

Obligations under the Syndicated Term Loan are guaranteed by our wholly-owned subsidiary, Condesa, and secured by a pledge of 10,565,130 of our Common Shares held by Condesa. The pledged shares are subject to daily market value reviews and if the market value of the delivered securities falls below 1.25 times the outstanding principal amount of the Syndicated Term Loan, we or Condesa will be required to deliver additional pledged securities or cash collateral or prepay a portion of the loan so that the value of all collateral pledged is equal to 1.50 times the outstanding principal amount of the Syndicated Term Loan. In addition, we may request the release of a portion of the delivered securities under certain circumstances if the market value of collateral provided is greater than 1.50 times the outstanding principal amount of the Syndicated Term Loan.

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.

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

Pursuant to Article 19, paragraph 1, item 1, of the Peruvian Income Tax Law, as amended by Legislative Decree 945 effective since January 1, 2004, and by Legislative Decree 970 effective since January 1, 2007, capital gains resulting from the sale or other disposition of ADSs or Common Shares are exempted from Peruvian income tax if (i) in the case of individuals, the transaction is effected on or before December 31, 2008; and (ii) in the case of shareholders other than individuals, the transaction is effected on a Peruvian stock exchange (floor session) on or before December 31, 2008. Legislative Decree 945 also amended Article 2 of the Peruvian Income Tax Law to define: (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. This definition of capital gains could imply that the gains effected from the sale or disposition of Common Shares on the Peruvian stock exchange (floor session) are not exempted from Peruvian income tax if such Common Shares are deemed not to be capital assets as defined in Article 2 of the Peruvian Income Tax Law. However, 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. Therefore, capital gains resulting from the sale or other disposition of ADSs or Common Shares are exempted from Peruvian income tax if the seller is an individual and the transaction is effected on or before December 31, 2008 or, if the seller is not an individual, the transaction is effected on a Peruvian stock exchange (floor session) on or before December 31, 2008. There is no assurance that this exemption will be extended beyond December 31, 2008.

An entity organized in Peru will be subject to Peruvian tax on capital gains from any sale on or before December 31, 2008 not effected on a Peruvian stock exchange. In addition, if Common Shares sold or disposed of on a Peruvian stock exchange are deemed not to be capital assets, they will not produce capital gains for purposes of enjoying the exemption described above. The amount of any taxable capital gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder.

With respect to any sale on or before December 31, 2008, an individual holder will be taxed on capital gains from the sale or other disposition of Common Shares only if (a) such individual (i) in the case of an individual domiciled in Peru, "customarily transacts in shares or other securities" or (ii) in the case of an individual not domiciled in Peru, "customarily transacts in shares issued by Peruvian companies" and (b) the sale of such shares is not effected on a Peruvian stock exchange, unless the first paragraph of Article 2 of the Peruvian Income Tax Law, as amended by Legislative Decree 945, is interpreted to deem that Common Shares are not capital assets and therefore they do not produce capital gains for purposes of enjoying the exemption described above. For this purpose, an individual "customarily transacts in shares or other securities" if such person makes at least ten purchases and at least ten sales of shares or other securities during the taxable year, and an individual "customarily transacts in shares issued by Peruvian companies" if such person makes at least ten purchases and at least ten sales of shares issued by Peruvian companies during the taxable year. The amount of any taxable gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder.

Sales effected after December 31, 2008

Legislative Decree 972, published on March 10, 2007 and effective since January 1, 2009, amended the Peruvian Income Tax Law. According to the amendments, capital gains resulting from the sale or other disposition of ADSs or Common Shares effective after December 31, 2008 shall be subject to Peruvian income tax, either if the transferor is an individual or a legal entity, domiciled or not domiciled in Peru, if the sale is effected on a Peruvian stock exchange or not, or if the sale is effected in Peru or outside Peru. 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.

An entity domiciled in Peru will be subject to Peruvian tax on capital gains from any sale, whether effected on a Peruvian stock exchange or not, at the regular 30 percent corporate income tax rate. The amount of any capital gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder.

An entity not domiciled in Peru will be subject to Peruvian tax on capital gains from any sale either effected on a Peruvian stock exchange or not, at a reduced 5 percent income tax rate, if the sale is effected in Peru. When the sale is effected outside Peru, the regular 30 percent income tax rate is applicable on capital gain. The amount of any capital gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder.

An individual holder will be subject to 30 percent income tax rate on capital gains from the sale or other disposition of Common Shares after December 31, 2008, if such individual (i) in the case of an individual domiciled in Peru, "customarily transacts in shares or other securities" or (ii) in the case of an individual not domiciled in Peru, "customarily transacts in shares issued by Peruvian companies." For this purpose, an individual "customarily transacts in shares or other securities" if such person makes at least ten purchases and at least ten sales of shares or other securities during the taxable year, and an individual "customarily transacts in shares issued by Peruvian companies" if such person makes at least ten purchases and at least ten sales of shares issued by Peruvian companies during the taxable year. The amount of any capital gain will be the excess of the sale price of the Common Shares over the price of Common Shares when acquired by the holder.

If the individual holder is domiciled in Peru, any capital gain resulting from the first ten sales of shares or other securities issued by Peruvian companies effected during the taxable year, shall be subject to the reduced effective 5 percent income tax rate (6.25 percent nominal income tax rate on the net capital gain, that is 80 percent of the gross capital gain) and any taxable capital gain resulting from the eleventh sale and from further sales during the taxable year, shall be subject to the corporate 30 percent income tax rate, being meaningless if the sale is effected in Peru or outside Peru.

If the individual holder is not domiciled in Peru, any capital gain resulting from the first ten sales of shares or other securities issued by Peruvian companies effected during the taxable year, shall be subject to the reduced effective 5 percent income tax rate if the sale is effected in Peru. Any capital gain resulting from the first ten sales of shares issued by Peruvian company during the taxable year if effected outside Peru and any capital gain resulting from the eleventh sale and from further sales during the taxable year, either effected in Peru or outside Peru, shall be subject to the corporate 30 percent income tax rate.

The acquisition price is required to calculate the capital gain resulting from the sale or other disposition of ADSs or Common Shares registered in the Public Registry of the Stock Market and traded on a Peruvian stock exchange. For shares acquired on or before January 1, 2009, the acquisition price shall be established by the Reference Table based on the Peruvian stock exchange prices that will be published by the Ministry of Economy and Finance.

If the transferor is an individual either domiciled in Peru or domiciled outside Peru or if the transferor is a legal entity not domiciled in Peru, the applicable income tax on capital gains resulting from the sale or other disposition of ADSs or Common Shares, shall be withheld by the purchaser from the purchase price and paid directly to the Tax Authority. It is expected that new provisions will be enacted to ensure the tax withholding responsibility when the transaction is effective on a Peruvian stock exchange. However there is no assurance that the expected new provisions will not affect the sale or other disposition of ADSs or Common Shares traded on the Peruvian stock exchange. If the transferor is a legal entity domiciled in Peru there is no withholding tax responsibility.

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 before May 6, 2003, or 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.

Information Reporting and Backup Withholding

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