

The Term Loan Agreement governing the Syndicated Term Loan contains certain customary covenants, including covenants that restrict our ability to: incur additional indebtedness; engage in transactions with affiliates; create liens on our assets; make certain investments; sell assets, subject to certain exceptions; acquire other companies or dissolve, liquidate or merge with or into other companies; enter into unrelated businesses; make guarantees; enter into burdensome agreements; and enter into certain hedging transactions other than in the ordinary course of business. In addition, we are required to meet certain financial tests, including a Debt Ratio (as defined in the Term Loan Agreement) of 3.5 to 1.0, and certain operational metrics, including obligations requiring us to maintain the economic value of reserves and the average service life of mining units at specified levels.

The Syndicated Term Loan is also subject to certain customary events of default, including defaults related to non-payment, violation of certain covenants, cross-defaults, insolvency, judgments, invalidity of loan documents or security interests, government intervention or termination of certain concession contracts. The Syndicated Term Loan was initially secured by a pledge of our Common Shares held by Condesa. On January 23, 2009, we and lenders party to the Syndicated Term Loan executed a consent and amendment to release the pledged collateral.

In August, September and November 2008, we prepaid US\$49.5 million, US\$38.5 million and US\$60.0 million, respectively, of the outstanding Syndicated Term Loan, in each case without prepayment penalties or charges. As of December 31, 2009, approximately US\$205.3 million remained outstanding under the Syndicated Term Loan. On March 1, 2010, we repaid the full amount outstanding under the Syndicated Term Loan together with a prepayment fee of US\$0.6 million.

Exchange Controls

Since August 1990, there have been no exchange controls in Peru and all foreign exchange transactions are based on free market exchange rates. Prior to August 1990, the Peruvian foreign exchange market consisted of several alternative exchange rates. Additionally, during the 1990s, the Peruvian currency has experienced a significant number of large devaluations, and Peru has consequently adopted, and operated under, various exchange rate control practices and exchange rate determination policies, ranging from strict control over exchange rates to market determination of rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares of Peruvian companies to receive and repatriate 100 percent of the cash dividends distributed by such companies. Such investors are allowed to purchase foreign exchange at free market currency rates through any member of the Peruvian banking system and transfer such foreign currency outside Peru without restriction.

Taxation

The following summarizes the material Peruvian and United States tax consequences under present law of the purchase, ownership and disposition of ADSs or Common Shares. The discussion is not a full description of all tax considerations that may be relevant to a decision to purchase ADSs or Common Shares. In particular, this discussion deals only with holders that hold ADSs or Common Shares as capital assets and that have the U.S. Dollar as their functional currency. The summary does not address the tax treatment of certain investors that may be subject to special tax rules, such as banks, securities dealers, insurance companies, tax-exempt entities, persons that will hold ADSs or Common Shares as a position in a "straddle" or "conversion transaction" for tax purposes and holders of ten percent or more of our voting shares. There is no tax treaty currently in effect between Peru and the United States, except for a treaty to exchange tax information. The information to be exchanged is defined in such treaty as any data or declaration that may be relevant or essential to the administration and application of taxes. Accordingly, the discussions below of Peruvian and U.S. tax considerations are based on the domestic law of each of Peru and the United States which are subject to change and possibly with retroactive effect.

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

Peruvian Tax Considerations

Cash Dividends and Other Distributions

Cash dividends paid with respect to the Common Shares and amounts distributed with respect to ADSs are currently subject to Peruvian withholding income tax, at a rate of 4.1 percent of the dividend paid, when the dividend is paid to shareholders that are: (i) individuals, whether domiciled or non-domiciled in Peru or (ii) non-domiciled companies or entities. Distributions of additional Common Shares representing profits, distribution of shares which are not distribution of earnings or profits, as well as distribution of preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all shareholders generally will not be subject to Peruvian income or withholding taxes.

Capital Gains

Article 2 of the Peruvian Income Tax Law, as amended by Legislative Decree 945 defines: (i) capital gains as any revenue coming from the sale of capital assets; and (ii) capital assets as those assets whose purpose is not to be traded in the regular course of business of the owner of the assets. Article 2 of the Peruvian Income Tax Law also provides that the sale of shares and similar securities is an operation which produces capital gains.

Pursuant to the Peruvian Income Tax Law, regardless of whether or not the transferor is domiciled in Peru, the amount of any taxable capital gain shall be the excess of the sale price of the capital assets over the taxable cost.

