of the following:

	1999 S/(000)	2000 S/(000)
Concentrates	31,786	24,940
Supplies	53,540	57,137
	<u>85,326</u>	<u>82,077</u>
Less - Write-down of supplies	(3,455)	(1,647)
	<u>81,871</u>	<u>80,430</u>

Notes to the Consolidated Financial Statements (continued)

The write-down of supplies, determined following the criteria indicated in Note 3(j), had the following movement during the years 1998, 1999 and 2000:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Beginning balance	-	-	3,455
Provision for the year	-	3,330	-
Write-off	-	-	(1,743)
Gain (loss) from exposure to inflation	-	125	(65)
Ending balance	<u>-</u>	<u>3,455</u>	<u>1,647</u>

The Company expects to use all the supplies during the normal course of operations.

In management's opinion, the balance of write-down of supplies is enough to cover the obsolescence risk at the consolidated balance sheets dates.

10. Prepaid taxes and expenses

This item is composed of the following:

	1999 S/(000)	2000 S/(000)
Value added tax credit	23,859	19,918
Other	<u>4,448</u>	<u>6,423</u>
	<u>28,307</u>	<u>26,341</u>

In management's opinion, the value added tax credit will be recovered by offsetting the value added tax liabilities arising from future operations and from reimbursements from the tax authorities.

Notes to the Consolidated Financial Statements (continued)

11. Investments

(a) This item is composed of the following:

	<u>Share in the net equity</u>		<u>1999</u> S/(000)	<u>2000</u> S/(000)
	<u>1999</u> %	<u>2000</u> %		
Investments at cost				
Sociedad Minera Cerro Verde S.A.	9.17	9.17	<u>19,275</u>	<u>19,275</u>
Equity method investments				
Minera Yanacocha S.R.L.	43.65	43.65	284,951	580,971
Sociedad Minera Coshuro de Responsabilidad Limitada	-	45.90	-	962
Compañía Minera Caudalosa S.A.	35.88	-	3,866	-
Other			<u>3,276</u>	<u>2,289</u>
			<u>292,093</u>	<u>584,222</u>
Joint ventures				
Tantahuatay	40.09	40.09	17,516	-
Northern Peru	35.00	35.00	14,350	-
Pukajaja	25.00	25.00	8,073	-
Ayacucho	55.00	55.00	5,694	-
Pashpap	49.00	49.00	3,929	-
Cordillera Negra	50.00	50.00	<u>375</u>	<u>-</u>
			<u>49,937</u>	<u>-</u>
			<u>361,305</u>	<u>603,497</u>

The amount of the participation in the net equity of the affiliates were determined according to the audited financial statements issued by the related companies as of December 31, 1999 and 2000.

In December 2000, the Company changed its accounting policy for recording exploration costs under joint venture agreements, see further explanation in Note 4(b). Due to this, there is no balance of exploration projects under joint venture agreements as of December 31, 2000.

Notes to the Consolidated Financial Statements (continued)

- (b) The movement of the investment in Yanacocha for the years ended December 31, 1998, 1999 and 2000 was as follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Beginning balance	104,641	187,238	284,951
Participation in the current income	186,727	223,766	296,644
Participation in the cumulative effect of changes in accounting principles	-	-	119,925
Dividends received, Note 32	(104,130)	(126,053)	(92,923)
Elimination of intercompany gains	-	-	(13,270)
Cumulative translation adjustment	-	-	(14,356)
	<u> </u>	<u> </u>	<u> </u>
Ending balance	<u>187,238</u>	<u>284,951</u>	<u>580,971</u>

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)	127,592
Change in accounting principle related to revenue recognition, Note 4(d)	(7,667)
	<u>119,925</u>

- (c) The share in affiliated companies shown in the consolidated statements of income is made up as follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Minera Yanacocha S.R.L.	186,727	223,766	296,644
Sociedad Minera Coshuro de Responsabilidad Limitada	-	-	(10,770)
Compañía Minera CaudalosaSA	(1,051)	(1,570)	-
Compañía Minera El Palomo SA	(774)	(1,194)	-
Other	(49)	-	168
	<u> </u>	<u> </u>	<u> </u>
	<u>184,853</u>	<u>221,002</u>	<u>286,042</u>

Notes to the Consolidated Financial Statements (continued)

- (d) Buenaventura, through Buenaventura Ingenieros S.A., was engaged in a joint effort with two foreign entities (PanEnergy Exploration and Production Peru Ltd., Sucursal del Peru and Mosbacher Peru LLC, Sucursal del Peru) in the exploration and exploitation of hydrocarbons in Peru (Block 85). Between January 30, 1998 and May 9, 1998, the Company performed drilling operations in the exploratory well San Alejandro 1-X. In spite of positive signs during the sampling, the formation did not respond as expected, mainly due to low permeability. Consequently, the well was plugged and abandoned as non-productive and the Company wrote-off the total investment amounting to S/14,179,000 as of December 31, 1998. This amount is shown in the caption unusual item in the 1998 consolidated statement of income.

On November 24, 1998, Perupetro S.A. (the Peruvian state oil entity) confirmed that the partners (Buenaventura Ingenieros S.A., PanEnergy Exploration and Production Peru Ltd., Sucursal del Peru and Mosbacher Peru LLC, Sucursal del Peru) had complied satisfactorily with the obligations for the first exploration stage; consequently, they were entitled to continue the second exploration period (from February 15, 1999 to February 15, 2001). For the second stage, the Company would have to process 100 kilometers of seismic lines and drill a new exploratory well, or relinquish the block.

The three partners decided to look for a new partner, who would assume the exploration costs during the second period of exploration in exchange for a participation in the joint venture. The partners' effort was unsuccessful. Effective July 15, 1999, PanEnergy Exploration and Production Peru Ltd. - Sucursal del Peru, the operator, decided to abandon the project. Additionally, it was not possible to obtain from Perupetro S.A. an extraordinary extension that would have permitted the partners to continue to look for a new partner. Due to this and considering that the partners had no further interest in assuming the obligations corresponding to the second exploration period, the partners decided not to request an extension of the contract which was terminated on August 15, 1999.

Notes to the Consolidated Financial Statements (continued)

12. Property, plant and equipment and accumulated depreciation

(a) The movement of this item is shown below:

	Beginning balance S/(000)	Additions S/(000)	Sales S/(000)	Transfers S/(000)	Ending balance S/(000)
Cost					
Land	4,723	437	-	-	5,160
Buildings, constructions and other	289,465	2,004	(11,321)	21,343	301,491
Machinery and equipment	395,422	25,188	(30,048)	(96)	390,466
Transportation units	28,466	261	(273)	5,757	34,211
Furniture and fixtures	11,058	79	(141)	265	11,261
Work in progress	15,966	41,369	-	(22,316)	35,019
	<u>745,100</u>	<u>69,338</u>	<u>(41,783)</u>	<u>4,953</u>	<u>777,608</u>
Accumulated depreciation					
Buildings, constructions and other	117,937	9,384	(3,064)	-	124,257
Machinery and equipment	296,142	26,538	(7,671)	-	315,009
Transportation units	19,604	2,891	(199)	-	22,296
Furniture and fixtures	7,857	991	(105)	-	8,743
	<u>441,540</u>	<u>39,804</u>	<u>(11,039)</u>	<u>-</u>	<u>470,305</u>
Net cost	<u>303,560</u>				<u>307,303</u>

(b) As of December 31, 2000, Sociedad Minera El Brocal S.A. has pledged its machinery and equipment of US\$3,127,000 to guarantee bank loans and long-term debt. The book value of these assets is S/5,642,000.

(c) See Note 2 for the net gain on sale of fixed assets in connection with the unitization of properties in Yanacocha.

(d) The distribution of depreciation for the 2000 year is as follows:

	S/(000)
Operating costs	32,293
Inventories	<u>7,511</u>
	<u>39,804</u>

Notes to the Consolidated Financial Statements (continued)

13. Exploration and development investments, net

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

	Beginning balance S/(000)	Additions S/(000)	Write-off S/(000)	Sales S/(000)	Transfers S/(000)	Change in accounting principle, Note 4(b) S/(000)	Ending balance S/(000)
Development in operating mining units							
Cost							
Uchucchacua	42,672	4,921	-	-	(4,953)	-	42,640
Antapite	22,692	24,964	(5,247)	-	-	-	42,409
Tajo Norte	13,952	4,383	-	-	-	-	18,335
Colquijirca	8,203	5,975	-	-	-	-	14,178
Los Tapados	-	12,978	-	-	-	-	12,978
Orcopampa (Chipmo and Nazareno areas)	3,565	3,111	-	-	-	-	6,676
Huallanca	4,246	2	-	-	-	-	4,248
Coshuro	-	2,312	-	-	-	-	2,312
Lime concession (China Linda)	2,795	-	(127)	(2,668)	-	-	-
Other	8,298	441	(5,144)	-	-	-	3,595
	<u>106,423</u>	<u>59,087</u>	<u>(10,518)</u>	<u>(2,668)</u>	<u>(4,953)</u>	<u>-</u>	<u>147,371</u>
Accumulated amortization							
Uchucchacua	15,066	4,287	-	-	-	-	19,353
Antapite	11,389	-	-	-	-	-	11,389
Tajo Norte	4,344	877	-	-	-	-	5,221
Coshuro	-	7	-	-	-	-	7
Los Tapados	-	40	-	-	-	-	40
	<u>30,799</u>	<u>5,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,010</u>
Net cost	<u>75,624</u>						<u>111,361</u>
Projects in the exploration stage	<u>140,387</u>					<u>(140,387)</u>	<u>-</u>
	<u>216,011</u>						<u>111,361</u>

(b) The expansion of the Uchucchacua mining unit comprised a project to increase the production capacity of the mine and the treatment capacity of the plant from 1,200 dry short tonnes (DST) to 2,000 DST. This project ended in September 1998.

Notes to the Consolidated Financial Statements (continued)

14. Mining concessions, net

The movement of the cost and accumulated amortization follows:

	Beginning balance S/(000)	Additions S/(000)	Ending balance S/(000)
Cost			
Minera Yanacocha S.R.L. (a)	218,021	-	218,021
Cedimin S.A.C. (b)	30,813	39,080	69,893
Inversiones Colquijirca S.A. (c)	39,907	-	39,907
Consortio Energético de Huancavelica S.A. (d)	-	8,562	8,562
	<u>288,741</u>	<u>47,642</u>	<u>336,383</u>
Accumulated amortization			
Minera Yanacocha S.R.L.	80,668	6,095	86,763
Inversiones Colquijirca S.A.	2,738	3,017	5,755
Cedimin S.A.C.	5,970	3,107	9,077
	<u>89,376</u>	<u>12,219</u>	<u>101,595</u>
Net cost	<u>199,365</u>		<u>234,788</u>

- (a) Corresponds to an amount paid as a result of exercising preferential rights in the acquisition of an additional participation of 11.35 percent in Yanacocha.
- (b) On August 24, 1998 the Supreme Court resolved in favor of the Company the legal proceeding related to the purchase of 65 percent of the Cedimin S.A.C.'s shares. Consequently, the Company recorded S/30,813,000 as mining concessions; this amount was determined using March 1995 as a referential date, on which, in accordance with the Supreme Court resolution, the preferential right on the shares was granted to the Company. In addition, as further explained in Note 35(a), the Company recorded an additional amount of S/39,080,000 as mining concessions in order to reach the amount shown in such note.
- (c) In March 1999, Buenaventura acquired an additional 30.37 percent of the capital stock of Inversiones Colquijirca S.A. (Colquijirca) for a price of US\$14,601,930 plus an amount that will be determined and paid based on the net present value of the feasibility study of the San Gregorio project, managed by Sociedad Minera El Brocal S.A., a company in which Colquijirca controls 51 percent of the capital stock. As a result of this acquisition, Buenaventura recorded S/39,907,000 as mining concessions.
- (d) In September 2000, Buenaventura acquired an additional participation of 22.16 percent in Consortio Energético de Huancavelica S.A. for a price of S/10,436,000. Out of this total, S/6,203,000 was paid in cash and the balance of S/4,233,000 will be paid in March 2001. As a result of this transaction, Buenaventura has recorded S/8,562,000 as mining concessions.

Notes to the Consolidated Financial Statements (continued)

15. Bank loans and overdrafts

This item is composed of the following:

	Annual interest rate %	Amount			
		1999		2000	
		S/(000)	US\$(000)	S/(000)	US\$(000)
Bank overdrafts	-	458	-	375	-
Bank loans (promisory notes)					
Compañía de Minas Buenaventura S.A.A.					
BBVA Banco Continental	Libor plus 0.55%	-	-	17,635	5,000
BBVA Banco Continental	Libor plus 0.60%	-	-	8,818	2,500
BBVA Banco Continental	Libor plus 0.60%	-	-	7,053	2,000
Inversiones Colquijirca S.A.					
Banco Wiese Sudameris	Libor plus 2.25% and Libor plus 3%	15,514	4,255	8,818	2,500
Banco de Crédito del Perú	Libor plus 2.25%	7,997	2,194	8,818	2,500
BBVA Banco Continental	Libor plus 2.5%	7,287	2,000	3,527	1,000
Banco Internacional del Perú	Libor plus 2.5%	5,829	1,600	3,527	1,000
Inversiones Mineras del Sur S.A.					
Banco Santander Central Hispano - Perú	Libor plus 2.5%	-	-	4,285	1,215
Banco Santander Central Hispano - Perú	Libor plus 2.5%	-	-	3,380	958
Other		3,844	975	1,913	527
		40,471	11,024	67,774	19,200
		40,929	11,024	68,149	19,200

The bank loans have no specific guarantees.

Libor as of December 31, 2000 is 6 percent.

Weighted average interest rates for the years 1999 and 2000 were 6.74 percent and 5.82 percent, respectively.

Notes to the Consolidated Financial Statements (continued)

16. Trade accounts payable

This caption includes accounts payable to domestic and foreign suppliers, have current maturity and accrue no interest.

17. Other current liabilities

This item is composed of the following:

	1999 S/(000)	2000 S/(000)
Taxes payable	15,970	31,731
Loan due to Newmont Second Capital	5,538	10,705
Provision due to change from exploitation to exploration in the mining unit of Julcani	12,725	7,264
Salaries, wages and fringe benefits	3,886	5,687
Account payable due to acquisition of shares of Consorcio Energético de Huancavelica, Note 14(d)	-	4,233
Provisions for environmental matters, Note 36(a)	4,258	4,104
Royalties payable, Note 36(b)	1,360	3,266
Dividends payable	1,164	1,822
Other, less than S/1,500,000	11,618	17,453
	<u>56,519</u>	<u>86,265</u>

The loan due to Newmont Second Capital is denominated in U.S. dollars, have current maturity and accrue no interest.

Notes to the Consolidated Financial Statements (continued)

In November 1999, Buenaventura's management decided to discontinue exploitation activities in the Julcani mining unit and concentrate efforts in exploring new reserves. This change made it necessary to record a S/14,266,000 provision in the fourth quarter of 1999, which primarily covers environmental costs. A summary of the movement follows:

	Environmental and closure costs S/(000)	Impairment loss of long-lived assets S/(000)	Other exit costs S/(000)	Total S/(000)
Estimated amounts	8,920	1,459	3,887	14,266
Cash payments	-	-	(1,485)	(1,485)
Gain from exposure to inflation	(35)	(6)	(15)	(56)
Balance as of December 31, 1999	<u>8,885</u>	<u>1,453</u>	<u>2,387</u>	<u>12,725</u>
Cash payments	(1,843)	-	(1,816)	(3,659)
Write-off	-	(1,435)	-	(1,435)
Gain from exposure to inflation	(307)	(18)	(42)	(367)
Balance as of December 31, 2000	<u>6,735</u>	<u>-</u>	<u>529</u>	<u>7,264</u>

The environmental and closure costs include the construction of a drainage ditch and reforestation of the land, among others. Additionally, it includes plugging of the Mimosa and Herminia mines. The environmental and closure costs estimate is based on a study (made in accordance with the current environmental law) prepared by independent advisors. Projected spending for these activities is as follows

	S/(000)
2001	1,738
2002	2,207
2003	2,030
2004	<u>760</u>
	<u>6,735</u>

The other exit costs primarily represent costs to be incurred in personnel outplacement programs.

Notes to the Consolidated Financial Statements (continued)

18. Long-term debt

This item is composed of the following:

	Annual interest rate	Final Maturity	Amount			
			1999		2000	
			S/(000)	US\$(000)	S/(000)	US\$(000)
Sociedad Minera El Brocal S.A.						
Banco Internacional del Perú	Libor plus 3% (9% at December 31, 2001)	March 2003	14,810	4,063	9,951	2,821
Peninsula Trading & Engineering	Libor plus 6% (12.399% at December 31, 2001)	February 2007	-	-	7,055	2,000
Cominco Limited	Libor plus 6% (12.399% at December 31, 2001)	March 2007	-	-	5,291	1,500
Banco de Crédito del Perú	9.46% and 11.46%	December 2001	5,660	1,553	5,136	1,456
Banco Santander Central Hispano - Perú	6.40%	May 2004	-	-	1,124	319
Other			<u>3,307</u>	<u>401</u>	<u>2,218</u>	<u>430</u>
			<u>23,777</u>	<u>6,017</u>	<u>30,775</u>	<u>8,526</u>
Less - Current portion			<u>10,438</u>	<u>2,864</u>	<u>11,482</u>	<u>3,144</u>
Non - current portion			<u>13,339</u>	<u>3,153</u>	<u>19,293</u>	<u>5,382</u>

The maturity breakdown of the long-term portion follows:

Year ended December 31,	Amount S/(000)
2002	6,430
2003	3,898
2004	2,732
2005	2,469
2006	2,469
2007	1,295
	<u>19,293</u>

Notes to the Consolidated Financial Statements (continued)

Long-term debt is secured by mining pledge on machinery and equipment, see Note 12(b).

The financing agreements contain certain covenants that limit indebtedness and payment of dividends to shareholders, among others. In addition, the Company must maintain certain financial ratios as provided in the financing agreements. At December 31, 2000 and 1999, the Company was in compliance with these covenants.

19. Minority interest

The income (expense) for minority interest is shown separately in the consolidated statements of income and is made up as follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
S.M.R.L. Chaupiloma Dos de Cajamarca	(10,592)	(13,784)	(14,336)
Minas Conga S.R.L.	274	(331)	(24,370)
Inversiones Colquijirca S.A.	-	3,459	4,164
Inversiones Mineras del Sur S.A.	1,370	2,501	2,185
Consortio Energético de			
Huancavelica S.A.	354	269	-
Minera Ampato S.A.	165	106	-
Other	266	1,698	56
	<u>(8,163)</u>	<u>(6,082)</u>	<u>(32,301)</u>

The minority interest liability shown in the consolidated balance sheets is composed of the following:

	1999 S/(000)	2000 S/(000)
Inversiones Colquijirca S.A.	58,801	33,040
Minas Conga S.R.L.	15,245	26,397
S.M.R.L. Chaupiloma Dos de Cajamarca	6,216	5,174
Consortio Energético de Huancavelica S.A.	1,435	-
Other	937	3,044
	<u>82,634</u>	<u>67,655</u>

Notes to the Consolidated Financial Statements (continued)

20. Shareholders' equity

(a) Capital stock - Buenaventura's capital stock consists of the following share series:

	1999			2000		
	Number of shares	Nominal value S/(000)	Book value S/(000)	Number of shares	Nominal value S/(000)	Book value S/(000)
Common shares - Series A	66,522,048	66,522	90,663	43,088,754	43,089	58,726
Common shares - Series B	70,293,767	70,294	94,345	94,356,208	94,356	127,129
	<u>136,815,815</u>	<u>136,816</u>	<u>185,008</u>	<u>137,444,962</u>	<u>137,445</u>	<u>185,855</u>

The nominal value of each share is one Peruvian Nuevo Sol. The Company can issue additional common shares with a total value of S/48,410,000, due to the restatement of capital stock as a result of inflation as of December 31, 2000.

Common shares - Series B grants the shareholders preferential rights in dividend distribution over common stock Series A shareholders (up to an amount not to exceed 0.05 Peruvian Nuevos Soles per share) and have no voting rights, except in cases permitted by law.

The Extraordinary shareholders' Meeting held on October 30, 1998 approved the exchange of the investment shares for Series B - common shares, based on one investment share for one Series B - common share. In addition, the Board of Directors was authorized to define the total number of investment shares that will be exchanged for Series B - common shares. See paragraph (b).

The Extraordinary General Shareholders' meeting held on November 22, 1999 approved the exchange of Series A common shares for Series B common shares, based on one Series A common share for one Series B common share. In addition, it authorized the Board of Directors to define the total number of Series A common shares that would be exchanged for Series B common shares. The Board of Directors' meeting held on January 14, 2000 defined that the total number of Series A common shares to be exchanged for Series B common shares would be 23,433,294. Therefore, it was necessary to reduce the number of Series A common shares by the same amount.

Notes to the Consolidated Financial Statements (continued)

(b) Investment shares -

Buenaventura's investment shares are represented by 372,320 shares, with a nominal value of one Peruvian Nuevo Sol per share.

The Board of Directors' meetings held on December 11, 1998 and January 14, 2000, as authorized by the Extraordinary Shareholders' meetings referred to in paragraph (a), defined that the total number of investment shares to be exchanged for Series B common shares would be 18,666,198 and 629,147, respectively. Therefore, it was necessary to reduce the investments shares by the same amounts.

(c) Additional paid-in capital -

The additional paid-in capital includes mainly the premium related to the issuance of Series B common shares and investment shares.

(d) Legal reserve -

According to the General Corporations Law, applicable to individual and unconsolidated financial statements, no less than 10% of the distributable income of each year, after income tax, must be transferred to a legal reserve until such reserve is equal to 20 percent of capital stock. The legal reserve may be used to offset losses or be capitalized. If so, it should be restored with future profits.

(e) Treasury shares -

As of December 31, 2000 and 1999, the Company had 11,565,130 Series A - common shares.

As explained in Note 14(b), in August 1998 the Supreme Court resolved in favor of the Company the legal proceeding related to the purchase of 65 percent of the Cedimin's shares. As a consequence, the Company proceeded to consolidate the Cedimin's financial statements, recognizing the shares held by Cedimin in the Company as treasury shares.

In December 2000, the value of the shares increased by S/98,215,000 as a result of the matter explained in Note 35(a).

Notes to the Consolidated Financial Statements (continued)

(f) Declared and paid dividends -

Declared and paid dividends are shown below:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Common shares	<u>34,534 (i)</u>	<u>33,881 (ii)</u>	<u>34,742 (iii)</u>

(i) Includes dividends of approximately S/20,138,000 (equivalent to S/0.15 per share) corresponding to the retained earning as December 31, 1997; these dividends were paid in April 1998. In addition, includes dividends of approximately S/14,349,000 (equivalent to S/0.10 per share) that were paid in November 1998.

(ii) Includes dividends of approximately S/20,077,000 (equivalent to S/0.16 per share) corresponding to the retained earnings as December 31, 1998; these dividends were paid in May 1999. In addition, includes dividends of approximately S/13,804,000 (equivalent to S/0.11 per share) that were paid in November 1999.

(iii) Includes dividends of approximately S/20,780,000 (equivalent to S/0.16 per share) corresponding to retained earnings as December 31, 1999; these dividends were paid in May 2000. In addition, includes dividends of approximately S/13,962,000 (equivalent to S/0.11 per share) that were paid in November 2000.

(g) Cumulative translation adjustment -

Corresponds to the exchange differences arising from applying the methodology described in Note 3(k) for translating the financial statements of Yanacocha from U.S. dollars to Peruvian Nuevos soles. These exchange differences are presented in equity until the disposal of the net investment. See change in accounting principle explained in Note 4(a).

21. Taxation

- (a) For tax purposes in Peru, Buenaventura and its consolidated subsidiaries cannot file a consolidated income tax return. Buenaventura and its subsidiaries are subject to the Peruvian tax regime. The statutory income tax rate is 30 percent through the year 2001. In December 2000, the Peruvian government decreased the income tax rate to 20 percent effective year 2002. For year 2001, the rate may decrease to 20 percent if the Company reinvests its profits. The conditions of this tax incentive are not yet defined.

Notes to the Consolidated Financial Statements (continued)

(b) The tax authorities have the right to examine and if necessary to correct the income tax calculated by the Company within four years after filing the tax returns. The income tax return and the value added tax returns from 1996 and 1997 are pending review by the tax authorities. Due to possible interpretations by the tax authorities of the applicable laws, it is not feasible for management to determine if additional tax liabilities may arise as a result of future examinations. Further taxes, interest and surcharges, if any, would be charged to expenses in the year in which they are settled. Management is not aware of any matters that will result in significant tax payments as of December 31, 1999 and 2000.

(c) The tax loss carryforward determined by Buenaventura as of December 31, 2000 is approximately S/107,120,000 and may be used to offset taxable income through year 2004. The tax loss will be adjusted in proportion to the change variation of the wholesale price index from December 31, 2000 to the month in which it is offset.

Tax losses of a subsidiary cannot be offset against net income of another subsidiary.