Effective up to December 31, 2009, capital gains resulting from the sale or other disposition of ADSs or Common Shares, issued by legal entities incorporated in Peru, were exempted from Peruvian income tax if (i) in the case of non-habitual individuals (i.e., individuals who do not frequently trade securities), the transaction was effected on or before December 31, 2009; and (ii) in the case of shareholders other than individuals, the transaction was effected on a Peruvian stock exchange (floor session) on or before December 31, 2009.

Effective January 1, 2010, capital gains resulting from the sale or other disposition of ADSs or Common Shares issued by legal entities incorporated in Peru are subject to Peruvian income tax. If the transferor is a legal entity not domiciled in Peru, the gross capital gain will be subject to a 5% Peruvian income tax if the transaction is effected on a Peruvian stock exchange (floor session) and to a 30% Peruvian income tax if the transaction is effected elsewhere. If the transferor is an individual not domiciled in Peru, the gross capital gain, in excess of a non taxable income of approximately US\$6,300 per fiscal year, will be subject to a 5% Peruvian income tax if the transaction is effected on a Peruvian stock exchange (floor session) and to a 30% income tax if the transaction is effected elsewhere.

If the transferor is a legal entity domiciled in Peru, the capital gain will be treated as any other taxable income subject to the regular 30% annual income tax rate. If the transferor is an individual domiciled in Peru, net capital gains in excess of a non taxable income of approximately US\$6,300 per fiscal year will be subject to a 6.25% annual income tax rate whether the transaction is effected on a Peruvian stock exchange or not and independent of how many transactions are effected by such individual. In this case, the 6.25% income tax rate will be applicable on the annual net capital gain, which is calculated by deducting from the annual gross capital gain the following (in the order listed): (i) the non taxable income of approximately the first US\$6,300; (ii) 20 percent of the annual gross capital gain; and (iii) annual losses resulting from the sale or other disposition of shares during the same fiscal year.

If the transferor, either an individual or a legal entity, whether or not it is domiciled in Peru, acquired the ADSs or Common Shares that were exempt before January 1, 2010, as per a special provision of the Income Tax Law, the taxable cost will be the higher of either (i) the acquisition cost; (ii) the face or nominal value of the shares; or (iii) the stock market value at closing on December 31, 2009.

If the transferor, whether domiciled or not in Peru, acquires the ADSs or Common Shares on or after January 1, 2010, the taxable cost will be: (i) in the case of shares that were purchased by the transferor, the acquisition price paid for the shares; (ii) in the case of shares received by the transferor as a result of a capital stock increase because of a capitalization of net profits, the face or nominal value of such shares; and, (iii) in the case of other shares received free of any payment, the stock market value of such shares if listed on a Peruvian stock exchange or, if not, the face or nominal value of such shares. The taxable cost will be established in accordance with these same rules if the ADSs or Common Shares were acquired before January 1, 2010 and, as of December 31, 2009, the acquired shares were exempt, whether the transferor is an individual or a legal entity and regardless of whether or not it is domiciled in Peru. When the transferor has acquired or received the shares through any of the acquisition alternatives previously mentioned or through other opportunities, the taxable cost will be established by its weighted average cost.

If the transferor is not domiciled in Peru, the Peruvian income tax on capital gains will be paid within the first twelve working days of the month following the receipt of the sale price by the non-domiciled transferor if (i) the sale is effected on a Peruvian stock exchange, in which case the 5% Peruvian income tax rate is applicable; or (ii) if the sale is effected elsewhere, but the purchaser is not domiciled in Peru, in which case the 30% Peruvian income tax rate is applicable. If the purchaser is domiciled in Peru and the sale is not performed on a Peruvian stock exchange, the purchaser will act as withholding agent and will withhold the 30% Peruvian income tax rate from the purchase price and pay it directly to the Tax Authority.

If the transferor is domiciled in Peru, such transferor takes sole responsibility for its Peruvian income tax on capital gains resulting from the sale or other disposition of ADSs or Common Shares, regardless of whether such securities are listed on a Peruvian stock exchange or elsewhere.

Other Considerations

No Peruvian estate or gift taxes are imposed on the gratuitous transfer of ADSs or Common Shares. No stamp, transfer or similar tax applies to any transfer of Common Shares, except for commissions payable by seller and buyer to the Lima Stock Exchange (0.15 percent of value sold), fees payable to CONASEV (0.05 percent of value sold), brokers' fees (about 0.05 percent to 1 percent of value sold) and added taxes (at the rate of 19 percent) on commissions and fees. Any investor who sells its Common Shares on the Lima Stock Exchange will incur these fees and taxes upon purchase and sale of the Common Shares.