(d) During year 2000, the tax authorities reviewed Yanacocha's income tax and value added tax returns for the years 1998 and 1999. In addition, they 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 that have been appealed. In the opinion of Yanacocha's management and tax advisors, the outcome of these assessments will be favorable to Yanacocha. Therefore, no provision has been recorded for this assessments.

(e) Buenaventura has the benefit of recovering the value added tax (VAT) related to exports. VAT paid on purchases can offset VAT resulting from its local sales, income tax and other taxes. Also a request for refund may be filed with the tax authorities.

Notes to the Consolidated Financial Statements (continued)

22. Net sales by geographic region

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

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Peru	75,725	184,389	208,761
North America	80,809	116,869	106,841
Europe	21,861	50,127	79,540
Asia	30,046	10,505	29,588
Central America	-	-	5,004
	<u>208,441</u>	<u>361,890</u>	<u>429,734</u>

See Note 32 related to commitments and concentration of sales.

23. Direct cost of sales

This item is composed of the following:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Personnel expenses	40,327	56,919	58,010
Supplies	40,557	54,521	63,458
Contractors	36,193	59,106	71,122
Other	34,538	49,236	54,592
	<u>151,615</u>	<u>219,782</u>	<u>247,182</u>

Notes to the Consolidated Financial Statements (continued)

24. Administrative expenses

This item is composed of the following:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Personnel expenses	24,646	26,166	27,602
Professional fees	6,963	6,942	7,207
Rental expenses	1,388	2,135	2,383
Taxes	1,203	2,136	2,287
Supplies	1,532	3,204	3,220
Other	12,973	12,816	13,139
	<u>48,705</u>	<u>53,399</u>	<u>55,838</u>

25. Financial, net

This item is composed of the following:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Financial income			
Interest on deposits	<u>23,401</u>	<u>4,579</u>	<u>6,523</u>
Financial expense			
Interest on loans	<u>6,677</u>	<u>10,328</u>	<u>9,062</u>
Financial, net	<u>16,724</u>	<u>(5,749)</u>	<u>(2,539)</u>

Notes to the Consolidated Financial Statements (continued)

26. Other income (expenses), net

This item is composed of the following:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Other income			
Net gain on transfer of contractual position and sale of assets	-	-	58,794
Net gain on sale of China Linda lime plant	-	-	21,743
Claims to insurance companies	4,831	-	-
Prior year adjustment	4,800	-	-
Prior year participation income in consolidated companies	2,404	-	-
Other	3,755	945	3,448
	<u>15,790</u>	<u>945</u>	<u>83,985</u>
Other expenses			
Exchange of shares, Notes 20(a) and (b)	-	-	4,267
Board of Directors' remuneration	2,733	2,550	2,631
Prior year participation expense in consolidated company (Colquijirca)	-	6,600	-
	<u>2,733</u>	<u>9,150</u>	<u>6,898</u>
Other, net	<u>13,057</u>	<u>(8,205)</u>	<u>77,087</u>

Notes to the Consolidated Financial Statements (continued)

27. Income tax and workers' profit sharing

- (a) The income tax and workers' profit sharing shown in the consolidated financial statements are made up as follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Income tax			
Current			
S.M.R.L. Chaupiloma Dos			
de Cajamarca	11,406	14,811	15,405
Minas Conga S.R.L.	-	-	5,200
Minera Shila S.A.C.	-	-	1,158
Other	156	224	39
	<u>11,562</u>	<u>15,035</u>	<u>21,802</u>
Deferred			
Inversiones Colquijirca S.A.	-	-	6,049
Minera Shila S.A.C.	-	-	(363)
	<u>-</u>	<u>-</u>	<u>5,686</u>
Total	<u>11,562</u>	<u>15,035</u>	<u>27,488</u>
Workers' profit sharing			
Current			
Minas Conga S.R.L.	-	-	1,507
Minera Shila S.A.C.	-	-	335
	<u>-</u>	<u>-</u>	<u>1,842</u>
Deferred			
Inversiones Colquijirca S.A.	-	-	2,629
Minera Shila S.A.C.	-	-	(105)
	<u>-</u>	<u>-</u>	<u>2,524</u>
Total	<u>-</u>	<u>-</u>	<u>4,366</u>

In accordance with Peruvian legislation, mining companies that have more than 20 employees must maintain an employee profit-sharing plan equal to 8% of annual taxable income. As of December 31, 2000, S.M.R.L. Chaupiloma Dos de Cajamarca has less than 20 employees.

Notes to the Consolidated Financial Statements (continued)

- (b) The deferred income tax and workers' profit sharing liability as of December 31, 2000 are made up as follows:

	Income tax S/(000)	Workers' profit sharing S/(000)	Total S/(000)
Deferred asset			
Tax losses carryforward	32,137	12,770	44,907
Provision due to change from exploitation to exploration in the mining unit of Julcani	1,337	581	1,918
Obsolescence of inventories	1,225	532	1,757
Loss on time deposit and other	659	286	945
	<u>35,358</u>	<u>14,169</u>	<u>49,527</u>
Deferred liability			
Fair value of Colquijirca's assets acquired	(4,611)	(2,005)	(6,616)
Deferred stripping costs	(2,609)	(1,134)	(3,743)
Other	(350)	(152)	(502)
	<u>(7,570)</u>	<u>(3,291)</u>	<u>(10,861)</u>
	27,788	10,878	38,666
Less - Valuation allowance	<u>(33,474)</u>	<u>(13,351)</u>	<u>(46,825)</u>
Deferred liability	<u>(5,686)</u>	<u>(2,473)</u>	<u>(8,159)</u>

Notes to the Consolidated Financial Statements (continued)

- (c) The tax loss carryforward as of December 31, 2000 is made up as follows:

Entities	Tax loss carryforward S/(000)	Deferred income tax S/(000)	Deferred workers' profit sharing S/(000)	Deferred total asset S/(000)
Compañía de Minas				
Buenaventura S.A.A.	107,120	19,710	8,570	28,280 (i)
Inversiones Mineras del				
Sur S.A.	28,733	5,287	2,299	7,586 (i)
Buenaventura Ingenieros				
S.A.	12,982	2,467	649	3,116 (ii)
Inversiones Colquijirca				
S.A.	15,646	2,879	1,252	4,131 (i)
Consorcio Energético de				
Huancavelica S.A.	8,971	1,794	-	1,794
	<u>173,452</u>	<u>32,137</u>	<u>12,770</u>	<u>44,907</u>

- (i) These amounts were calculated applying to the tax loss carryforward the combined rate resulting from the combination of the income tax rate of 20 percent and the workers' profit sharing of 8 percent.
- (ii) This amount was calculated applying to the tax loss carryforward the combined rate resulting from the combination of the income tax rate of 20 percent and the workers' profit sharing of 5 percent.

Notes to the Consolidated Financial Statements (continued)

28. Basic and diluted income per share

The computation of the basic and diluted earnings per share for the years ended December 31, 1998, 1999 and 2000 is presented below:

	For the year ended December 31, 1998			For the year ended December 31, 1999			For the year ended December 31, 2000		
	Net income (numerator)	Shares (denominator)	Income per share	Net income (numerator) S/	Shares (denominator)	Earnings per share S/	Net income (numerator) S/	Shares (denominator)	Income per share S/
Basic and diluted income per share before the cumulative effect of changes in accounting principles	110,207,000	126,252,152	0.87	164,944,000	126,252,152	1.31	314,277,000	126,252,152	2.49
Effect of changes in accounting principles in the basic and diluted income per share	-	126,252,152	-	-	126,252,152	-	(63,902,000)	126,252,152	(0.51)
Basic and diluted income per share	<u>110,207,000</u>	126,252,152	<u>0.87</u>	<u>164,944,000</u>	126,252,152	<u>1.31</u>	<u>250,375,000</u>	126,252,152	<u>1.98</u>

The determination of the number of shares used in the calculation of the basic and diluted earnings per share is as follows:

Common shares - Series A	43,088,754
Common shares - Series B	94,356,208
Investment shares	<u>372,320</u>
	137,817,282
Less - Treasury shares	<u>(11,565,130)</u>
	<u>126,252,152</u>

Notes to the Consolidated Financial Statements (continued)

29. Disclosure about segments information

The International Accounting Standard No 14 requires enterprises to disclose financial information by segments, based on a management approach.

The management approach is based on the way management organizes segments within a company for making operating decisions and assessing performance. The Company makes decisions and evaluates the business development based on the mining segment. The electric, mining consulting and insurance segments are not relevant and, therefore, are not considered to evaluate the business development.

Based on the above mentioned, management considers that the Company operates in only one reportable segment (mining).

30. Derivative financial instruments

The Company uses derivative financial instruments to reduce certain market risks to which the Company is exposed. The market risks consist of the impact of changes in prices of precious metals. Historically, the world market prices for the Company's products, mainly gold, silver, zinc and concentrates containing such metals, fluctuate widely and are affected by several factors outside the Company's control. The Company's revenues and expenses are directly related to those prices.

The Company's derivative activities are limited in volume and confined to risk management activities. 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. There is a reporting system that evaluates the impact on the Company's earnings resulting from changes in precious metal prices. This system is structured to enable senior management to initiate prompt remedial action, if appropriate. Appropriate segregation of duties exists with regard to the execution, recording and monitoring of derivative activities. Additionally, senior management reports periodically to the Audit Committee of the Board of Directors on the derivative activities.

The Company enters into forward exchange contracts to hedge movement in the market prices of precious metals. Gains and losses on these positions are recorded upon settlement of the transaction.

Notes to the Consolidated Financial Statements (continued)

The derivative financial instruments were contracted for the purpose of hedging the risks of movement in the market price of precious metals in 1998, 1999 and 2000. In using derivative financial instruments, management exchanged the risks of the financial markets with the counterparty. In order to minimize counterparty risk, the Company only enters into contracts with major well-known banks.

The open hedging positions as of December 31, 2000 are the following:

Metal	Quantity	Range of price	Period
Silver	7,400,000 Oz	US\$5.75/Oz to US\$6.50/Oz	December 2000 - June 2005
Gold	195,000 Oz	US\$340/Oz to US\$350/Oz	December 2000 - March 2003
Zinc	7,200 TM	US\$1,295/TM	January 2001 - December 2002

The fair value of the open hedging contracts as of December 31, 2000 is negative by US\$18,648,822.

The Company recognized revenues of S/7,605,000 in 1998, S/36,676,000 in 1999 and S/41,574,000 in 2000, in connection with hedging operations settled in these years.

31. Fair value of financial instruments

In the normal course of business, the Company utilizes several types of financial instruments. These instruments include recorded assets and liabilities and items that principally involve off-balance sheet risk.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, 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 fair value because of the short maturity of these financial instruments.

Notes to the Consolidated Financial Statements (continued)

- The estimated fair value of derivative positions is based on quotations received from independent third parties (see Note 30).
- The carrying amount of long-term debt, including current maturity, approximates its fair value based upon an analysis of rates currently available for similar debts in the market.

32. Current vulnerability due to certain concentrations

The Company's most significant investment is its ownership of 43.65 percent of common stock of Yanacocha, a company engaged in exploration and exploitation of gold in the mining concessions owned by Chaupiloma. Buenaventura's share of Yanacocha earnings was significant in comparison to Buenaventura's net income in 1998, 1999 and 2000. The Company will rely to a substantial extent on dividends from its subsidiaries and affiliates and, in particular, from Yanacocha for working capital needs as well as for the payment of dividends.

Effect in results -

The effect in results of the investment in Yanacocha is as follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Buenaventura's share of			
Yanacocha's income	186,727	223,766	296,644
Royalties income (based on			
Yanacocha's sales)	39,067	50,328	52,705

In addition, cash dividends paid to Compañía Minera Condesa S.A. by Yanacocha were S/104,130,000, S/126,053,000 and S/92,923,000 in 1998, 1999 and 2000, respectively.

Reinvestment Program -

Pursuant to Supreme Decree N°027-98-EF, mining companies can obtain a tax benefit ("Investment Credit") by effectively reinvesting non-distributed profits into capital expansion projects that increase the productivity ("Reinvestment Program"). Investment Credits, based on 80% of amounts reinvested, are obtained by application to and approval by the Ministry of Energy and Mines. The 1998 Yanacocha's Reinvestment Program generated Investment Credits of US\$29.3 million, of which US\$9.6 million, US\$7.2 million and US\$12.5 million were realized in 1998, 1999 and 2000, respectively. Non-distributed profits associated with these Investment

Notes to the Consolidated Financial Statements (continued)

Credits of US\$122 million are reflected in the Yanacocha's financial statements as Restricted Earnings as of December 31, 1999 and 2000.

An additional US\$17 million of Investment Credits was generated based on the 1999 Reinvestment Program. This amount was fully realized in 2000. Restricted Earnings increased US\$71 million for non-distributed profits associated with this Investment Credit.

33. Sales commitments and concentrations

The Company's three largest customers accounted for 30 percent, 14 percent and 12 percent of net sales in 2000 (the three largest customers accounted for 21 percent, 16 percent and 12 percent, respectively, of total net sales in 1999, and the two largest customers accounted for 27 percent and 19 percent, respectively, of total net sales in 1998). As of December 31, 2000, 79 percent of the trade account receivable are related to these largest customers (89 percent as of December 31, 1999 and 45 percent as of December 31, 1998). Some of these customers have sales contracts that guarantee their supply of output from particular mines at prices derived from market quotations. Currently, the Uchucchacua, Orcopampa and Shila mines are subject to such sales agreements, all of which expire under current arrangements at various times not beyond December 31, 2001.

34. Restriction on the payment of dividends

Under current Peruvian regulations there is no restriction on remittance of dividends except for the creation of a legal reserve as discussed in Note 20(d). As of December 31, 2000, the Company reached the 20 percent of the capital stock limit.

35. Legal proceedings

- (a) In March 1995, SEREM initiated before the International Chamber of Commerce a procedure to resolve the dispute related to the preferential right on Cedimin S.A.C.'s shares. By resolution of June 29, 1999, the Arbitration Court of the International Chamber of Commerce recognized the preferential right in favor of Buenaventura and Condesa, confirming the resolutions issued by the Peruvian courts. However, the Arbitration Court granted a period for the parties to agree on the purchase price of the 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 over the Cedimin S.A.C.'s shares. In addition, it was agreed that Buenaventura

Notes to the Consolidated Financial Statements (continued)

would make a one-time payment, through Compañía Minera Condesa S.A., of US\$40 million regarding the Cedimin S.A.C.'s shares. The payment was made in December 14, 2000. As a result of this settlement, the dispute is finally resolved.

The payment of S/140,800,000 (US\$40,000,000) and the legal expenses incurred of S/2,970,000 (US\$843,833), were debited to the mining concessions balance existing at the date of the settlement. The new accounting balance amounting to S/165,659,000 was distributed based on the fair value of the investments held by Compañía Minera Condesa S.A., through Cedimin S.A.C., as follows:

- S/98,215,000 was used to increase the value of the Buenaventura's shares owned by Cedimin S.A.C. This amount is classified as treasury shares. See Note 20(e).
- S/60,816,000 represents the new net cost of the mining concession balance in Cedimin S.A.C. This amount is related to the investment that this company has in S.M.R.L. Chaupiloma Dos de Cajamarca, owner of the mining rights currently being explored and exploited by Yanacocha. See Note 14(b).
- S/6,628,000 was initially recorded as mining concession considering the value of the Cedimin S.A.C.'s investment in Minas Conga S.R.L. Subsequently, as a result of the sale of assets and transfer of contractual position explained in Note 2, the Company recorded such amount as other expenses in the consolidated statement of income.

(b) The Company is party to other legal proceedings arising from the normal course of its activities. However, management believes that they would have no material adverse effect on the Company's financial position and results of operations.

36. Commitments and contingencies

(a) Environmental matters -
Buenaventura and subsidiaries

The Company's mining and exploration activities are subject to environmental protection standards. In order to comply with them the Company has presented the Preliminary Environmental Assessment (EVAP) and the Environmental Adjustment and Management Programs (PAMAs) for the mining units. The Ministry of Energy and Mines has approved the PAMAs filed by the Company for the Uchucchacua, Julcani, Orcopampa, Colquijirca, Ishihuinca, Huachocolpa, Shila, Paula and Huallanca mining units in order to comply with Supreme Decree N°016-93-PM and Supreme Decree No. 059-93-EM (Regulations for Environmental Protection in Mining Metallurgic Activities). The Company estimate PAMAs disbursements in S/17,836,000 (US\$5,057,000); this amount includes S/4,104,000 of remediation expenses as of December 31, 2000 (S/4,080,000 and S/4,258,000 as of December 31, 1998 and 1999), which have been presented as other current liabilities in the consolidated balance sheets.

During 1998, 1999 and 2000 the Company spent S/7,967,000, S/15,242,000 and S/10,002,000, respectively for environmental protection measures.

Yanacocha's remediation liability

In June 2000, a transport contractor of Yanacocha spilled approximately 151 kilograms of mercury near the town of Choropampa, Peru, which is located 53 miles southwest of the mine. Mercury is a byproduct of gold mining and was sold to a Lima firm for use in medical instrumentation and industrial applications. A comprehensive health and environmental remediation program was implemented by Yanacocha. In August 2000, Yanacocha paid under protest a fine of S/1,740,000 (approximately US\$0.5 million) to the Peruvian government. Yanacocha entered into agreements with three of the communities impacted by this incident to provide a variety of public works as compensation for the disruption and inconvenience caused by the incident. Estimated costs were S/35,270,000 (US\$10 million) for these improvements, other remediation efforts, personal compensation and fine. Yanacocha cannot reasonably predict the likelihood of any additional expenditures related to this matter.

(b) Mineral lease rights -

The Company has entered into contracts to operate in leased concessions as shown below:

Leaseholder	Leasing company	Year in which the contract terminates	Royalties
Compañía de Minas Buenaventura S.A.A.	Sindicato Minero Orcopampa S.A. (Arequipa)	2013	10% of the sale value of concentrates, depending on certain contractual conditions.
Inversiones Mineras del Sur S.A.	El Futuro de Ica S.R.L. (Arequipa)	2015	7% of the sale value of concentrates.

Notes to the Consolidated Financial Statements (continued)

The breakdown of royalty expenses included in operating costs of the consolidated statements of income follows:

	1998 S/(000)	1999 S/(000)	2000 S/(000)
Sindicato Minero Orcopampa S.A.	5,312	3,768	8,052
El Futuro de Ica S.M.R.L.	349	490	746
Other	243	492	899
	<u>5,904</u>	<u>4,750</u>	<u>9,697</u>

Royalties payable as of December 31, 1999 and 2000 amount to S/1,360,000 and S/3,266,000, respectively.

37. Transactions with affiliated companies

- (a) S.M.R.L. Chaupiloma Dos de Cajamarca (Chaupiloma) is owner of the mining rights exploited by Yanacocha, receiving a royalty of 3 percent of the net sales of Yanacocha. Royalties amounted S/39,067,000, S/50,328,000 and S/52,705,000 in 1998, 1999 and 2000 respectively, and are presented as royalty income in the consolidated statements of income.
- (b) Until September 30, 2000, Buenaventura provided exploration and exploitation services to Compañía Minera El Palomo S. A. These services were discontinued because the exploitation of the reserves were not economically feasible. Buenaventura's billings for services provided amounted to S/8,385,000, S/8,915,000 and S/2,746,000 in 1998, 1999 and 2000, respectively.

Notes to the Consolidated Financial Statements (continued)

As a result of the above and other minor transactions, the Company has the following accounts receivable:

	1999 S/(000)	2000 S/(000)
Minera Yanacocha S.R.L.	22,298	42,353
Compañía Minera El Palomo S.A.	9,847	7,920
Other	2,104	1,234
	<u>34,249</u>	<u>51,507</u>
Less - Allowance for doubtful accounts	-	(7,920)
	<u>34,249</u>	<u>43,587</u>

The movement of the allowance for doubtful accounts is as follows:

	S/(000)
Beginning balance	-
Provision for the year	7,983
Gain from exposure to inflation	<u>(63)</u>
Ending balance	<u>7,920</u>

38. New Accounting Pronouncements in force in Peru in year 2001

In December 1999, the Peruvian Accounting Standards Board (CNC), through Resolution 020-2000-EF/93.01, approved the IAS 36 and 38, as well as the interpretations 1,2,3,5,6,7,8,9,10,11,12,13,14,15 and 16 that clarify the use of preceding IAS. These standards are valid effective January 1, 2001. A brief summary of them is presented below:

- (a) IAS 36 - Impairment of assets, internationally valid effective July 1, 2000. Requires the estimation of the recoverable amount of an asset when it is believed that the asset is impaired, and establishes that the recoverable amount of the asset be valued according to the higher of its net realizable value or its expected use (considering the present value of the future cash flows generated by the asset).

Management is evaluating the effect of the application of the IAS 36 in its financial statements.

Notes to the Consolidated Financial Statements (continued)

- (b) IAS 38 - Intangible assets, internationally valid effective July 1, 2000. Establishes criteria to recognize intangibles in the financial statements, limiting the possibility to record intangible assets internally generated and establishes that pre-operating and start-up costs, restructuring costs, publicity and marketing, among other, do not qualify as intangible assets. Under IAS 38, on the occasion of first recognition, companies should correct and recognize as an expense any intangible asset that does not comply with the criteria.

Management believes that there will be no effect on the Company as a result of the application of this IAS.

39. New Accounting Pronouncements internationally in force effective January 1, 2001

In Peru, CNC has not yet approved the use of IAS 39 - "Recognition and Measuring of Financial Instruments", and IAS 40 - "Investment in Property", which use are valid internationally effective January 1, 2001. It is expected that they will be approved in Peru during 2001. The effective date of adoption is not known.

- (a) International Accounting Standard (IAS) 39 - "Recognition and Measurement of Financial Instruments", establishes that at the beginning all financial assets (including derivatives) must be recognized at cost, and subsequently revalued at the estimated fair value, with the exception of loans, investments held to maturity or financial investments whose value cannot be figured out in the market, which will be recognized at cost. In the case of financial liabilities, only derivatives and liabilities held for trading will be considered at the estimated fair value. The company can recognize the estimated fair value changes in the statement of income corresponding to the period, or, instead, only record in such statement the changes of the instruments kept for trading, recording in the equity the changes for other instruments.

Notes to the Consolidated Financial Statements (continued)

- (b) International Accounting Standard (IAS) 40 - "Investment in Property", applicable to property from which income is obtained through lease. The following methods can be chosen: (i) estimated fair value: any change in said value must be reflected in the statement of income (ii) cost: under which an investment in real estate must be recorded at the cost of the property, disclosing in a note to the financial statements its estimated fair value. The selected method must be applied to all investments in real estate kept by the Company.

In the preparation of the accompanying consolidated financial statements, management has used only the IAS duly approved in Peru as of December 31, 2000.

40. 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 41 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 of the Company during the year, net of the loss resulting from the effect of inflation on monetary assets held (see Note 3).

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 40 does not reflect as a difference the effect of the general price level restatement.

Impairment of long-lived assets

Peruvian GAAP - Impairment loss of long-lived assets is not recognized under Peruvian GAAP; however, in 1999 the Company recognized an specific impairment loss for S/1,459,000 as a result of the decision to discontinue exploitation activities in the Julcani mining unit (see Note 17).

Notes to the Consolidated Financial Statements (continued)

U.S. GAAP - Under Statement of Financial Accounting Standard N°121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" (SFAS 121), companies must recognize impairment loss when the facts and circumstances indicate that the carrying amount of an asset may not be recoverable, and an estimate of future undiscounted cash flows is less than the carrying amount of the asset. Impairment must be recorded based on the fair value of the assets.

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.

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.

Notes to the Consolidated Financial Statements (continued)

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 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).

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.

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.

Under IAS 12, the deferred income tax asset is only recognized if it is more likely than not 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 [see Note 20(c)]. 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.

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.

Other assets

Peruvian GAAP - Certain consolidated subsidiaries have experienced losses, mainly due to start-up operations or to the recording of accelerated depreciation for both book and tax purposes, which has caused the Company's share of equity to be less than the investment carried on the Company's books resulting in a difference in elimination in the first consolidation in 1995. In cases where these losses were expected to be temporary, the Company's share of losses were capitalized under the caption "other assets" and amortized on a straight-line basis over a four-year period. The caption "other assets" was fully amortized in 1998.

U.S. GAAP - Losses must be recognized in full in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

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.

Offsetting of accumulated losses

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. In addition, the Company has the option to issue additional shares by capitalizing the additional capital arising from the inflation accounting adjustments referred to in Notes 20(a) and (b).

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 40 as the interest to be allocated was not material.

Notes to the Consolidated Financial Statements (continued)

Treasury shares

Peruvian GAAP – A portion of an additional payment made in connection with the settlement of a litigation over purchase price of Cedimin (see note 35 to the consolidated financial statements) was used to increase the value of treasury shares, previously recorded at fair value. The additional payment was made on December 19, 2000.

U.S. GAAP – Under U.S. GAAP, the value of the treasury shares, previously recorded at fair value, can not be increased by additional payments made in connection with the settlement of a litigation over purchase price. The additional cost should be classified as mining concession and amortized over the remaining life of the asset.