United States Federal Income Tax Considerations

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

Cash Dividends and Other Distributions

Cash dividends paid with respect to Common Shares or Common Shares represented by ADSs generally are includible in the gross income of a U.S. Holder as ordinary income. Dividends generally are treated as foreign source income. Dividends paid to a U.S. Holder that is a corporation are not eligible for the dividends received deduction available to corporations. Under current law, a maximum 15 percent U.S. tax rate is imposed on the dividend income of an individual U.S. holder with respect to dividends paid by a domestic corporation or "qualified foreign corporation" if certain holding period requirements are met. A qualified foreign corporation generally includes a foreign corporation if (i) its shares are readily tradable on an established securities market in the U.S. or (ii) it is eligible for benefits under a comprehensive U.S. income tax treaty. Clause (i) will apply with respect to ADSs if such ADSs are readily tradable on an established securities market in the U.S. The ADSs are traded on the New York Stock Exchange. As a result, we believe that we should be treated as a qualified foreign corporation and, therefore, dividends paid to an individual U.S. holder with respect to ADSs for which the minimum holding period requirement is met should be taxed at a maximum rate of 15 percent. The maximum 15 percent tax rate is effective with respect to dividends included in income during the period beginning on or after January 1, 2003, and ending December 31, 2010. Dividends paid in Nuevos Soles are includible in a United States dollar amount based on the exchange rate in effect on the date of receipt (which, in the case of ADSs, will be the date of receipt by the Depositary) whether or not the payment is converted into U.S. Dollars at that time. Any gain or loss recognized upon a subsequent sale or conversion of the Nuevos Soles for a different amount of U.S. Dollars will be United States source ordinary income or loss. Distributions to U.S. Holders of additional Common Shares or preemptive rights with respect to Common Shares that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to United States federal income tax but in other circumstances may constitute a taxable dividend.

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

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

Capital Gains

U.S. Holders will recognize capital gain or loss on the sale or other disposition of ADSs or Common Shares (or preemptive rights with respect to such shares) held by the U.S. Holder or by the Depositary. U.S. Holders will not recognize gain or loss on deposits or withdrawals of Common Shares in exchange for ADSs or on the exercise of preemptive rights. Any gain recognized by a U.S. Holder generally will be treated as United States source income. Consequently, in the case of a disposition of Common Shares or ADSs in a transaction subject to Peruvian tax, the U.S. Holder may not be able to claim the foreign tax credit for any Peruvian tax imposed on the gain unless it has sufficient foreign source income from other sources against which it can apply the credit. Generally, gain or loss will be a long-term capital gain or loss if the U.S. Holder's holding period for such Common Shares or ADSs exceeds one year. Long-term capital gain for an individual U.S. Holder is generally subject to a reduced rate of tax. With respect to sales occurring on or after May 6, 2003, but before January 1, 2011, the long-term capital gain tax rate for an individual U.S. Holder is 15 percent. For sales occurring after December 31, 2010, under current law the long-term capital gain rate for an individual U.S. Holder is 20 percent.

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

Passive Foreign Investment Company

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

If we were a PFIC in any year during which a U.S. Holder owned ADSs or Common Shares, we would not be treated as a "qualified foreign corporation" for purposes of qualifying dividends paid to a U.S. Holder for the preferential 15 percent maximum U.S. tax rate noted above and the U.S. Holder would be subject to additional taxes on any excess distributions received from us and any gain realized from the sale or other disposition of ADSs or Common Shares (regardless of whether we continued to be a PFIC). A U.S. Holder has an excess distribution to the extent that distributions on ADSs or Common Shares during a taxable year exceed 125 percent of the average amount received during the three preceding taxable years (or, if shorter, the U.S. Holder's holding period for the ADSs or Common Shares). To compute the tax on an excess distribution or any gain, (i) the excess distribution or the gain is allocated ratably over the U.S. Holder's holding period for the ADSs or Common Shares, (ii) the amount allocated to the current taxable year is taxed as ordinary income and (iii) the amount allocated to other taxable years is taxed at the highest applicable marginal rate in effect for each year and an interest charge is imposed to recover the deemed benefit from the deferred payment of the tax attributable to each year.

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