Derivative instruments

Peruvian GAAP - The Company uses derivative financial instruments to mitigate certain market risks to which the Company is exposed. In order for derivative financial instruments to qualify for hedge accounting, the following criteria must be met: (a) the hedging instrument must be designated as a hedge; (b) the hedged exposure must be specifically identifiable and expose the Company to risk; and (c) it must be highly probable that a change in the fair value of the derivative financial instrument and an opposite change in the fair value of the hedged exposure may have a high degree of correlation. The Company's derivative activity relates mainly to forward contracts for gold and silver. Gains and losses on derivative financial instruments are recorded upon settlement and are presented in net sales in the consolidated statements of income.

U.S. GAAP – Under U. S. GAAP, a change in the market value of an open future contract must be recognized as a gain or loss in the period of the change unless the contract qualifies as hedge of certain exposures to price.

Notes to the Consolidated Financial Statements (continued)

41. 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, 1998, 1999 and 2000 and to shareholders' equity as of December 31, 1999 and 2000 that would be required if U.S. GAAP had been applied instead of Peruvian GAAP in the consolidated financial statements:

	For the years ended December 31,		
	1998 S/(000)	1999 S/(000)	2000 S/(000)
Net income according to the financial statements prepared under Peruvian GAAP	110,207	164,944	250,375
Items increasing (decreasing) reported net income			
Fair value of derivative contracts	-	-	(46,434)
Impairment of long-lived assets	(5,521)	(4,233)	-
Depreciation originated by the impaired long-lived assets	2,032	1,828	1,504
Impairment of Julcani's assets recorded under Peruvian GAAP	-	1,459	-
Exploration costs	(38,241)	(43,794)	154,606
Development costs	1,817	-	-
Share in Yanacocha's equity (a)	8,153	8,628	(127,173)
Cumulative translation loss recorded under Peruvian GAAP (b)	-	-	20,963
Effect of U.S. GAAP adjustments on minority interest (c)	6,206	8,222	(14,903)
Deferred income tax	15,220	24,890	(49,254)
Deferred workers' profit sharing	4,412	7,214	(7,584)
Valuation allowance on deferred income tax and workers' profit sharing	(19,632)	(31,120)	55,854
Amortization of other assets	11,398	-	-
Net adjustments	(14,156)	(26,906)	(12,421)
Approximate net income under U.S. GAAP	96,051	138,038	237,954
Cumulative translation adjustment, net of workers' profit sharing and income tax	1,041	12,459	(8,638)
Unrealized gain on available-for-sale investments, net of workers' profit sharing and income tax	-	-	1,914
Approximate total comprehensive income under U.S. GAAP	97,092	150,497	231,230
Net income per share - Basic and diluted (in Nuevos Soles)	0.76	1.09	1.83

Notes to the Consolidated Financial Statements (continued)

	For the years ended December 31,		
	1998 S/(000)	1999 S/(000)	2000 S/(000)
Weighted average number of shares outstanding	<u>126,252,152</u>	<u>126,252,152</u>	<u>126,252,152</u>

- (a) Represents the difference in the participation in Yanacocha which would have been realized if the Company had recorded its equity share of Yanacocha's income using Yanacocha's U.S. GAAP net income.
- (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.

Notes to the Consolidated Financial Statements (continued)

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.

	At December 31,	
	1999	2000
	S/(000)	S/(000)
Shareholders' equity according to the financial statements prepared under Peruvian GAAP	1,109,552	1,233,962
Items increasing (decreasing) reported shareholders' equity		
Fair value of derivative instruments	-	(46,434)
Impairment of long - lived assets	(31,884)	(31,884)
Depreciation originated by the impaired long-lived assets	3,860	5,364
Impairment of Julcani's assets recorded under Peruvian GAAP	1,459	1,459
Exploration costs	(154,606)	-
Share in Yanacocha's equity	127,359	186
Minority interest (a)	15,776	873
Fair value of available-for sale investments	-	2,600
Adjustment of the fair value of the treasury shares	-	98,215
Deferred income tax asset, net	94,189	44,935
Deferred workers' profit sharing asset, net	25,918	18,334
Valuation allowance on deferred income tax and workers' profit sharing	(126,586)	(65,700)
Net adjustments	(44,515)	27,948
Approximate shareholders' equity in accordance with U.S. GAAP	1,065,037	1,261,910

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

Notes to the Consolidated Financial Statements (continued)

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

	S/(000)
Shareholders' equity in accordance with U.S. GAAP at	
December 31, 1998	948,614
Net income in accordance with U.S. GAAP	138,038
Cumulative translation adjustment, net of deferred income tax of	
S/5,340 and workers' profit sharing of S/1,548	12,459
Cash dividends paid	(33,881)
Other	(193)
	<hr/>
Shareholders' equity in accordance with U.S. GAAP at	
December 31, 1999	1,065,037
Net income in accordance with U.S. GAAP	237,954
Cash dividends paid	(34,742)
Cumulative translation adjustment, net of deferred income tax of	
S/4,570 and workers' profit sharing of S/1,148	(8,638)
Fair value of available-for-sale investments, net of deferred income	
tax of S/478 and workers' profit sharing of S/208	1,914
Other	385
	<hr/>
Shareholders' equity in accordance with U.S. GAAP at	
December 31, 2000	<u>1,216,910</u>

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,	
	1999	2000
	S/(000)	S/(000)
Balance sheets		
Investments	576,080	737,541
Exploration and development investments, net	111,342	111,361
Property, plant and equipment	276,995	282,242
Mining concessions, net	62,012	201,745
Total assets	1,291,886	1,611,907
Other current liabilities	56,519	132,699
Deferred income tax liability	5,023	7,380
Deferred workers' profit sharing liability	1,456	3,210
Total liabilities	159,991	283,215
Minority interest	66,858	66,782

Notes to the Consolidated Financial Statements (continued)

	For the years ended December 31,		
	1998	1999	2000
	S/(000)	S/(000)	S/(000)
Statements of income			
Direct costs of sales	(272,690)	(369,257)	(247,182)
Impairment of long-lived assets	(5,521)	(2,774)	-
Exploration, development and mine preparation costs	(99,940)	(121,736)	(72,624)
Depreciation	(20,583)	(26,378)	(30,789)
Total operating costs and expenses	(345,566)	(466,872)	(454,819)
Operating results	(98,058)	(54,654)	27,620
Share in affiliated companies	184,853	229,630	287,123
Loss on derivative contracts	-	-	46,434
Provision for income tax	11,562	14,272	28,251
Operating results per share	(0.77)	(0.43)	0.22

42. Additional disclosures required by U.S. GAAP and the SEC income tax

The provision for income tax is as follows:

	For the years ended December 31,		
	1998	1999	2000
	S/(000)	S/(000)	S/(000)
Current	11,562	15,035	21,802
Deferred	-	(763)	6,449
Total	<u>11,562</u>	<u>14,272</u>	<u>28,251</u>

Notes to the Consolidated Financial Statements (continued)

The tax effects of significant temporary differences are as follows:

	As of December 31, 1999 S/(000)	Effect on statement of income S/(000)	Effect on net equity S/(000)	As of December 31, 2000 S/(000)
Deferred income tax asset				
Tax loss carryforward (a)	51,371	(19,234)	-	32,137
Fair value of derivative instruments	-	8,544	-	8,544
Exploration costs expensed (a)	42,671	(42,671)	-	-
Impairment of long-lived assets (a)	7,332	(2,721)	-	4,611
Obsolescence of inventories	-	1,225	-	1,225
Loss on time deposit and other	-	659	-	659
Other (a)	763	(763)	-	-
Provision due to change from exploitation to exploration in the mining unit of Julcani (a)	3,512	(2,175)	-	1,337
	<u>105,649</u>	<u>(57,136)</u>	<u>-</u>	<u>48,513</u>
Deferred income tax liability				
Fair value of assets acquired	(5,674)	1,063	-	(4,611)
Deferred stripping cost	-	(2,609)	-	(2,609)
Cumulative translation adjustment	(5,786)	-	4,570	(1,216)
Fair value of available-for-sale investment	-	-	(478)	(478)
Other	-	(350)	-	(350)
	<u>(11,460)</u>	<u>(1,896)</u>	<u>4,092</u>	<u>(9,264)</u>
	94,189	(59,032)	4,092	39,249
Valuation allowance (a)	<u>(99,212)</u>	<u>52,583</u>	<u>-</u>	<u>(46,629)</u>
Deferred income tax liability, net	<u>(5,023)</u>	<u>(6,449)</u>	<u>4,092</u>	<u>(7,380)</u>

(a) The Company does not record neither the deferred income tax and workers' profit sharing assets nor the valuation allowance when it is more likely than not that some portion or all of the 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.

As explained in Note 21(a), tax losses carryforward determined by the Company and its subsidiaries can be used to offset taxable income through year 2004.

(b) 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.

Notes to the Consolidated Financial Statements (continued)

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:

	For the years ended December 31,		
	1998 S/(000)	1999 S/(000)	2000 S/(000)
Approximate income before income tax according to U.S. GAAP	107,613	152,310	266,205
Statutory income tax rate	30%	30%	30%
Expected income tax provision in accordance with U.S. GAAP	32,284	45,693	79,862
Effect of items increasing/ (decreasing) the effective tax rate			
Permanent items			
Share in affiliated companies (a)	(53,270)	(63,378)	(43,848)
Cumulative effect in change in accounting principles	-	-	19,171
Tax loss of the current year (b)	4,197	17,183	5,604
Minority interest	540	(591)	13,028
Amortization of other assets	3,146	-	-
Other permanent items	9,445	(9,525)	3,688
Actual income tax benefit in accordance with U.S. GAAP	(3,658)	(10,618)	77,505
Allowance for deferred income tax	15,220	24,890	(49,254)
Income tax expense	11,562	14,272	28,251

(a) According to the income tax law, share in affiliated companies are not taxable.

(b) Tax loss of the current year can not be used to the extent it is originated by non-taxable revenues.

Notes to the Consolidated Financial Statements (continued)

Impairment of long-lived assets

During 1999 the volume of mineral reserves of the Ishihuinca mining site has declined significantly. Therefore, as required by the SFAS 121 "Accounting for the impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" the Company has calculated an impairment loss amounting to S/4,233,000 (S/5,521,000 related to Recuperada mining site in 1998 and S/22,130,000 related to Julcani mining site in 1997).

Disclosure about segments of an enterprise and related information

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131), introduces a new model for segment reporting, called "management approach". SFAS 131 was effective for the Company in fiscal 1998.

The management approach is based on the way management organizes segments within a company for making operating decisions and assessing performance. The Company makes decisions and evaluate the business development based on the mining segment. The electric, mining consulting and insurance segments are not relevant and, therefore, are not considered to evaluate the business development.

The adoption of SFAS 131 has not impacted its method of reporting since management believes that the Company's business operates in one reportable segment.

Recently Issued Accounting Pronouncements

Statement Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting and reporting standards for derivative instruments and hedging activity. SFAS No.133 is effective for all periods in fiscal years beginning after June 15, 2000. SFAS No.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 Company does not expect the adoption of SFAS No.133 to have a material effect on its consolidated financial statements and plans to adopt the statement on January 1, 2001.

Report of Independent Public Accountants

To the Partners and the Executive Committee of **Minera Yanacocha S.R.L.**

We have audited the accompanying balance sheets of **Minera Yanacocha S.R.L.** (a Peruvian partnership, hereinafter “The Company”) as of December 31, 2000 and 1999, and the related statements of income, changes in partners’ equity and cash flows for the three years ended December 31, 1998, 1999 and 2000. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 the Company’s management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Minera Yanacocha S.R.L.** as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years ended December 31, 1998, 1999 and 2000, in conformity with generally accepted accounting principles followed in the United States of America.

As explained in Notes 2 and 16 to the financial statements, effective December 31, 2000, the Company changed its revenue recognition accounting method.

Certain accounting practices of the Company used in preparing the accompanying financial statements conform with accounting principles generally accepted in the United States of America, but do not conform with accounting principles generally accepted in Peru. A description of these differences and a reconciliation of net income and partners’ equity to accounting principles generally accepted in Peru are set forth in Notes 18 and 19 to the financial statements.

As explained in Note 2 to the financial statements, Yanacocha’s functional currency is the U.S. Dollar, since most of the current assets, liabilities, income and expenses are denominated in U.S. Dollars, and its current reporting currency for corporate and tax purpose within Peru is the U.S. Dollar.

Countersigned by:

Marco Antonio Zaldívar
C.P.C. Register No.12477

Lima, Peru,
January 26, 2001

Minera Yanacocha S.R.L.

Balance Sheets

	At December 31,	
	2000	1999
<small>(In thousands of United States dollars)</small>		
Assets		
Cash and cash equivalents	\$ 30,633	\$ 43,137
Restricted funds	10,276	15,393
Trade accounts receivable	5,579	-
Inventories	91,538	77,518
Prepaid taxes and expenses	61,482	49,921
Current assets	199,508	185,969
Property, plant, equipment and mine development, net	521,985	305,153
Other assets	5,088	4,768
Total assets	<u>\$726,581</u>	<u>\$495,890</u>
Liabilities		
Trade accounts payable	\$24,743	\$13,027
Deferred revenue	14,420	-
Accrued liabilities	43,177	12,705
Profit sharing payable	11,410	11,908
Income tax payable	5,570	12,561
Current portion of long-term debt	17,986	14,937
Deferred income from tax benefits	-	29,520
Current liabilities	117,306	94,658
Long-term debt	123,291	86,165
Deferred income tax	60,343	30,778
Deferred profit sharing	17,490	8,118
Reclamation liability	21,605	16,443
Total liabilities	<u>340,035</u>	<u>236,162</u>
Commitments and contingencies (see Note 17)		
Partners' equity		
Partners' contributions	2,116	2,116
Additional contribution	226	226
Legal reserve	-	470
Restricted earnings	193,000	122,000
Retained earnings	191,204	134,916
Total partners' equity	<u>386,546</u>	<u>259,728</u>
Total liabilities and partners' equity	<u>\$726,581</u>	<u>\$495,890</u>

The accompanying notes are an integral part of these statements.

Minera Yanacocha S.R.L.

Statements of Income

	Years ended December 31,		
	2000	1999	1998
(In thousands of United States dollars)			
Sales and other income			
Sales	\$491,791	\$464,361	\$392,522
Interest and other	3,602	3,851	3,225
	<u>495,393</u>	<u>468,212</u>	<u>395,747</u>
Costs and expenses			
Costs applicable to sales	173,526	189,296	142,546
Depreciation and amortization	62,357	51,888	49,754
Exploration costs	10,349	9,455	11,194
Remediation costs	9,965	-	-
Interest expense and other	5,429	14,562	11,121
	<u>261,626</u>	<u>265,201</u>	<u>214,615</u>
Income before income tax provision and cumulative effect of change in accounting principle	233,767	203,011	181,132
Income tax provision	<u>41,897</u>	<u>54,049</u>	<u>45,092</u>
Net income before cumulative effect of change in accounting principle	191,870	148,962	136,040
Cumulative effect of change in accounting principle, net	<u>(4,986)</u>	<u>-</u>	<u>-</u>
Net income and comprehensive income	<u>\$186,884</u>	<u>\$148,962</u>	<u>\$136,040</u>

The accompanying notes are an integral part of these statements.

Minera Yanacocha S.R.L.

Statements of Changes in Partners' Equity

	Partners' contributions	Additional contribution	Legal reserve	Restricted earnings	Retained earnings	Total partners' equity
<small>(In thousands of United States dollars)</small>						
Balance at December 31, 1997	\$2,116	\$226	\$470	\$ -	\$125,136	\$127,948
Net income	-	-	-	-	136,040	136,040
Restricted earnings	-	-	-	122,000	(122,000)	-
Cash dividends	-	-	-	-	(73,222)	(73,222)
Balance at December 31, 1998	2,116	226	470	122,000	65,954	190,766
Net income	-	-	-	-	148,962	148,962
Cash dividends	-	-	-	-	(80,000)	(80,000)
Balance at December 31, 1999	2,116	226	470	122,000	134,916	259,728
Restricted earnings	-	-	-	71,000	(71,000)	-
Net income	-	-	-	-	186,884	186,884
Cash dividends	-	-	(470)	-	(59,596)	(60,066)
Balance at December 31, 2000	<u>\$2,116</u>	<u>\$226</u>	<u>\$ -</u>	<u>\$193,000</u>	<u>\$191,204</u>	<u>\$386,546</u>

The accompanying notes are an integral part of these statements.

Minera Yanacocha S.R.L.

Statements of Cash Flows

	Years ended December 31,		
	2000	1999	1998
(In thousands of United States dollars)			
Operating activities			
Net income	\$186,884	\$148,962	\$136,040
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	62,357	51,888	49,754
Deferred income tax	29,565	4,622	6,959
Deferred income from tax benefits	(29,520)	9,840	19,680
Deferred profit sharing	9,372	8,118	-
Other	-	(1,544)	7,156
Increase in operating assets			
Trade accounts receivable	(5,579)	-	-
Inventories	(14,020)	(16,760)	(20,321)
Prepaid taxes and expenses	(7,561)	(12,891)	(25,947)
Increase (decrease) in operating liabilities			
Trade accounts payable and accrued liabilities	36,888	20,653	(4,027)
Reclamation liability	5,162	4,967	4,007
Net cash provided by operating activities	<u>273,548</u>	<u>217,855</u>	<u>173,301</u>
Investing activities			
Additions to property, plant, equipment and mine development	<u>(266,122)</u>	<u>(126,312)</u>	<u>(82,491)</u>
Net cash used in investing activities	<u>(266,122)</u>	<u>(126,312)</u>	<u>(82,491)</u>
Financing activities			
Cash dividends	(60,066)	(80,000)	(73,222)
Proceeds from long-term debt	53,000	3,000	-
Repayments of long-term debt	(15,121)	(18,110)	(17,972)
Restricted funds	5,117	(2,207)	1,459
Debt issuance costs	(2,860)	-	-
Net cash used in financing activities	<u>(19,930)</u>	<u>(97,317)</u>	<u>(89,735)</u>
Net increase (decrease) in cash and cash equivalents	(12,504)	(5,774)	1,075
Cash and cash equivalents at beginning of year	<u>43,137</u>	<u>48,911</u>	<u>47,836</u>
Cash and cash equivalents at end of year	<u>\$30,633</u>	<u>\$43,137</u>	<u>\$48,911</u>

See Note 14 for supplemental cash flow information.

The accompanying notes are an integral part of these statements.

Minera Yanacocha S.R.L.

Notes to the Financial Statements

As of December 31, 2000 and 1999

(Stated in thousands of U.S. dollars, unless otherwise noted)

1. The Company

Minera Yanacocha S.R.L. (the "Company") is engaged in exploration and production of gold under the mining concessions owned by S.M.R.L. Chaupiloma Dos de Cajamarca ("Chaupiloma"). The Company changed its legal structure from a corporation to partnership by public deed dated October 31, 1999. As a result of this change: (a) the number of partners cannot be more than 20, (b) the capital stock is represented by participations, (c) there is no obligation to create a legal reserve (See Note 12), and (d) no differences in income tax treatment resulted.

The majority partners of the Company (or their affiliates) also own the majority interest in Chaupiloma. In accordance with a mining lease, amended effective January 1, 1994, the Company pays Chaupiloma a 3% royalty on quarterly production at current market prices, after deducting refinery and transportation costs. The royalty agreement expires in the year 2012, which can be extended at the Company's option.

Located in the Cajamarca province of Peru, the Company's operation consists of four open pit mines: the Carachugo, San José, Maqui Maqui and Cerro Yanacocha mines. Gold-bearing ores are transported to one of three leach pads for gold recovery using conventional heap-leaching cyanidation, followed by Merrill-Crowe zinc precipitation and smelting where a final doré product is poured. A fifth mine (La Quinoa), a crushing and agglomeration plant and a fourth leach pad is being constructed and will be operational in the middle of 2001. The doré is then shipped offsite and sold in world gold markets.

Proven and probable reserves from these mines are approximately 36.6 million (unaudited) and 32.9 million (unaudited) contained ounces of gold at December 31, 2000 and 1999, respectively.

Minera Yanacocha began production in 1993. Approximately 1,795,400, 1,655,800 and 1,335,800 ounces of gold were produced during 2000, 1999 and 1998, respectively.

Notes to the Financial Statements (continued)

Gold mining requires the use of specialized facilities and technology. The Company relies heavily on such facilities to maintain production levels. Also, the cash flow and profitability of the Company's operations are significantly affected by the market price of gold. Gold prices can fluctuate widely and are affected by numerous factors beyond the Company's control.

In the fourth quarter of 2000, two of the Company's partners unitized their holdings in northern Peru into the Company. Under the unitization plan, the Company spent US\$45.7 million for mining rights, land, and a lime plant. The agreements signed to formalize the unitization contain certain commitments described in Note 17.

2. Summary of significant accounting policies

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are stated in U.S. dollars, the Company's functional currency.

Cash and cash equivalents -

Cash and cash equivalents consist of all cash balances and highly liquid investments with an original maturity of three months or less. Because of the short maturity of these investments, the carrying amounts approximate their fair value.

Inventories -

Precious metals, ore and in-process inventories, and materials and supplies are stated at the lower of average cost or net realizable value. Prior to the change in accounting method for revenue recognition discussed below, precious metals inventory was stated at market value.

Property, plant, equipment and mine development -

Expenditures for new facilities or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives of such facilities. Productive lives are indicated in Note 7. Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property, including costs to further delineate the ore body and remove overburden to initially expose the ore body, are capitalized. Such costs, and estimated future development costs, are amortized using the units-of-production method over the estimated life of the ore body based on

Notes to the Financial Statements (continued)

proven and probable reserves. Ongoing development expenditures to maintain production are generally charged to operations as incurred.

Significant payments related to the acquisition of exploration interests are capitalized. If a mineable ore body is discovered, such costs are amortized using the unit-of-production method. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Interest expense allocable to the costs of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use.

Gains or losses from normal sales or retirements of assets are included in other income or expense.

Asset Impairment -

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured as the amount by which asset carrying value exceeds fair value. Fair value is generally determined using estimated future cash flow analysis. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis is less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows include estimates of recoverable ounces, gold and silver prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, all based on detailed engineering life-of-mine plans. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions and market conditions and/or the Company's performance could have a material effect on the Company's financial position and results of operations.

Debt issuance costs -

Debt issuance costs are capitalized and amortized to interest expense over the term of the related debt.

Revenue recognition -

The Company changed its accounting method for revenue recognition in accordance with the U.S. Securities and Exchange Commission Staff

Notes to the Financial Statements (continued)

Accounting Bulletin No. 101, such that revenue is recognized upon delivery of third-party refined gold to the customer. Previously, revenue was recognized when the production process was completed (see Note 16).

Reclamation and mine closure costs -

Estimated future reclamation costs are based principally on legal and regulatory requirements. Such costs are accrued and charged over the expected operating lives of the mines using the unit-of-production method.

Income tax and profit sharing -

The Company accounts for income tax and profit sharing using the liability method. Under this method, the Company recognizes certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related income tax basis for such liabilities and assets. This method generates a net deferred income tax and profit sharing liability or net deferred income tax and profit sharing asset for the Company as of the end of the year, as measured by the statutory tax and profit sharing rates in effect as enacted. The Company derives its deferred income tax and profit sharing charge or benefit by recording the change in the net deferred income tax and profit sharing liability or net deferred income tax and profit sharing asset balance for the year, based on Peruvian income tax and profit sharing rates.

Commodity instruments -

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" establishes accounting and reporting standards for derivative instruments and hedging activity. SFAS No.133 is effective January 1, 2001. SFAS No.133 requires recognition of all derivative instruments on the balance sheets 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 Company plans to adopt the statement on January 1, 2001 and no significant changes are anticipated upon adoption because the Company has no derivatives.

Comprehensive Income -

In 1998, the Company adopted SFAS 130 "Reporting Comprehensive Income" that established standards for reporting and displaying comprehensive income and its components in a full set of general purpose

Notes to the Financial Statements (continued)

financial statements. In addition to net income, comprehensive income includes all changes in equity during a period, except those resulting from investments by and distributions to owners. The Company has no material comprehensive income items.

Use of estimates -

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassifications -

Certain amounts in prior years have been reclassified to conform to the 2000 presentation.

3. Foreign currency transactions

Monetary assets and liabilities are principally denominated in U.S. dollars, the functional currency. No significant assets or liabilities are denominated in Peruvian currency.

4. Cash and cash equivalents

	<u>At December 31,</u>	
	<u>2000</u>	<u>1999</u>
Bank accounts	30,633	39,106
Time deposits	-	4,031
	<u>30,633</u>	<u>43,137</u>

Bank accounts consisted of deposits in local and foreign banks. These deposits bear market interest rates.

Notes to the Financial Statements (continued)

5. Inventories

	<u>At December 31,</u>	
	2000	1999
Precious metals	4,301	15,134
Ore in process	67,654	48,084
Materials, supplies and spare parts	19,583	14,300
	<u>91,538</u>	<u>77,518</u>

6. Prepaid taxes and expenses

	<u>At December 31,</u>	
	2000	1999
Value added tax credit	43,795	29,006
Claims to tax authorities	10,635	114
Income tax credit	-	17,040
Others	7,052	3,761
	<u>61,482</u>	<u>49,921</u>

Claims to tax authorities at December 31, 2000 include value added tax and equity tax paid and not reimbursed of approximately US\$9.6 million and US\$1 million, respectively. See Note 17.

Notes to the Financial Statements (continued)

7. Property, plant, equipment and mine development

	Annual Depreciation rates	At December 31,	
		2000	1999
Lands and mining claims	-	10,124	5,987
Buildings and equipment	3%, 14.3% and 20%	472,941	404,835
Mine development	Units of production	140,938	69,489
Construction-in-progress	-	145,799	10,302
		<u>769,802</u>	<u>490,613</u>
Accumulated depreciation and amortization		<u>(247,817)</u>	<u>(185,460)</u>
		<u>521,985</u>	<u>305,153</u>

See Note 1 for the acquisition of assets under the unitization plan.

8. Accrued liabilities

	At December 31	
	2000	1999
Accounts payable to related parties, see Note 13	20,400	8,747
Accounts payable to contractors	10,771	-
Remediation provision, see Note 17	4,000	-
Taxes payable	1,812	1,236
Remuneration payable	1,245	515
Other	4,949	2,207
	<u>43,177</u>	<u>12,705</u>

Accounts payable to contractors are mainly related to the development of La Quinoa project, which is expected to begin operations in June 2001.

Notes to the Financial Statements (continued)

9. Profit sharing payable

In accordance with Peruvian legislation, the Company maintains an employee profit-sharing plan equal to 8% of annual taxable income. Distributions to employees under the plan are based 50% on the number of days that each employee worked during the preceding year and 50% on proportionate annual salary levels.

Peruvian law limits payments of annual profit sharing per employee to eighteen months salary but continues to base total profit sharing on 8% of taxable income, notwithstanding the per employee limitation. Supreme Decree N°009-98-TR, published on August 6, 1998, provides that the excess of total profit sharing for the year (8% of taxable income, or US\$11.6 million for 2000 and US\$16.4 million for 1999) over aggregate profit sharing payable to all employees (US\$11.2 million for 2000 and US\$11.9 million for 1999), be paid to the Fondo Nacional de Capacitación Laboral y de Promoción del Empleo - FONCALPROEM. This entity, created by Legislative Decree N°892, is responsible for managing this fund, which is intended for future training or employment generation in Peru.

10. Income tax

The Company is subject to Peruvian tax legislation, with an income tax rate of 30%. The Company's income tax provision consisted of the following:

	Years ended December 31,		
	2000	1999	1998
Current	12,332	49,427	38,133
Deferred	29,565	4,622	6,959
Total	41,897	54,049	45,092

Notes to the Financial Statements (continued)

Income tax expense differed from the amount computed by applying the statutory Peruvian corporate income tax rate of 30 percent to pre-tax income as a result of the following:

	<u>Years ended December 31,</u>		
	2000	1999	1998
Income before income tax			
provision and cumulative effect			
of change in accounting			
principle	233,767	203,011	181,132
Statutory rate	<u>30%</u>	<u>30%</u>	<u>30%</u>
Income tax at statutory rate	70,130	60,903	54,340
Investment credit	(29,520)	(7,200)	(9,600)
Permanent items	<u>1,287</u>	<u>346</u>	<u>352</u>
Total income tax expense	<u><u>41,897</u></u>	<u><u>54,049</u></u>	<u><u>45,092</u></u>

Components of deferred income tax liabilities and assets were as follows:

	<u>At December 31,</u>	
	2000	1999
Deferred tax liabilities		
Property plant and mine development costs	70,773	37,553
Debt issuance costs	1,186	579
Other	<u>118</u>	<u>14</u>
	<u>72,077</u>	<u>38,146</u>
Deferred tax asset		
Deferred profit sharing	(5,247)	(2,435)
Reclamation costs	<u>(6,487)</u>	<u>(4,933)</u>
	<u>(11,734)</u>	<u>(7,368)</u>
Net deferred tax liability	<u><u>60,343</u></u>	<u><u>30,778</u></u>

Notes to the Financial Statements (continued)

Income Tax -

Income tax returns for 1996, 1997 and 2000 (prepared in U.S. dollars) are pending review by tax authorities (see Note 17). Depending upon possible interpretations of Peruvian laws by the tax authorities, it is not possible to determine whether or not any liability will result from such review. If additional taxes are assessed, resulting payment or surcharges will be recorded in the year of settlement. The Company believes that any such assessments should not be significant to the financial statements as of December 31, 2000 and 1999.

During 2000, the tax authorities reviewed the income tax and value added tax returns for 1998 and 1999. See further explanation in Note 17.

The Company has entered into the following tax stabilization agreements, each with a term of 15 years:

Project	Effective	Date of the tax agreement	Tax regimes in force
Carachugo	January 1, 1995	May 19, 1994	October 29, 1999
Maqui Maqui	January 1, 1997	September 12, 1994	May 6, 1994
Cerro Yanacocha	January 1, 2000	September 16, 1998	May 22, 1997

These agreements guarantee the Company's use of the tax regimes shown in the table above and permit maintenance of its accounting records in U.S. dollars.

Investment Credits -

Pursuant to Supreme Decree N°027-98-EF, mining companies can obtain a tax benefit ("Investment Credit") by effectively reinvesting non-distributed profits into capital expansion projects that increase the Company's productivity ("Reinvestment Program"). Investment Credits, based on 80% of amounts reinvested, are obtained by application to and approval by the Ministry of Energy and Mines. The 1998 Reinvestment Program generated Investment Credits of US\$29.3 million, of which US\$12.5 million, US\$7.2 million and US\$9.6 million were realized in 2000, 1999 and 1998, respectively. Non-distributed profits associated with these Investment Credits of US\$122 million are reflected in Restricted Earnings as of December 31, 2000 and 1999.

Notes to the Financial Statements (continued)

An additional US\$17 million of Investment Credits was generated based on the 1999 Reinvestment Program. This amount was fully realized in 2000. Restricted Earnings increased US\$71 million for non-distributed profits associated with this investment credit.

Investment Credits from the 1999 Reinvestment Program plus remaining Investment Credits from the 1998 Reinvestment Program were reflected in the balance sheet as Deferred income from tax benefits as of December 31, 1999. In 2000, the Company effectively reinvested non-distributed profits into capital expansion projects; therefore, there were no remaining credits at December 31, 2000.

Approval by the Ministry of Energy and Mines is pending for both Reinvestments Programs.

11. Long-term debt

Long-term debt consisted of the following:

	<u>At December 31,</u>	
	<u>2000</u>	<u>1999</u>
Trust Certificates	78,000	88,000
International Finance Corporation	45,000	1,200
Banco de Credito del Perú	8,000	-
Citileasing S.A.	5,971	8,776
Mobil Oil del Peru S.A.	2,271	2,663
DEG	-	463
Other	2,035	-
	<u>141,277</u>	<u>101,102</u>
Current maturities	<u>(17,986)</u>	<u>(14,937)</u>
	<u>123,291</u>	<u>86,165</u>

Scheduled minimum long-term debt repayments are US\$23.6 million in 2002, US\$73.9 million in 2003, US\$24.9 million in 2004 and US\$0.9 million thereafter.

Trust Certificates -

The Company issued debt through the sale of US\$100 million 8.4% 1997 Series A Trust Certificates ("Trust Certificates") to various institutional

Notes to the Financial Statements (continued)

investors. The proceeds from the Trust Certificates were primarily used to finance the Cerro Yanacocha project. At December 31, 2000 and 1999, US\$78 million and US\$88 million, respectively, was outstanding under this financing. Interest on the Trust Certificates is fixed at 8.4% and repayments are required quarterly through 2004. The fair value of the Trust Certificates was approximately US\$75.7 million and US\$81 million at December 31, 2000 and 1999, respectively.

Trust Certificates are secured by certain of the Company's assets and also are specifically secured by future gold sales, through a trust agreement with Bank of New York.

International Finance Corporation ("IFC") -

On December 22, 1999, the Company entered into a new US\$100 million loan agreement with the IFC. The outstanding amount under this credit line at December 31, 2000 was US\$45 million. This loan, comprised of two-tiers (a US\$20 million A Tranche and an US\$80 million B Tranche), is a revolving facility that converts to a term loan. The A Tranche has a five-year revolving availability period and converts to a five-year term loan. The B Tranche has a three-year revolving availability period and converts to a four-year term loan. Initial drawdowns under the loan are to be used for development of the La Quinoa project; however, the loan accommodates repayments during the revolving availability period and any subsequent borrowings may be used for other development purposes. Interest applicable to the A Tranche is based on Libor plus 2.375%. Interest applicable to the B Tranche is based on Libor plus 2.0% through the 2nd anniversary of the agreement, Libor plus 2.25% from year 2 to year 4 and after the 4th anniversary Libor plus 2.5%. The loan is secured by certain of the Company's assets. The interest rate for the period the loan was outstanding in 2000 and at December 31, 2000 was 8.3%. The carrying amount of the loan is estimated to approximate its fair market value.

Banco de Crédito del Perú -

The Company has a US\$20 million line of credit with Banco de Crédito del Perú at an annual interest rate of LIBOR plus 2%. The interest rate spread is adjusted annually to current market rates. Any borrowings under this facility must be repaid by July 22, 2004. At December 31, 2000, US\$8 million was outstanding and the interest rate during 2000 and at December 31, 2000 was 8.6%. The carrying amount of the loan is estimated to approximate its fair market value.

Notes to the Financial Statements (continued)

Citileasing S.A. -

In December 1999, the Company entered into a lease agreement with Citileasing S.A. in connection with the termination of its mining contract (See Note 17). This lease is accounted for as a capital lease and is subject to quarterly rental payments through September 2002. The interest rate for the period the lease was outstanding in 2000 and 1999 and at December 31, 2000 and 1999 was 11.8%. The fair market value cannot be practicably determined due to the lack of available market information for this type of debt.

Mobil Oil del Perú S.A. -

The Company also has an installment purchase agreement with Mobil Oil del Perú, S.A. for purchase of certain fueling station assets through 2006. The interest rate for the period the lease was outstanding in 2000 and 1999 and at December 31, 2000 and 1999 was 9.1%. The fair market value cannot be practicably determined due to the lack of available market information for this type of debt.

Restricted funds -

Under terms of the Trust Certificates loan, the Company maintains an escrow account for the next interest and principal installment due. Such amount totaled US\$10.3 million and US\$8.6 million as of December 31, 2000 and 1999, respectively. These escrow account amounts are included in Restricted funds. Under certain conditions, a portion of these amounts may be used for scheduled debt payments.

As of December 31, 1999, Restricted funds also included escrow deposits with respect to the IFC/DEG loans, totaling US\$6.8 million.

Compliance with covenants -

The financing agreements contain certain covenants that limit indebtedness and payment of dividends to partners, among others. In addition, the Company must maintain certain financial ratios as provided in the financing agreements. At December 31, 2000 and 1999, the Company was in compliance with these covenants.

12. Partners' equity

- (a) Partners' contributions represent 4,600,104 common participations with a par value of one Peruvian Nuevo Sol each, fully subscribed and paid. Such participations include 2,592,220 that are owned by non-Peruvian investors.

Notes to the Financial Statements (continued)

Under current Peruvian regulations, there is no restriction on remittance of dividends or repatriation of foreign investment, except as discussed in (c) below. Furthermore, dividend distributions are tax-free. However, dividends paid to a non-domiciled partner who had executed an Investment Agreement with the Peruvian Government were subject to a 10% withholding income tax on dividends through September 23, 1999. That agreement was cancelled at that time and such partner is no longer subject to withholding tax.

- (b) Legal reserve - As a result of the new corporate structure effected in 1999 (See Note 1), the Company is not obliged to maintain or create a legal reserve. The reserve as of December 31, 1999 was created in prior years by transferring 10% of the Company's net income until the reserve reached 20% of capital stock. In 2000, this legal reserve was distributed in cash to the Company's partners.
- (c) Restricted earnings - As explained in Note 10, non-distributed profits of US\$193 million relates to a Reinvestment Program that generated Investment Credits. Furthermore, the Company cannot reduce its partners' contributions within four consecutive years after the related capitalization.

13. Related party transactions

Management, exploration, mine development, engineering and employment services are provided pursuant to contracts with affiliated companies. The corresponding charges totaled to US\$15.9 million, US\$8.4 million and US\$8.2 million in 2000, 1999 and 1998, respectively. Accrued liabilities included US\$9.4 million and US\$3.4 million at December 31, 2000 and 1999, respectively, for such services.

As described in Note 1, the Company pays Chaupiloma a 3% royalty on quarterly production at current market prices, after deducting refinery and transportation costs. Royalty expense totaled US\$14.8 million, US\$14 million and US\$11.8 million in 2000, 1999 and 1998, respectively. Accrued liabilities included US\$4.1 million and US\$5.3 million at December 31, 2000 and 1999, respectively, for such royalties.

Notes to the Financial Statements (continued)

See Note 1 for transactions with related entities in connection with the unitization of properties. Accrued liabilities at December 31, 2000 included US\$6.9 million payable to Compañía de Minas Buenaventura S.A.A. and Minas Conga S.R.L. related to this transaction.

14. Supplemental cash flow information

Net cash provided by operating activities included the following cash payments:

	Years Ended December 31,		
	2000	1999	1998
Income tax paid	34,355	17,043	50,775
Interest, net of amounts capitalized	3,966	6,004	7,305

In 2000 and 1999, the Company recorded certain lease/purchase obligations that resulted in non-cash increases to Property, plant, equipment and mine development and Long-term debt of US\$2.3 million and US\$12.4 million, respectively.

15. Major customers and export sales

The Company is not economically dependent on a limited number of customers for the sale of its product because gold can be sold through numerous commodity market traders worldwide. In 2000, sales to one customer accounted US\$376 million, or 76% of total annual sales. In 1999, sales to two customers accounted US\$257 million and US\$193 million, or 97% of total annual sales. In 1998, sales to one customer accounted for US\$282 million, or 75% of total annual sales.

All gold sales were made outside of Peru.

16. Accounting change

As described in Note 2, the Company changed its method of accounting for revenue recognition in the fourth quarter of 2000, effective January 1st, 2000, to record sales when third-party refined gold is delivered to the customer. Previously, revenue was recognized upon the completion of the production process at the mine site. The cumulative effect of the change in accounting principle was US\$5.0 million, net of tax.

Notes to the Financial Statements (continued)

17. Commitments and contingencies

Tax contingencies -

During year 2000, the tax authorities reviewed income tax and value added tax returns for the years 1998 and 1999; and value added tax returns for January and February 2000. As a result of this review, the Company received tax-related assessments by US\$24.9 million, of which US\$9.6 million were directly offset against pending value added tax refunds. In addition, the tax authorities denied the refund of equity tax paid in excess by US\$1 million. The Company has filed appeals against these assessments.

In the opinion of the Company's management and its tax advisors, the resolution of these appeals will not result in adverse or material impacts to the financial position or results of operations.

Environmental and natural resources code -

The Company's mining and exploration activities are subject to Legislative Decree 613 published on September 8, 1990, which is regulated by Supreme Decrees N°016-93-EM, N°059-93-EM and N°029-99-EM dated April 28 and December 10, 1993 and July 12, 1999, respectively. These rules govern the protection of the environment. The Company conducts its operations so as to protect the public health and environment and believes it operates in compliance with all applicable laws and regulations. The Company accrues for its expected future reclamation and closure liabilities on a units-of-production basis, and such liability totaled US\$21.6 million and US\$16.4 million at December 31, 2000 and 1999, respectively.

Mining contract -

On December 7, 1999, the Company and Zublin Chile Ingeniería y Construcciones Ltda., Sucursal Perú ("Zublin") entered into a Settlement and Termination Agreement to terminate and settle all outstanding matters relating to Contract 2007. Under Contract 2007, Zublin had provided mining services to the Company since 1997.

As a result of this termination, during 2000, the Company paid US\$39.9 million for the acquisition of mining equipment previously owned by Zublin and US\$6.1 million for termination, bonus and other costs. Of the latter, US\$5.4 million was included in Interest expense and other and US\$0.7 million in costs applicable to sales. In addition, a lease obligation was entered into by the Company (see Note 11) that resulted in non-cash increases to Property, plant, equipment and mine development and long-term debt of US\$8.8 million.

Notes to the Financial Statements (continued)

Unitization of properties -

In December 2000, as a result of the unitization plan mentioned in Note 1, the Company signed several asset transfer and mining lease agreements with related entities. The main conditions are:

- The Company must pay to Chaupiloma, S.M. Coshuro R.L. and Compañía de Minas Buenaventura S.A.A. (Buenaventura), 3 percent on quarterly net sales of mineral extracted from the transferred and leased concessions. These properties are under exploration.
- The Company must pay to Los Tapados S.A. (information related to price per ounce is stated in U.S. dollars): 3 percent on quarterly net sales of mineral extracted from the transferred and leased concessions from Los Tapados S.A. The transferred and leased Los Tapados S.A. concessions are also subject to a previously existing royalty on the minerals extracted as follows (a) 2% for copper, (b) 3% for silver and (c) 2% if the gold price is less than US\$320 per ounce; 3% if the gold price is equivalent or higher than US\$320 but less than US\$360 per ounce; 4% if the gold price is equivalent or higher than US\$360 but less than US\$400 per ounce and, 5% if the gold price is equivalent or higher than US\$400 per ounce. This property is under exploration.
- Buenaventura will be the administrator of the lime plant acquired. The agreed monthly fee is US\$10 thousand plus reimbursement of all incurred costs. The agreement expires on December 18, 2010 and can be extended for similar periods at the Company's option.

Remediation liability -

In June 2000, a transport contractor of the Company spilled approximately 151 kilograms of mercury near the town of Choropampa, Peru, which is located 53 miles southwest of the mine. Mercury is a byproduct of gold mining and was sold to a Lima firm for use in medical instrumentation and industrial applications. A comprehensive health and environmental remediation program was implemented by the Company. In August 2000, the Company paid under protest a fine of 1,740,000 Peruvian nuevos soles (approximately US\$0.5 million) to the Peruvian government. The Company entered into agreements with three of the communities impacted by this incident to provide a variety of public works as compensation for the disruption and inconvenience caused by the incident. Estimated costs were US\$10 million for these improvements, other remediation efforts, personal compensation and the fine, and were included in Remediation costs in the

Notes to the Financial Statements (continued)

Statement of Income in 2000. The Company cannot reasonably predict the likelihood of any additional expenditures related to this matter.

The Company is from time to time involved in various legal proceedings of a character normally incident to its business. It does not believe that adverse decisions in any pending or threatened proceeding or that amounts which it may be required to pay by reason thereof will have a material adverse effect on its financial condition or results of operations.

18. Summary of significant differences between accounting principles followed by the company and Peruvian generally accepted accounting principles

Yanacocha's financial statements have been prepared in accordance with U.S. GAAP, which differ in certain respects from Peruvian GAAP. The effects of these differences are reflected in the reconciliation provided in Note 19 and principally relate to the items discussed in the following paragraphs:

Fixed assets

U.S. GAAP - Under U.S. GAAP: (a) acquisition costs less than \$10 are charged to expenses, (b) mine development costs are capitalized and amortized using the units-of-production method, and (c) cost of leach pads, included as part of buildings and equipment, are amortized using the straight-line method.

Peruvian GAAP - Under Peruvian GAAP: (a) acquisition costs less than \$0.2 are charged to expenses, (b) mine development costs are expensed in one year, and (c) cost of leach pads are amortized using the units-of-production method.

Intangibles (exploration and mine development costs)

U. S. GAAP - Exploration costs incurred before it has been determined that a mineral property can be economically developed are expensed as incurred. Mine development costs related to successful projects are capitalized.

Peruvian GAAP - Exploration costs and development costs of new mining sites are capitalized as intangible assets.

Notes to the Financial Statements (continued)

Amortization of intangibles (exploration and development costs)

U.S. GAAP - Development costs of proved properties are amortized using the units-of-production method on the basis of total estimated units of proved reserves.

Peruvian GAAP - Yanacocha's policy under Peruvian GAAP is to amortize intangibles in one year. Amortization is based upon capitalized exploration and development costs as determined under Peruvian GAAP.

Income tax

U.S. GAAP - Under SFAS 109, which designates the liability method as the correct accounting method for taxes for U.S. GAAP, Yanacocha must recognize certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related tax basis.

Peruvian GAAP - Income tax is determined in accordance with applicable legal regulations. Effective January 1, 1998 assets and/or liabilities for temporary differences relating to income taxes are recognized. In the case of the Company, the income tax item included in the reconciliation provided in Note 19 is originated exclusively by the Peruvian GAAP reconciliation items.

Profit sharing

U.S. GAAP - The common practice is to recognize a liability for temporary differences between book and tax income relating to the profit sharing, similar to that recognized relating to income taxes.

Peruvian GAAP - Workers share in the profits of Yanacocha by receiving 8 percent of taxable income. The Company recorded no liability for workers' profit sharing which was not significant for the financial statements as of December 31, 1998. Effective January 1, 1999, assets and/or liabilities for temporary differences relating to project sharing are recognized; therefore, the profit sharing item as of December 31, 1999, included in the reconciliation provided in Note 19, is originated exclusively by the Peruvian GAAP reconciliation items.

Notes to the Financial Statements (continued)

Debt issuance costs

U.S. GAAP - Costs are capitalized and amortized over the life of the related debt.

Peruvian GAAP - Debt issuance costs are charged to income as incurred.

Capitalization of interest

U.S. GAAP - Statement of Financial Accounting Standard N°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.

Peruvian GAAP - Effective January 1, 1998, interest costs relating to construction are capitalized; consequently, there is no difference for this concept subsequent to December 31, 1998.

Capitalized compensation

U.S. GAAP - Certain compensations paid to Zublin directly related to acquisition of fixed assets (see Note 17) are considered as fixed assets and depreciated.

Peruvian GAAP - Such compensations can be expensed in one year.

Notes to the Financial Statements (continued)

19. Reconciliation between net income and partners' equity determined under U.S. GAAP and Peruvian GAAP

The following is a summary of the adjustments to net income for the years ended December 31, 1998, 1999 and 2000 and to partners' equity as of December 31, 1999 and 2000 which would be required if Peruvian GAAP had been applied instead of U.S. GAAP in the financial statements:

	<u>For the years ended December 31,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Net income according to the financial statements prepared under U.S. GAAP	\$136,040	\$148,962	\$186,884
Items increasing (decreasing) reported net income			
Fixed assets charged to expenses	(2,469)	5,895	5,706
Mine development costs	(24,644)	(29,725)	(77,510)
Debt issuance costs	771	491	(2,023)
Capitalization of interest	2,643	-	(2,723)
Capitalized compensation	-	(4,732)	-
Deferred income tax, related to reconciled items	10,112	5,993	20,831
Deferred profit sharing, related to reconciled items	-	8,516	6,544
Other, net	(447)	(852)	(975)
Net adjustment	<u>(14,034)</u>	<u>(14,414)</u>	<u>(50,150)</u>
Net income in accordance with Peruvian GAAP	<u>\$122,006</u>	<u>\$134,548</u>	<u>\$136,734</u>

Notes to the Financial Statements (continued)

	<u>As of December 31,</u>	
	1999	2000
Partner's equity according to the financial statements prepared under U.S. GAAP	\$259,728	\$386,546
Items increasing (decreasing) reported		
Partners' equity:		
Fixed assets charged to expenses	8,926	14,632
Mine development costs	(125,356)	(202,866)
Debt issuance costs	(1,930)	(3,953)
Deferred taxes, related to reconciled items	35,302	56,133
Capitalized compensation	(4,732)	(4,732)
Deferred profit sharing, related to reconciled items	8,516	15,060
Other, net	(1,088)	(4,786)
Net adjustment	<u>(80,362)</u>	<u>(130,512)</u>
Partner's equity according to the financial statements prepared under Peruvian GAAP	<u>\$179,366</u>	<u>\$256,034</u>

With regard to the balance sheets and income statements, the following significant captions determined under Peruvian GAAP would have been:

	<u>As of December 31,</u>		
	1999	2000	
Balance sheets			
Current assets	\$175,873	\$197,847	
Total assets	359,381	516,450	
Total liabilities	180,015	260,416	
	<u>For the years ended December 31,</u>		
	1998	1999	2000
Statements of income			
Revenues	\$395,022	\$485,000	\$499,422
Operating income	157,904	182,486	162,786

Notes to the Financial Statements (continued)

20. Valuation and qualifying accounts

The following is a summary of Yanacocha's valuation and qualifying accounts:

	Balance at beginning of period	Charged to cost and expenses	Balance at end of period
1999 Land reclamation reserve	<u>\$11,476</u>	<u>\$4,967</u>	<u>\$16,443</u>
2000 Land reclamation reserve	<u>\$16,443</u>	<u>\$5,265</u>	<u>\$21,708</u>